



CARNABY
COVENT GARDEN
CHINATOWN
BERWICK STREET
CHARLOTTE STREET
ST MARTIN'S COURTYARD

*inside
this issue*

CHAIRMAN'S
STATEMENT

BUSINESS
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CORPORATE
GOVERNANCE

CORPORATE
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FINANCIAL
STATEMENTS

Shaftesbury PLC
ANNUAL REPORT
2009





COVENT GARDEN

sevendials.co.uk

SHAFTESBURY'S STRATEGY IS TO INVEST ONLY IN THE MOST CENTRAL AND BUSY DISTRICTS WITHIN LONDON'S WEST END. OUR PROPERTIES ARE SURROUNDED BY A UNIQUE CONCENTRATION OF THEATRES, CINEMAS, MUSEUMS, GALLERIES, HISTORIC BUILDINGS AND ROYAL PARKS, WHICH MAKE LONDON THE WORLD'S MOST POPULAR CITY DESTINATION FOR VISITORS.

OUR WHOLLY OWNED PORTFOLIO COVERS 11 ACRES ACROSS FIVE DISTRICTS: CARNABY, COVENT GARDEN, CHINATOWN, BERWICK STREET IN SOHO AND CHARLOTTE STREET IN FITZROVIA. IT NOW INCLUDES 484 SHOPS, RESTAURANTS, CAFES AND BARS AND 310 APARTMENTS, WHICH TOGETHER PROVIDE 79% OF OUR CURRENT INCOME. OUR LONGMARTIN JOINT VENTURE, WHERE THE ST MARTIN'S COURTYARD SCHEME IS WELL ADVANCED, COVERS ANOTHER 1.9 ACRES.

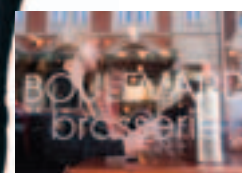
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WELCOME TO

CARNABY

CARNABY STREET

CARNABY

carnaby.co.uk

financial highlights

2005	355*
2006	460*
2007	503*
2008	376*
2009	335

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

2005	10.1
2006	9.6
2007	11.5
2008	14.9
2009	21.1

Adjusted profit on ordinary activities after tax
(£million) - see page 9

2005	3.90
2006	4.40
2007	5.97
2008	8.57
2009	10.60

Dividends declared per share (pence)

		2009	2008	Change
Net property income	£m	54.5	51.3	+6.2%
Adjusted profit before tax*	£m	21.3	15.3	+39.2%
Adjusted diluted earnings per share**	pence	11.2	8.5*	+31.8%
(Loss)/profit (including fair value movements in respect of investment properties and financial derivatives) before tax				
	£m	(58.1)	(220.9)	-
Diluted (loss)/earnings per share	pence	(31.3)	(124.6)*	-
Interim dividend per share	pence	7.50	5.00	+50.0%
Final dividend per share	pence	4.75	6.00	-20.8%
Total distribution	£m	21.0	14.9	+41.0%
Property assets at book value	£m	1,210.0	1,207.3	-
Adjusted net assets***	£m	763.4	656.9	-
Adjusted diluted net assets per share**	pence	335	376*	-10.9%
Net assets	£m	717.3	642.3	-
Diluted net asset value per share	pence	315	367*	-14.2%

* Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009

** Adjusted to exclude property and financial derivatives fair valuation movements, gain on sale of investment properties (see page 9)

*** Adjusted to exclude fair valuation of financial derivatives (see page 9)

performance summary

for the year ended 30 September 2009

	Shaftesbury Group	Benchmark
Capital value return		
(the annual valuation movement and realised surpluses or deficits 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)		
	2008	IPD UK Monthly Index: Capital Values* -25.3% -22.6%
		-3.8% -15.6%
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)		
	2008	IPD UK property Monthly Index: Total Return* -19.2% -18.1%
		+0.5% -12.0%
Net asset value return		
(the change 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 adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009)		
Based on adjusted net assets	2008	-8.1% -23.7%
Based on reported net assets	2008	-11.3% -24.9%
Total shareholder return		
(the change 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, adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009. Based on year end share price £3.57 (2008: Actual £4.22 or £3.29 adjusted for the Rights Issue))		
	2008	FTSE 350 Real Estate Index: -27.6% -27.6%
		+13.5% -12.8%

*Source: Investment Property Databank Limited ©2009

Shaftesbury Group data (other than Total Shareholder Return) derived from financial results.





敦誼克紹漢天威

CHINATOWN

chinatownlondon.org

directors, officers and advisors

1 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.

2 Brian Bickell

FCA

Finance Director

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

3 Simon J Quayle

BSc, MRICS

Director

Joined in 1987 and appointed a Director on 1.10.1997. Responsible for strategy and management of the Carnaby village, the properties in the vicinity of Berwick Street and the Longmartin joint venture.

4 Thomas J C Welton

MRICS

Director

Joined in 1989 and appointed a Director on 1.10.1997. Responsible for strategy and management of Chinatown, the Covent Garden villages and Charlotte Street.

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

5 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 and Deputy Chairman of Colliers CRE plc. Non-executive director of SABMiller plc.

6 John R K Emly*

FCIS

Non-executive Director. Chairman of the Remuneration Committee

Appointed to the Board on 16.10.2000 and Senior Independent Director from 1.10.2004 to 30.9.2009. Investment director of the Civil Aviation Authority Pension Scheme. Non-executive 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.

7 W Gordon McQueen*

BSc, CA, FCIBS

Senior Independent Director. Chairman of the Audit Committee

Senior Independent Director from 1.10.2009. Appointed to the Board on 25.4.2005. Non-executive director of Scottish Mortgage Investment Trust plc and JP Morgan Mid-Cap Investment Trust plc.

8 Oliver J D Marriott*

Non-executive Director

Appointed to the Board on 23.9.2009. A former financial journalist and his roles included property editor on the Investors Chronicle and financial editor of The Times. He left journalism in 1969 and became a founder director of Sterling Guarantee Trust which merged in 1985 with P&O. From then until 1991 he was a non-executive director of P&O and from 1986 until 1991 he was Chairman of the Trustees of P&O Pension Fund. From 1979 to 1985 he was chairman and managing director of Churchbury Estates, a quoted property company which was acquired by Greycoat. In 1985 he formed a private property investment company, Ilex Limited, of which he was chairman and managing director, backed by ten leading institutions. Ilex was sold to Great Portland Estates.

Stockbrokers

JPMorgan Cazenove
Merrill Lynch International
Noble & Company

Principal Bankers

Bank of Scotland
Clydesdale Bank PLC
GE Real Estate Finance Limited
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
(wholly owned portfolio)
Knight Frank LLP
(Longmartin joint venture)



Secretary and Registered Office

Penny Thomas, LLB (Hons), FCIS
Pegasus House
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Fax: 020 7333 0660
e-mail: shaftesbury@shaftesbury.co.uk
Registered Number: 1999238

Websites

Corporate:
www.shaftesbury.co.uk

Includes Annual and Interim Reports Library from 2002 and recent corporate announcements. News alert service allows registered users to receive e-mail alerts of new announcements.

Villages:

www.carnaby.co.uk
www.sevendials.co.uk
www.operaquarter.co.uk
www.stmartinscourtyard.com
www.chinatownlondon.org



December

Christmas lights

The best unsponsored Christmas installations in London appear in Carnaby – 13 giant 12 ft snowmen cascaded around the 12 streets of Carnaby.

December

Seven Dials Shopping Angels

A unique personal shopping service in the heart of Seven Dials, Covent Garden's Hidden Village.

events during the

SOME OF THE EVENTS DURING THE YEAR SHAFTESBURY HAS ORGANISED TO PROMOTE ITS VILLAGES

November

Silent Disco

To celebrate the Christmas Decorations Carnaby turned into a Silent Disco with Norman Jay, OBE, playing to the crowd.

January

Chinese New Year

Celebrating the Chinese Lunar New Year, lions dances, firecrackers throughout Chinatown, Leicester Square and Shaftesbury Avenue.



May and November**Carnaby Shopping Evenings**

Carnaby Shopping Events – promoting the shops, cafes, bars and restaurants in the 12 streets of Carnaby.

February**Seven Dates in Seven Dials**

Valentines Day promotion in Seven Dials.

May**City Showcase**

Showcasing new and emerging musical talent in 10 shops within Carnaby and included a live stage in Gerrard Street, Chinatown.

September**London Fashion Weekend**

20% discount at selected retailers within Seven Dials and Opera Quarter over four days to celebrate London Fashion Week.

August - October**Wish You Were Here**

A celebrated slice of London descended on New York's Lower East Side, followed by a reciprocal visit to the Newburgh Quarter featuring Big Apple's best.

October**London Restaurant Festival**

Chinatown celebrated the first London Restaurant Festival with a cultural arts stage in Gerrard Street, lion dances and great festival menus.

Throughout the year**Pop-Up Exhibitions and Art Sponsorship**

Carnaby and Seven Dials facilitated some of the most cutting edge exhibitions within London.

June**Swinging Carnaby**

Working alongside the Greater London Authority promoting the History of London – Carnaby celebrates all things 60s including a live music stage and shop promotions within Carnaby.

The unprecedented turmoil in global financial markets in the first half of our financial year has now subsided, although its impact on the wider economy is still evident.

In contrast, throughout the year, the West End economy, on which our prosperity depends, has been resilient, with visitor numbers and spending rising. As a result, demand for our shops, restaurants and residential accommodation has remained healthy and our rental income continues to grow strongly. Also, with confidence returning to investment markets, we have seen a marked recovery in the capital values of our well located properties in the second half of the year.

Our results

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

Net assets at 30 September 2009, adjusted as shown in the table opposite to exclude the fair value of financial derivatives, totalled £763.4 million, equivalent to a diluted net asset value per share of £3.35. Adjusting the

2008 comparative figures for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009, the decrease in adjusted diluted net asset value per share over the year £0.41, a reduction of 10.9% (2008: reduction of 25.4%). The reduction in adjusted diluted net asset value per share before the payment of dividends amounted to 8.1% (2008: reduction of 23.7%).

Shareholders' funds reported in the unadjusted Group Balance Sheet at 30 September 2009 totalled £717.3 million, equivalent to a diluted net asset value per share of £3.15. Adjusting the 2008 comparative figures for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009, the decrease in unadjusted shareholders' funds since the last year end amounted to £0.52 per share (diluted), a reduction of 14.2% (2008: reduction of 26.5%). The reduction in unadjusted diluted net asset value per share before the payment of dividends amounted to 11.3% (2008: reduction of 24.9%).

As shown in the table opposite, profit before tax for the year ended 30 September 2009, adjusted to exclude profits on the disposal of investment properties, and the fair valuation movements in respect of investment properties and financial derivatives,

amounted to £21.3 million, an increase of 39.2%, compared with £15.3 million in the same period last year.

Rental income adjusted for lease incentives increased by £3.9 million to £61.7 million compared with last year. Property outgoings rose by £0.7 million to £7.2 million, so that net property revenue increased by £3.2 million to £54.5 million, an uplift of 6.2%.

Interest payable fell by £4.1 million to £26.4 million over the year. Interest rates are at unprecedentedly low levels, which have benefitted the unhedged portion of our floating rate bank debt. However these low rates have had an adverse impact on the fair valuation of our long term interest rate swaps, which has resulted in an increase of £31.6 million in their non-cash accounting deficit. This deficit will reverse as interest rates gradually return to their long term historic averages.

The loss before tax reported in the Income Statement was £58.1 million (2008: loss £220.9 million) and included investment property revaluation deficits of £48.1 million (2008: £222.6 million) and the increase in the fair value deficit of financial derivatives of £31.6 million (2008: £13.9 million) referred to opposite.

chairman's STATEMENT

Provision for current and deferred tax on the adjusted profit for the year amounted to £0.2 million (2008: £0.4 million). The Group's wholly-owned business is subject to the REIT regime so net rental income and gains included in results for the year are exempt from corporation tax. The wholly owned Group has little other taxable income or gains and consequently has a minimal tax charge.

Our interest in the Longmartin Joint Venture has remained outside our REIT group, so provisions for corporation and deferred tax continue. We are continuing to discuss with our partner the changes to our joint venture arrangements that would be necessary if we were to include our interest in our REIT group. Currently the earliest date this could be effected is 1 October 2010.

The profit after tax for the year, adjusted for the items referred to above, amounted to £21.1 million (2008: £14.9 million). The loss after tax reported in the Group Income Statement amounted to £58.4 million (2008: £216.1 million).

Dividends

As a Real Estate Investment Trust, we are required to distribute a minimum of 90% of net rental income of the wholly owned group, calculated by reference to tax rather than accounting rules. For shareholders this means our total distributions relating to this part of our business are increasing in line with the underlying growth in our net rental income and will continue to do so in the future.

Your Directors are pleased to recommend a final dividend of 4.75p per Ordinary share. Based on 226.9 million shares in issue at the year end, this represents a distribution of £10.8 million. This compares with last year's final dividend distribution of £8.1 million, equivalent to 6.0p per Ordinary share. The reduction in the amount per share reflects the increased number of shares in issue since our Rights Issue.

Together with the interim dividend of 7.5p (2008: 5.0p), this will bring the total distribution in respect of this year to £21.0 million or 12.25p per share (2008: £14.9 million or 11.0p), an increase in the total distribution of 41%. The final dividend will be paid entirely as a Property Income Distribution ("PID").

	Total £ million	2009 Diluted net asset value per share £	Total £ million	2008 Diluted net asset value per share* £
Net assets reported in the Group Balance Sheet	717.3	3.15	642.3	3.67*
Adjusted for:				
Fair value adjustment in respect of financial derivatives	46.1		14.6	
Adjusted net assets	763.4	3.35	656.9	3.76*

*Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009

	2009 £ million	2008 £ million
Loss before tax reported in the Group Income Statement	(58.1)	(220.9)
Adjusted for:		
Profit on disposal of investment properties	(0.3)	(0.3)
Deficit arising on revaluation of investment properties	48.1	222.6
Movement in fair value of financial derivatives	31.6	13.9
Adjusted profit before tax	21.3	15.3
Taxation charge/(credit) reported in the Group Income Statement	0.3	(4.8)
Adjusted for:		
Current tax in respect of REIT conversion charge incurred in connection with a company acquired during the year	(0.1)	(0.1)
Deferred tax in respect of revaluation of investment properties	-	5.3
Adjusted tax charge on the adjusted profit	0.2	0.4
Adjusted profit after tax	21.1	14.9



Our portfolio

Our property portfolio has been valued at 30 September 2009 at £1,210.0 million resulting in a revaluation deficit for the full year of £48.1 million. Allowing for acquisitions and capital expenditure during the year, this represents a reduction of 3.8% in the book value over the year. The IPD UK Monthly Index: Capital Values for all classes of commercial property fell by 25.3% over the same period. Our portfolio showed a total return for the year of 0.5% compared with the IPD UK Monthly Index: Total Returns for all classes of commercial property, which showed a negative return of 19.2%.

Our values recovered in the second half of the year, producing a revaluation surplus equivalent to 7.1% of book value at the half year, adjusted for acquisitions and expenditure in the second half. This has off-set much of the 10.0% fall in the six months to 31 March 2009. There has been a noticeable increase in the final quarter of the year in investment demand and transactions, particularly for well located investments such as ours, where there is also tangible evidence of healthy tenant demand and growing rents.

Over the year as a whole, the revaluation deficit attributable to our wholly owned portfolio amounted to 2.8% of its adjusted book value. Carnaby's deficit amounted to 3.4% of its adjusted book value. Here there is substantial, but as yet un-contracted, reversionary income from shops and restaurants and 33% of the income in this village still comes from offices where rents have fallen and average lease lengths are only four years. Covent Garden, our most mixed-use village, showed a revaluation deficit of 2.3%. Chinatown's deficit amounted to 1.6%, the least of all of our locations, as was the case last year. In this village, restaurants and leisure uses continue to provide 59% of rental income with leases which have an average unexpired term of 15 years. Only 7% of Chinatown's income now comes from offices.

The revaluation deficit attributable to our Berwick Street properties was 10.8% of adjusted book value. At present many of the properties are in poor condition and offices currently comprise almost half of the income, so this outcome is unsurprising. We are confident that our initiatives in this area will produce good capital growth over the medium term as we advance our strategy.

The properties owned in the Longmartin Joint Venture showed a revaluation deficit of 18.4% of adjusted book value. Once again this year, the fall is much as we would expect, and reflects valuers' cautious view of the risks inherent in a speculative scheme such as St Martin's Courtyard, where works are in progress and most of the commercial and residential accommodation was unlet at the year end. We are confident that when this project is complete and substantially let, its value should improve materially.



Portfolio reversionary potential

	Valuers' estimates			Attributable to	
	Current gross income £million	Estimated rental value £million	Reversionary potential £million	Wholly owned Group £million	Longmartin £million
At 30 September 2005	49.8	60.6	10.8	10.8	-
At 30 September 2006	53.9	66.0	12.1	11.3	0.8
At 30 September 2007	57.9	72.4	14.5	13.1	1.4
At 30 September 2008	60.4	80.2	19.8	13.9	5.9
At 30 September 2009	63.4	78.3	14.9	9.7	5.2

The equivalent yield attributed by our valuers to our wholly owned portfolio at 30 September 2009 was 5.62%, compared with 5.65% at the previous year end and 6.02% at 31 March 2009.

Notwithstanding continuing unsettled conditions in property markets, DTZ, the valuers of our wholly owned portfolio, have once again 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, as a consequence of these unusual factors, that some prospective purchasers may consider that parts of the wholly owned portfolio, when combined, may have a greater value than that currently reflected in the valuation that we have adopted in our results.

Our valuers have estimated the rental value of our portfolio, including our share of the Joint Venture at £78.3 million compared with £80.2 million at 30 September 2008. This contrasts with the portfolio's current passing income of £63.4 million (30 September 2008: £60.4 million). Of the total reversion of £14.9 million, £9.7 million arises in the wholly owned portfolio and £5.2 million relates to our share of Longmartin's potential additional income.

The decrease in the estimated rental value of our portfolio over the year is attributable almost entirely to offices. Retail and restaurant rental values have not suffered and, in several locations, have shown growth over the year. We are confident, that over time and as we have done in past years, we shall continue to crystallise the reversionary potential which is embedded in these two uses, which represent 72% of the estimated rental value of our wholly owned portfolio.

Finance

Our financial resources are substantial. The Rights Issue approved by shareholders in June 2009 raised £149.1 million, net of expenses, which has strengthened our equity base and provided us with the resources to continue the expansion of our portfolio. At the year end we had committed, unutilised bank facilities of £213.8 million available to finance future acquisitions. We remain comfortably within the covenants contained in our £575 million of committed facilities. The average margin payable on these facilities is 0.81% and our earliest facility maturity is April 2016.

Total Shareholder Return

Over the year as a whole, adjusting for the impact of the Rights Issue, we delivered a positive total shareholder return of 13.5%, compared with a negative return of 27.6% shown by the FTSE 350 Real Estate Index, our chosen benchmark. This material out-performance reflects the equity market's evaluation of the resilience and qualities of our unique portfolio and its continuing prospects for income and capital growth.

Equity market sentiment towards real estate has improved considerably in recent months as financial stability has returned to the sector and the wider economy. However, markets remain volatile and it is impossible to predict how sentiment will react to the considerable challenges faced by the UK economy in 2010.

Board changes

We were greatly saddened by the sudden death of Alastair MacDonald at the end of March. Alastair had been a non-executive Director since December 2001, and his wise counsel and experience will be greatly missed.

Patience Wheatcroft, who joined as a non-executive Director in March last year, resigned in September as she decided to take a full time position as European editor of the Wall Street Journal, which precluded her from holding any corporate directorships. During her short tenure, Patience made a very valuable contribution to the Board and we are sorry she has been unable to remain with us.

We are pleased to welcome Oliver Marriott to the board as a non-executive Director. Oliver has long and extensive experience in the real estate sector and investment management and his skills and knowledge will be a great benefit to us.

Prospects

Our highly specialised and uniquely located portfolio of exciting and eclectic West End villages, which would be very difficult to replicate, has shown exceptional stability and prosperity in the face of almost unprecedented economic difficulties over the last year.

Our consistent out-performance over fifteen years gives us confidence that we will continue to prosper and be able to deploy our substantial financial resources to acquire more assets in our chosen areas to complement our portfolio.

P John Manser
Chairman

1 December 2009



A photograph of two women sitting at a bar. The woman on the left has blonde hair and is wearing a black dress with a silver, scale-like pattern on the back. She is smiling and looking towards the right. The woman on the right has dark hair and is wearing a blue sleeveless top with a sequined back. She is holding a glass of red wine. The background is a wall made of large, glowing, rectangular blocks that create a warm, orange light. The women are sitting on red upholstered bar stools.

business





review



OPERA QUARTER

operaquarter.co.uk



BUSINESS REVIEW

our strategy

Our strategy is to invest only in the most central and busy districts within London's West End in an area bounded by Regent Street to the west and Kingsway to the east, with the objective of delivering long-term rental and capital growth. To this end, we seek to accumulate clusters of properties and to introduce a mix of uses appropriate for each area, with an emphasis on shops, restaurants, cafes, bars and clubs.

We initiated this strategy almost 17 years ago in the recession of the early 1990s, when we realised that both tenant demand and rents remained stable throughout that recession in the 32 properties that we then owned in Chinatown. From that nucleus has emerged our unique portfolio which now includes 484 shops, restaurants, cafes and bars in our wholly owned portfolio across five districts: Carnaby, Covent Garden, Chinatown, Berwick Street in Soho and Charlotte Street in Fitzrovia. These wholly owned buildings cover in total about 11 acres and our Longmartin Joint Venture covers another 1.9 acres. We believe that the geographical focus and nature of our portfolio is unique amongst REITs and other quoted property companies in the UK and Europe.

Our choice of locations, together with our active approach to estate management, reduces the cyclical tendencies inherent in property investment. This strategy has, over a long period, produced substantial out-performance in rental and capital values as well as in Total Returns for our shareholders. The past two difficult years have been no exception. In the two years to 30 September 2009, the value of our properties fell by 19.4% in contrast to the 42.2% fall in the IPD UK Monthly Index.

It is also significant that the estimated rental value of our portfolio as a whole has remained very stable and that the rental values of our shops, restaurants and apartments, which comprise 81% of our portfolio, have continued to grow as demand has remained buoyant across our villages.

Our success is underwritten by the many attractions of London, one of the World's truly "global cities". With more than 26 million visitors each year and over 30 million people in England living within easy access for making day trips, London is the World's most popular city destination for visitors and, as a result, is not as reliant on the UK economy for its prosperity as other domestic locations. It has been our experience at times of economic downturn such as now, that consumer spending in the West End is even more resilient than elsewhere in London.

London is also exceptionally cosmopolitan. It is one of the most culturally renowned cities and has an extensive heritage. Our properties, which are all in the heart of the West End, are surrounded by a unique concentration of theatres, cinemas, museums, galleries, historic buildings and royal parks. London's 40 theatres offer a huge range of entertainment, from high quality plays and musicals to innovative drama, and attract large numbers of visitors to our areas.

Over the past two years the decline in the value of sterling against the Euro and most other major currencies has greatly contributed to the number of leisure visitors and spending in the West End. The number of European tourists, which has been rising steadily in recent years, has increased markedly over the past year. The weakness of sterling has also encouraged more domestic visitors to visit London rather than travel to Europe for short break holidays.

The staging of the Olympics in less than three years time has been an important catalyst for the Mayor of London and Westminster City Council to improve the quality of pavements, streets and the public realm in Central London, including most recently Oxford Circus and Piccadilly Circus. Whilst we welcome this investment, which in some cases is long overdue, the proliferation of schemes concurrent with the comprehensive replacement of all the Victorian water mains can, in the short term, be severely disruptive for shops and restaurants affected by these works.

We are akin to "urban farmers" who specialise in city centre regeneration. We know all our tenants and have an in-depth understanding of the markets in which we work. Together with our consultants, we have specialist knowledge and considerable experience of how to make the most out of older and often listed buildings located in crowded conservation areas.

Our proven approach to estate management, which is attracting interest from other cities, is evident across all our villages:

- We invest in clusters of properties, which have excellent public transport and are close to streets such as Regent Street, Leicester Square and Covent Garden's Piazza, but where rental levels are relatively much lower. We seek to establish distinctive destinations. Many of our acquisitions are of unmodernised properties. Through sympathetic refurbishments and changes of use, we introduce predominately higher value retail, restaurant, leisure and residential uses so as to generate increased, but less cyclical income with lower obsolescence.
- We work closely with Local Authorities and community groups to devise and implement regeneration projects both for our buildings and for the public environment, in particular, streets, pavements, lighting and security.
- Our regeneration projects are long term. Assembling a critical mass of properties in a location, restoring the buildings and introducing the mix of uses and tenants that we seek, can take up to five years to initiate and establish.



BUSINESS REVIEW

portfolio

We are very selective in what we buy. We are patient but very determined in the pursuit of those assets that we believe will complement and enhance our portfolio. Even under normal market conditions, the number of properties available to purchase at any one time in the West End, and which also meet our investment criteria, is few. The recent extreme dislocation in financial markets and rapid fall in property values have, over the last 18 months, virtually halted investment activity generally. In our market, where income and values have proved to be exceptionally resilient, owners have been particularly reluctant to sell secure assets which are difficult to replace.

Despite challenging conditions during the year to 30 September 2009 we bought, or contracted to buy, properties with a total cost of £29.8 million. They include sixteen shops and three restaurants, some with offices or apartments above. We have substantial resources to make acquisitions as liquidity returns to property markets and we are continuing to investigate a number of interesting opportunities.

We let our shops and restaurants in shell form, so that the costs that we incur and the obsolescence that we suffer are low. As in previous years, our capital expenditure in the wholly owned portfolio was modest and totalled £10.3 million, representing under 1% of its capital value.

Within the Longmartin Joint Venture, the St Martin's Courtyard scheme is now well advanced, with all the accommodation due for completion in phases within the current financial year. Our share of Longmartin's total capital expenditure was £10.3 million in the year ended 30 September 2009 and we expect to spend a further £15.0 million in the current year to complete the Courtyard project.

As we anticipated, we made no sales in the year. We only buy properties appropriate to our long term strategy. Any sales that we do make are usually to special purchasers.

In the year to 30 September 2009, the value of commercial lettings has been very stable both in total and for each use and were almost identical to those contracted in 2007 and 2008. We let commercial space with a rental value of £3.1 million per annum comprising £1.6 million of shops, £0.6 million of restaurants and £0.9 million of offices.

At 30 September 2009 the rental value of wholly owned vacant commercial accommodation, including space subject to planning applications or being refurbished, was £3.2 million, which represents 4.4% of the estimated rental value of our wholly owned portfolio. Of this, £1.1 million (1.5%) was ready to let and not under offer.

At the year end we had fifteen apartments which were ready to let, with a total rental value of £0.3 million per annum.

Within Longmartin, our 50% share of the estimated rental value of vacant units in the St Martin's Courtyard scheme is approximately £5.1 million per annum, of which £1.2 million had been pre-let at the year end.



activity

Our wholly owned portfolio

Our wholly owned portfolio at 30 September 2009 included 315 shops extending to 375,000 sq. ft. They produce 42% of current income, have an average annual rent of £83,000 and an average unexpired lease term of six years. Of our 21 vacant shops, fifteen are small units. Of the six shops of above average size, which have a combined rental value of £0.9 million (55% of the ERV of vacant shops), two were under offer and one under refurbishment at the year end.

We have 169 restaurants, cafes, bars and clubs, with a total area of 406,000 sq. ft., of which about 120 are located very close to the West End's principal theatres and cinemas. These uses produce 28% of current income. Leases are usually initially for 25 years and the current average of unexpired terms is thirteen years. As the leases and licences are valuable assets for tenants, defaults are rare. Of our two vacant units at the year end, one is under offer and the other is being reconfigured. Strict planning and licensing regulations in the West End restrict the supply of new restaurants. We have excellent demand from experienced operators with new concepts.

Our office space continues to reduce in significance. It extends to 420,000 sq. ft. across 348 tenancies, but now represents only 21% of current rents and 19% of estimated rental value. Our office leases are short with an average unexpired term of three years. Of the 38 offices which were vacant at the year end, many were small, with an average size of 1,000 sq. ft., and an average estimated rental value of £32 per sq. ft. For most of the year demand for offices was weak, but in recent weeks there has been an increase in enquiries for our smaller offices.

We had a similar experience this time last year and it will be interesting to see if, on this occasion, demand continues into the New Year.

Our investment in residential accommodation continues to grow, and now represents 9% of our current income. We now have 310 apartments, and at the year end had made planning applications for a further 27 units. Our apartments usually let within a month of becoming available, with tenants staying two to three years on average.

Analysis of Wholly Owned Vacant Commercial Space at 30 September 2009

	Shops £million	Restaurants and leisure £million	Offices £million	Total £million
Estimated Rental Value				
Under refurbishment	0.5	-	0.6	1.1
Ready to let	0.5	0.1	0.5	1.1
Under offer	0.6	0.2	0.2	1.0
Total	1.6	0.3	1.3	3.2
Number of units	21	2	38	-
Area - '000 sq. ft.	25	3	42	70





Great Marlborough Street



Kingly Street



Lowndes Court



Kingly Court



Foubert's Place



Broadwick Street



Ganton Street



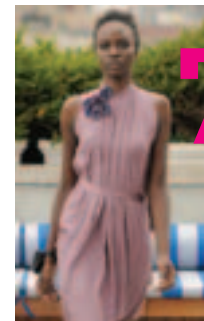
Beak Street



Marlborough Court



Newburgh Street



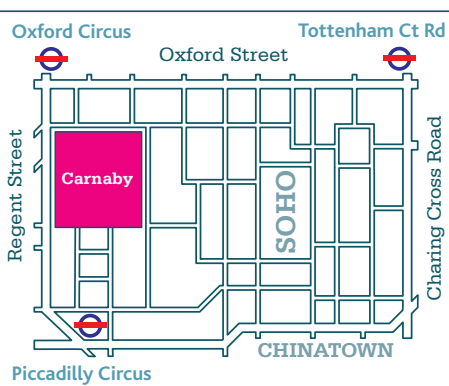
Marshall Street



Carnaby Street

Carnaby

LONDON W1



At the heart of **London's West End**, Carnaby is the number one **shopping** destination for **individual** style with leading international brands, **bars** and **restaurants**, covetable fashion and lifestyle products. **12 stylish** and **vibrant** streets packed with **exciting** concept boutiques and flagship stores.

UNIQUE
STREETS

CARNABY REPRESENTS 37% OF OUR PROPERTY ASSETS. EXTENDING OVER TWELVE STREETS, IT IS OUR LARGEST VILLAGE, WITH 43% OF OUR SHOPS AND 58% OF OUR OFFICES.

BUSINESS REVIEW

carnaby

It contains many of the largest and most valuable shops and offices in our wholly owned portfolio. Thirteen of our 20 largest tenants are located in Carnaby. Many of our Carnaby offices are occupied by fashion retailers who have shops within the village or close by.

This year Carnaby has received considerable attention from the media as a dynamic and internationally renowned retail and leisure destination with informal places to eat and a great night life.

There is a healthy demand throughout Carnaby and we continue to attract interest from national and international retailers. We have recently secured vacant possession of three larger shops, two of which are under offer to existing short term tenants who want more space and longer leases.

As part of our strategy to maintain the appeal of Carnaby, we are always keen to introduce new retailers to refresh the tenant mix. For our smaller shops where appropriate we are able to offer flexible, short term contracts to encourage "pop up" units and new concepts which allow retailers to trial their ideas. If they demonstrate they are able to trade successfully, we endeavour to provide them with long term accommodation to match their requirements.

Our extensive ownership in Carnaby presents us with a number of potentially interesting opportunities for regeneration and improvement over the coming months. Whilst our initial plans to develop 36-39 Carnaby Street have yet to obtain planning consent, we continue to maintain income from these properties until we are in a position to commence our scheme.

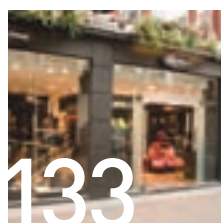
Westminster City Council, having made Kingly Street traffic free for part of the day, plans in 2010 to upgrade the street surfaces, and to make the pedestrianisation arrangements permanent. Once this has occurred, it should enable us, over time, to improve the quality of many of our properties along almost the whole of the east side of Kingly Street. A mixed use scheme at 27-28 Kingly Street is already well advanced and due for completion early in 2010.

Carnaby Statistics

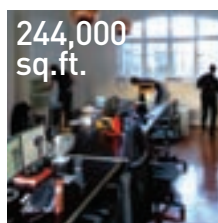
30 September 2009

Valuation	£442.8 million
Percentage of portfolio	37%
Acquisitions during year	-
Capital expenditure in year	£4.2 million
Capital value return	-3.4%

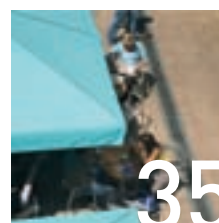
	Number	Area sq. ft. £'000	% of current gross income
Shops	133	172	51
Restaurants, cafés and leisure	35	77	12
Offices (tenancies)	172	244	33
Residential	58	40	4



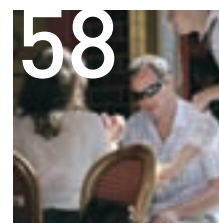
SHOPS



OFFICES



RESTAURANTS, CAFÉS
AND LEISURE



RESIDENTIAL

OUR WHOLLY OWNED INVESTMENTS ACROSS COVENT GARDEN REPRESENT 27% OF OUR PROPERTY ASSETS, OR 32% INCLUDING OUR 50% SHARE IN THE LONGMARTIN JOINT VENTURE.

BUSINESS REVIEW

covent garden

The area's origins as a market district have given Covent Garden a unique heritage of period buildings, and a very distinctive yet local atmosphere. It houses both of London's Opera Houses together with the Royal Ballet School and half of London's theatres. Covent Garden is a popular residential location and our wholly owned properties now include as much residential as office accommodation. We continue our strategy of converting poorer offices to higher value residential use wherever possible.

Seven Dials, with its unusual seventeenth century street pattern and many period buildings, is often called Covent Garden's "secret village". The area is renowned for alternative fashion and lifestyle and is popular with tourists as well as Londoners. Currently, we have three shops to let, of which two are under offer. We expect Seven Dials will both complement and benefit from the opening in 2010 of the shops and restaurants at St Martin's Courtyard, where contracted and estimated rents are higher than those in Seven Dials.

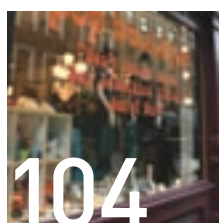
The Opera Quarter is now well established as a high quality, yet affordable, restaurant district, underpinned by seven of London's busiest theatres and several well known hotels in the immediate vicinity. Over the last four years we have completed and let eleven important refurbishment schemes and further projects are planned for 2010.

Covent Garden Statistics (wholly owned)

30 September 2009

Valuation	£327.7 million
Percentage of portfolio	27%
Acquisitions during the year	£1.7 million
Capital expenditure in year	£2.3 million
Capital value return	-2.3%

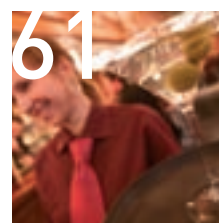
	Number	Area sq. ft. £'000	% of current gross income
Shops	104	126	49
Restaurants, cafés and leisure	61	125	22
Offices (tenancies)	65	91	15
Residential	132	90	14



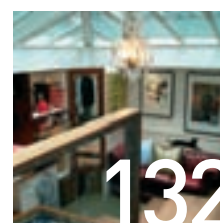
SHOPS



OFFICES



RESTAURANTS, CAFÉS
AND LEISURE



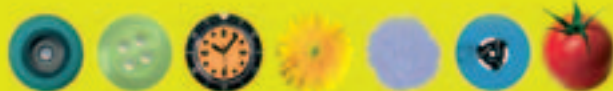
RESIDENTIAL

Turn left

into Neal Street and discover

Seven Dials, Covent Garden's hidden village

A diverse mix of urban flagships, high fashion boutiques, stylish hotels, restaurants and cafés



SEVEN DIALS WC2

www.sevendials.co.uk





*Festivals and events
all year round*

CHINATOWN REPRESENTS 26% OF OUR PROPERTY ASSETS,
WHERE 61 RESTAURANTS AND 60 SHOPS PROVIDE 86% OF
ITS RENTAL INCOME.

chinatown

BUSINESS REVIEW

Very centrally located, close to the premier cinemas in and around Leicester Square and next to Theatreland, our investments in Chinatown benefit from high visitor numbers and long trading hours and have once again proved most resilient. There is always a healthy demand to rent space of any kind both from within the community and increasingly from new comers from mainland China and other parts of East Asia.

During the second half of the year, we acquired further freeholds, which include two restaurants and four shops, at a total cost of £15.3 million, which offer a number of interesting opportunities to enhance income and capital values.

Our capital expenditure in Chinatown remains modest but we continue to identify opportunities for refurbishment and conversion. We are disappointed that during the year there has been little further progress in upgrading streets and the public environment or improving access to Chinatown. However, improvements to Rupert Court are now underway, with Wardour Street to follow. We are working with Westminster City Council on a proposal to make the Chinatown section of Wardour Street traffic free during the busiest trading periods.

Chinatown Statistics

30 September 2009

Valuation	£319.5 million
Percentage of portfolio	26%
Acquisitions during year	£15.3 million
Capital expenditure in year	£2.5 million
Capital value return	-1.6%

	Number	Area sq. ft. £'000	% of current gross income
Shops	60	57	27
Restaurants, cafés and leisure	61	178	59
Offices (tenancies)	70	46	7
Residential	85	52	7



BERWICK STREET IS LOCATED IN A CONSERVATION AREA AT THE HEART OF THE WEST END. TRADITIONALLY KNOWN AS SOHO'S LOCAL HIGH STREET, IT RUNS NORTH/SOUTH FROM OXFORD STREET TOWARDS SHAFTESBURY AVENUE.

BUSINESS REVIEW

berwick street

In 2007, Westminster City Council designated Berwick Street as a priority in its Action Area Plan as it has suffered from a lack of investment or any strategy for many years.

We expect that assembling ownerships in and around Berwick Street will have potential for us as a long term project. Past experience has shown that progress at this early stage can be slow. Our commitment to date is very much a preliminary investment. We have the financial resources to support our strategy of securing additional purchases over time to establish a significant ownership in the area. Also Westminster City Council's active participation and support, which they have given in the past to our initiatives in our other locations, will be required.

Berwick Street Statistics
30 September 2009

Valuation	£33.2 million
Percentage of portfolio	3%
Acquisitions during year	£12.8 million
Capital expenditure in year	£0.8 million
Capital value return	-10.8%

	Number	Area sq. ft. £'000	% of current gross income
Shops	16	16	29
Restaurants, cafés and leisure	4	5	3
Offices (tenancies)	33	27	46
Residential	17	14	22



16
SHOPS



27,000 sq.ft.
OFFICES



4
RESTAURANTS,
CAFÉS AND LEISURE



17
RESIDENTIAL



A full-page photograph of a woman with long, dark, wavy hair walking away from the camera on a city street. She is wearing a light grey, belted, knee-length coat over a black skirt, and brown high-heeled shoes. She is carrying a large black handbag. The street is paved with asphalt and has yellow double lines. In the background, there are brick buildings, a black lamppost, and other pedestrians. A blue sign with red text is visible on the right side of the street.

BERWICK STREET

at the heart of Soho

Longmartin Joint Venture

OUR LONGMARTIN JOINT VENTURE WITH THE MERCERS' COMPANY OWNS AN ISLAND SITE OF 1.9 ACRES IN COVENT GARDEN, CLOSE TO LEICESTER SQUARE AND ITS IMPORTANT UNDERGROUND STATION.

Through a project of phased regeneration and new development at the centre of our site, we are creating St Martin's Courtyard, a mixed use scheme, which includes 23 shops (67,000 sq. ft.), five restaurants (30,000 sq. ft.), 69,000 sq. ft. of offices in four buildings and 34 apartments. This is in addition to the adjacent buildings on the island site.

The next phases of shops and restaurants in the Courtyard scheme are expected to be ready for tenants to fit out in February 2010. To date over 50% by value of the retail and 65% by value of the restaurants have been either pre-let or put under offer. We are confident that the shops and restaurants will all have been let before the Courtyard opens to the public in the summer of 2010.

The office accommodation, spread across four self-contained buildings, will be ready between February and September 2010 and we are now able to offer them to let. With their central location and unique courtyard setting, we expect healthy interest. The 34 apartments within the scheme will become available in phases by summer 2010.

Our share of the costs to complete the scheme is approximately £15.0 million.

Longmartin's Portfolio*

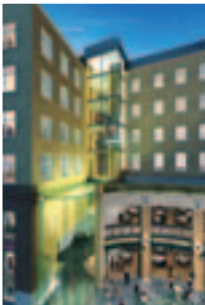
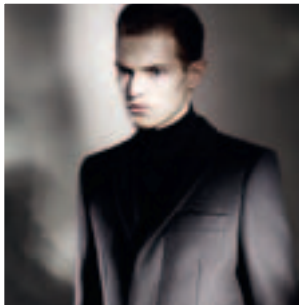
St Martin's Courtyard		Let	Under offer	Remaining	Total
Shops	Number	4	1	18	23
	Area '000 sq.ft.	19	8	40	67
	Rental value £ million	£2.0	£0.5	£1.7	£4.2
Restaurants and leisure	Number	1	2	2	5
	Area '000 sq.ft.	6	12	12	30
	Rental value £ million	£0.3	£0.6	£0.5	£1.4
Offices	Area '000 sq.ft.	-	-	69	69
	Rental value £ million	-	-	£3.4	£3.4
Residential	Number	4	-	30	34
	Area '000 sq.ft.	3	-	22	25
	Rental value £ million	£0.1	-	£1.1	£1.2
Total rental value £ million		£2.4	£1.1	£6.7	£10.2

Adjacent Properties

		Let	Under offer	Being Refurbished or to Let	Total
Shops	Number	1	-	-	1
	Area '000 sq.ft.	2	-	-	2
	Current rental income £ million	£0.2	-	-	£0.2
Restaurants and leisure	Number	3	-	-	3
	Area '000 sq.ft.	17	-	-	17
	Current rental income £ million	£0.8	-	-	£0.8
Offices	Area '000 sq.ft.	20	-	10	30
	Current rental income £ million	£0.3	-	£0.6	£0.9
Residential	Number	37	-	3	40
	Area '000 sq.ft.	26	-	2	28
	Current rental income £ million	£0.6	-	£0.1	£0.7
Total current rental value £ million		£1.9	-	£0.7	£2.6

* Shaftesbury Group has a 50% interest in the figures shown above





Our profit before taxation for the year, adjusted as shown on page 9 to eliminate the surplus realised on property disposals and the fair valuation movements in respect of investment properties and financial derivatives, amounted to £21.3 million, an increase of 39.2%, compared with an adjusted profit of £15.3 million in the previous year. The loss on ordinary activities before taxation reported in the Income Statement amounted to £58.1 million (2008: £220.9 million).

Despite challenging conditions, our rental income has continued to rise, with rents receivable across the Group (adjusted for lease incentives) increasing from £57.8 million to £61.7 million, a net increase of £3.9 million. For the wholly owned Group, after eliminating the impact of property acquisitions and disposals, rents invoiced increased by 3.9% this year compared with the previous year (2008: 7.2% year-on-year increase).

Our share of the current rental income in the Longmartin Joint Venture, where the St Martin's Courtyard scheme has been under construction throughout the year, has declined by £0.3 million to £1.5 million this year. Its income will improve during the current year as phases of the scheme are completed and let.

Property outgoing have increased this year by £0.7 million to £7.2 million (2008: £6.5 million). Largely as a result of changes in rating legislation, empty rates costs rose by £0.2 million during the year. We incurred additional village marketing costs of £0.2 million, in order to encourage more visitors to our locations and £0.2 million in obtaining energy performance certificates for a large number of our properties which are now required by legislation.

The Group's share of property outgoing in the Longmartin Joint Venture amounted to £0.5 million (2008: £0.5 million). We do not capitalise property outgoing incurred while refurbishment schemes are in progress.

Administration expenses include a charge of £0.7 million (2008: £0.2 million) in respect of equity settled remuneration. The accounting charge in respect of share options has increased by £0.1 million to £0.5 million. The charge for employer's national insurance liability on share awards and share options has increased by £0.4 million as a result of the increase in the Company's share price over the year.

Interest rates have fallen to unprecedentedly low levels to tackle the UK economic crisis. As a result, and with lower levels of debt since July 2009 following receipt of the Rights Issue proceeds, interest payable on our floating rate bank debt fell dramatically from £27.7 million in 2008 to £13.6 million in 2009. However, with a substantial portion of our bank debt subject to long term interest rate swaps, this interest saving has been offset by an increase of £10.0 million in settlements under these contracts. Overall, interest payable charged in the Income Statement fell by £4.1 million to £26.6 million this year.

As a consequence of the dramatic and unprecedented fall in interest rates during the year the fair value deficit of our long term interest rate swaps has increased by £31.6 million to £46.1 million at the year end. This non-cash accounting provision, which is excluded in the calculation of our banking covenants, will gradually reverse as interest rates return to their long term historic averages.

BUSINESS REVIEW

Results

fine dining



Net interest payable was covered 1.8 times by operating profit before investment property disposals and valuation movements (2008: 1.5 times). Based on the interest cover covenants and definitions contained in our banking agreements, net interest payable was covered 2.1 times by net property income (2008: 1.7 times), compared with the minimum ratio of 1.5 times we are required to maintain. REIT legislation requires us to maintain a minimum ratio of net rental income for properties in the REIT group against attributable interest payable of 1.25 times. The ratio this year was approximately 2.1 times.

The tax charge on the adjusted profit for the year was £0.2 million, compared with £0.4 million last year, and arises mainly in our Joint Venture. Longmartin remains outside the Group's REIT election, so that our share of its results continues to be subject to provisions for corporation tax and deferred tax liabilities.

Adjusted diluted post-tax earnings per share for the current year amounted to 11.2p compared with 8.5p last year (adjusted for the Rights Issue), an increase of 31.8%. The unadjusted diluted post-tax loss per share shown in the Group Income Statement for the current year amounted to 31.3p compared with 124.6p last year (adjusted for the Rights Issue).

Unadjusted shareholders' funds at the year end shown in the Group Balance Sheet totalled £717.3 million, an increase over the year of £75.0 million. Adjusting these amounts to exclude the fair value of financial derivatives, our adjusted net asset value becomes £763.4 million, equivalent to a diluted net asset value per share of £3.35 per share (2008: £656.9 million - £3.76 per share, adjusted for the Rights Issue), an increase of £106.5 million.

Dividends

As a Real Estate Investment Trust the level of our dividends must reflect the requirement of REIT legislation to distribute a minimum of 90% of income arising from our rental business (calculated by reference to tax rather than accounting rules).

Our interest in Longmartin is not currently within our REIT election, so 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 construction phase of the St Martin's Courtyard scheme, Longmartin's net rental income is much reduced and is less than the cost of financing our investment. As the calculation of taxable profits for the REIT group excludes this deficit the amount we are currently required to distribute to meet our REIT obligations is almost equal to our distributable accounting profits for the year.

We continue to discuss with our partner the changes in the joint venture arrangements that would be necessary if we were to include our interest within our REIT group. Currently the earliest date that this could be effected is 1 October 2010.



café society



ethnic food



touch up lipstick



loosen the belt

who said that?

The best thing about Carnaby is you'll always find something that's not available anywhere else. Here you can find your own style, not just follow the herd

Sophie Ferguson Jones
Shopping Editor, *Grazia*

If you're serious about shopping, it's time to let yourself in on one of London's best kept secrets

The Travel Editor
(about Seven Dials)

Newburgh Quarter packs every shop, gallery and café you could dream of into it's handful of streets

Luc Le Corre
Publishing Director,
SUPERSUPER

Seven Dials is the knowing hip and street wise teenager, sandwiched between bohemian Soho and aristocratic Covent Garden

BBC London Online

The most exciting area for shopping: Carnaby Street is a synthesis between music and fashion

Noelia Ferreiro, Ocholeguas (Spain)

Seven Dials, a veritable treasure trove of gorgeous boutiques

Queens of Vintage

Carnaby is a perfect destination for 2009's shoppers

Rebecca Lowrey Boyd
Deputy Shopping Editor
Time Out London

If you're coffee-loving, kinky, theatre lovey, Monmouth Street might just be the best street in the whole wide world for you to shop in

Londonist.com

Carnaby Street is fast becoming a docking station for denim flagships

Dan Jones, Shopping Editor
Time Out London

On the edge of Covent Garden, this eccentric shopping hotspot could easily be overlooked by crowd-conscious Londoners. But that would be a damn shame

Time Out London (about Seven Dials)

Today, Carnaby remains the capital's coolest shopping destination

Sophie Ferguson Jones
Shopping Editor, *Grazia*

In Chinatown a new wave of Chinese restaurateurs is bringing long overdue improvements to their interiors, their menus and, most excitingly, their ability to reflect the regionality of Chinese cooking

British Airways, Business Life

Newburgh Quarter is one of the coolest shopping destinations in the West End where you can find all sort of gems!

Tank





*Independent
designer
labels*



finance

BUSINESS REVIEW

Our strategy is to secure flexible long and medium term debt 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.

The nominal value of debenture and bank borrowings at the year end totalled £422.2 million, a reduction of £95.2 million over the year. The Rights Issue approved by shareholders in June 2009, together with shares issued in connection with the exercise of employee share options, produced cash inflows after expenses of £151.2 million. Cash outflows during the year on acquisitions less capital receipts amounted to £24.7 million. Expenditure on the Group's portfolio totalled £21.3 million, of which our share of the Longmartin Joint Venture accounted for £10.0 million. Revenue operations after net interest payments produced a net cash surplus of £20.6 million, compared with £16.6 million in the previous year. Tax payments, which totalled £7.2 million (2008: £10.2 million), were largely related to the settlement of our 2007 REIT conversion charge liability. At the year end £11.1 million of this liability remained to be paid.

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 55% (2008: 79%). The ratio of the nominal value of debenture and net bank debt to the market value of our property assets was 35% (2008: 42%).

We monitor our overall committed facilities at all times to ensure we have sufficient resources to meet our future cash flow commitments with comfortable headroom. Any new prospective commitments, such as property acquisitions, are considered in the light of funding currently available to the Group.

At the year end, committed bank facilities totalled £575 million, an increase of £50 million over the year, with a weighted average maturity of 7.6 years (2008: 8.9 years). In October and November 2008 we raised additional facilities from two existing lenders totalling £75 million and in April 2009 repaid and cancelled £25 million in connection with a gearing covenant relaxation. Committed unutilised facilities at the year end totalled £213.8 million (2008: £68.6 million).

The average margin over LIBOR we paid on amounts drawn from our bank facilities at the year end was 0.71%. If we fully drew all of our facilities, the weighted average margin we would pay would be 0.81%. These margins are fixed throughout the terms of the facilities.

At the year end, taking into account our long term fixed rate debenture debt and interest rate hedging, the weighted average cost of our borrowings including margin was 5.78%, compared with 6.10% at the previous year end.

The proceeds of the Rights Issue received in early July 2009 effectively repaid our floating rate bank debt so that, at the year end, virtually all of our borrowings were either at fixed rate or hedged at fixed rates. Currently the all-in cost of funds we draw in excess of the £360 million of hedged bank debt is around 1.5%, so that most acquisitions at present are showing an immediate surplus over their cost of finance.

In November and December 2008 we restructured parts of our hedging portfolio to take advantage of long term swap rates which were exceptionally low at that time. We currently have hedging in place on £360 million of floating rate bank debt with a weighted average rate (excluding margin) at the year end of 4.71%, which rises to 4.87% in December 2009 when certain short term arrangements expire, with a weighted average maturity of 23.4 years.

At 30 September 2009, the fair value of the Group's interest rate derivatives represented a liability of £46.1 million (2008: £14.5 million). Our strategy of taking long term, fixed rate swaps will lead to greater volatility in this non-cash mark-to-market calculation. However, we consider the benefit of fixing our interest costs on a substantial portion of our debt at rates we believe will prove attractive over the long term outweighs this inevitable volatility.

The deficit arising on the fair value of the Group's long term debenture debt, which is not reflected in the IFRS results, amounted to £10.8 million (2008: £11.3 million). The reduction in the deficit has arisen as a result of a widening in credit spreads, which has offset the impact of lower market interest rates.

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 financial covenants contained in the Group's bank facilities and Debenture trust deed. Each of our facilities is secured against designated property assets and in addition all the lenders, including the Debenture trustee, have a shared floating charge over the assets of the parent company and its wholly owned subsidiaries.

The outstanding Debenture stock of £61 million is secured by a first charge on property assets, where we must maintain a minimum value of 150% of the stock outstanding, and where the net rental income has to match the coupon of 8.5%. We are comfortably in excess of these covenants based on assets currently charged.



Our banking covenants are structured on a Group-wide basis and are broadly similar for each of our facilities. Gearing covenants across all our facilities were increased from 125% to a minimum of 175% during the year. The financial covenants, together with their status at 30 September 2009, were as shown in the table below.

Our lenders are well secured by these current arrangements. Based on the results for the year ended 30 September 2009, net property income could fall by £14.7 million (equivalent to 27% of this year's Group net property income) before the interest cover covenant was reached. Based on the year end property valuations and debt levels, property values across the Group would have to decline by around 43% before we reach our loan to value or gearing covenant limits. The actual future headroom on covenants will be affected by a number of factors, including future acquisitions, expenditure commitments and valuation movements.

Even at these covenant limits, our lenders would still have the security of 50% more income from our properties than is needed to service their loans, and the value of the security they have would exceed our debt by 50%. We believe that, with our good income/interest cover, modest gearing and future expenditure commitments and overall security structure, our lenders will continue to view us to be a secure customer. We are confident that we will be able to add to our existing facilities when the need arises.

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 Indices which track movements across all main commercial property categories throughout the UK on a monthly basis. Shaftesbury is a constituent of the FTSE 350 Real Estate Index.

As shown in the Performance Summary on page 3, against a background of falling property values, our capital value and total returns have materially out-performed the IPD Monthly indices.

We recorded a positive total shareholder return for the year ended 30 September 2009 of 13.5% after taking account of the impact of the Rights Issue, compared with the FTSE 350 Real Estate Index which recorded a negative return of 27.6% over the year.

Principal 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 reported and discussed at meetings of the Audit Committee and the Board.

Our principal risks have remained broadly unchanged over the year and relate to the valuation risk inherent in property investment, and the location of the Group's portfolio and certain aspects of its strategy.

Property valuations

The valuation of all property assets includes 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 and cost 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 can lead to a reduction in property values and a loss in net asset value, amplified by the effect of gearing. Such reduction in property values and loss of net asset value may result in the Group being unable to meet the asset-related covenants contained in its Debenture and bank loan arrangements.

A commentary on the Group's financial position, including matters relating to its bank financing arrangements, is contained in this Business Review under the heading "Finance".

Financial covenants	Covenant level	Status at 30 September 2009
Ratio of Group net property income to Group net interest payable	Minimum of 1.5:1	2.06:1
Actual borrowings from each lender as a percentage of property assets charged as security	Not to exceed 66.67%	35% (based on total bank borrowings/available assets across the Group)
Percentage of Group borrowings compared to Group shareholders' funds (excluding any fair value accounting provisions for interest rate derivatives)	Maximum of 175%	55%

*jewellery and
accessories*



Location of property assets

The Group's property assets are concentrated 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, which account for 70% of our rental income, is heavily dependent on large numbers of domestic and overseas visitors. In our experience the diversity of this visitor base means that overall visitor numbers and spending are less influenced by UK economic conditions than in other domestic retail and leisure locations.

However, in this high profile location, there is a risk that events beyond the Group's control could result in a reduction in visitor numbers. Such events could include threats to security or public safety, such as terrorism, health concerns such as an influenza pandemic, or disruption to the public transport network on which the area depends. Over time, if the fall in visitors was both sustained and significant, this could lead to a reduction in occupier demand and the rental potential and value 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.

Speculative development

The Group does not usually engage in speculative development schemes. However, the St Martin's Courtyard scheme in the Longmartin Joint Venture is being undertaken on a speculative basis. Our share of the scheme's potential income represents approximately 9% of the Group's estimated rental value, and our share of the value of its property assets account for 5% of the Group's portfolio. As a result of current economic conditions, there is a risk that letting expectations may not be met, particularly those related to the office elements of the scheme. Wherever possible pre-lettings are being sought and secured to mitigate the Group's risk.

The scheme is now well advanced and works are expected to be completed in summer 2010. Our partner, the Mercer's Company is a long established City livery company, with substantial assets. Both partners have sufficient financial resources to complete the scheme now underway, and intend to hold their investment in the Joint Venture for the long term.

Tenant risk

The economy in the West End has been more resilient than other parts of the UK during the current and previous economic recessions. At present, across the wider economy, restricted availability of credit for consumers and businesses is leading to lower levels of spending, a higher level of business failures and difficulties for new ventures in raising start-up capital. Whilst the West End cannot be completely immune from these trends, our experience is that this unique location is much less affected.

The Group has some 800 commercial tenants, so that the risks associated with the default of individual tenants are well spread. The 50 largest tenants by current passing rent in the wholly owned portfolio provide approximately 34% of current income. No single tenant currently pays a rent in excess of £1.2 million per annum and the average rent paid by our ten largest tenants is £775,000 per annum.

The Group has not experienced any material increase in tenant defaults over the year, with a charge in the Income Statement of £0.5 million (2008: £0.6 million) in respect of bad and doubtful debts. The level of vacant accommodation has remained stable over the year.

Key performance indicators

The key financial objective of the Group is to deliver to shareholders sustained out-performance in the long term growth in its net asset value. Fundamental to this objective is the growth in value of the Group's property assets. The Group measures its overall portfolio performance against the publicly-available IPD UK Monthly Index which, as explained above, tracks movements across all main commercial property categories throughout the UK on a monthly basis. The Group's performance against this Index is set out on page 3.

The rental prospects of the Group's portfolio are the key driver of its long term performance. The key non-financial performance indicators related to rental income growth 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 maximise the occupation of its properties and, where vacancies arise, 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 which are ready to let, marketing periods are monitored and assessed.

The Board is satisfied that the Group's performance relating to the achievement of rental levels is meeting its expectations. Retail, restaurant and residential rents have continued to meet or exceed valuers' estimates. In the case of offices, where rents have fallen across the entire market, the Group's performance has been no worse than this general decline.

The level of vacant space across the portfolio has remained steady over the year. The Group has generally been successful in retaining office tenants where leases expire or tenants have the option to exercise lease breaks. Where space has become vacant, void periods have generally remained at acceptable levels although the average period taken to let offices has increased as tenant demand deteriorated over the year. Where delays in schemes or their letting have occurred, 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.

Prospects

London's West End has many features which have ensured that, throughout the recent period of extreme financial turbulence in financial markets and the wider economy, it has continued to prosper. Our portfolio of mixed use properties, situated in the heart of this unique location, has proved to be exceptionally resilient.

The Group has both substantial financial resources and forensic local knowledge, which provide an important competitive advantage in securing new investments. With our skills and expertise in identifying and implementing innovative schemes, we are confident our portfolio will continue to deliver out-performance in rental growth and capital values.

Jonathan S. Lane Chief Executive
Brian Bickell Finance Director

1 December 2009

Note: The information required by the Companies Act 2006 in respect of environmental matters, the Group's employees, social and community issues and business relationships with customers and suppliers, is contained in the Corporate Responsibility Report on pages 52 to 53 and are incorporated into this Report by cross reference.








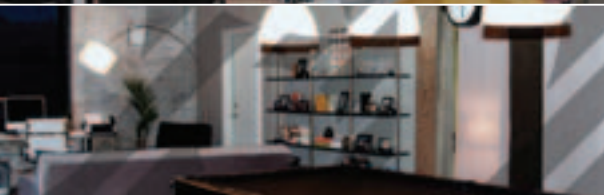
ST MARTIN'S COURTYARD

stmartinscourtyard.co.uk

portfolio analysis

at 30 September 2009

Note

SHOPS		Market Value	1
		% of total Market Value	
		Current gross income	2
		Estimated rental value (ERV)	3
	Number		
	Area – sq.ft		
	% of current gross income	4	
	% of ERV	4	
	Vacancy rate by % of ERV	5	
	Average unexpired lease length - years	6	
	Number		
	Area – sq.ft		
	% of current gross income	4	
	% of ERV	4	
	Vacancy rate by % of ERV	5	
	Average unexpired lease length - years	6	
	Number of tenancies		
	Area – sq.ft		
	% of current gross income	4	
	% of ERV	4	
	Vacancy rate by % of ERV	5	
	Average unexpired lease length - years	6	
	Number		
	Area – sq.ft		
	% of current passing rent		4
	% of ERV		5
	Vacancy rate by % of ERV		

* Longmartin statistics include space under construction in the St Martin's Courtyard scheme and accommodation not part of the Courtyard scheme.

** Shaftesbury Group's share.

basis of valuation

at 30 September 2009

Overall initial yield	8
Initial yield ignoring contractual rent free periods	9
Overall equivalent yield	10
Tone of retail equivalent yield	
Tone of retail estimated rental values [ITZA £ per sq.ft.]	
Tone of restaurant equivalent yields	
Tone of restaurant estimated rental values [£ per sq.ft.]	
Tone of office equivalent yields	
Tone of office estimated rental values [£ per sq.ft.]	
Tone of residential estimated rental values [£ per annum]	

Notes:

- The Market Values at 30 September 2009 (the 'date of valuation') shown above in respect of the five 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. No rent is attributed to leases which were subject to rent free periods at the date of valuation. Current gross income does not reflect any ground rents, head rents or rent charges and estimated irrecoverable outgoings at 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. The vacancy rate includes accommodation which is awaiting or undergoing refurbishment and not available for occupation at the date of valuation.
- 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.



	Carnaby	Covent Garden	Chinatown	Berwick Street	Charlotte Street	Wholly Owned Portfolio	Longmartin*	Total Portfolio
	£442.8m 37% £23.8m £28.8m	£327.7m 27% £18.7m £20.9m	£319.5m 26% £16.7m £18.6m	£33.2m 3% £1.7m £2.2m	£23.0m 2% £1.3m £1.4m	£1,146.2m 95% £62.2m £71.9m	**£63.8m **5% **£1.2m **£6.4m	£1,210.0m 100% £63.4m £78.3m
	133 172,000 51% 54% 5% 4	104 126,000 49% 52% 3% 8	60 57,000 27% 27% 5% 8	16 16,000 29% 43% 29% 4	2 4,000 10% 10% - 11	315 375,000 42% 45% 5% 6	24 69,000 28% 39% 21% 5	
	35 77,000 12% 12% - 11	61 125,000 22% 22% 1% 12	61 178,000 59% 59% 3% 15	4 5,000 3% 2% - 8	8 21,000 43% 46% - 16	169 406,000 28% 27% 2% 13	8 47,000 33% 17% 8% 7	
	172 244,000 33% 29% 12% 4	65 91,000 15% 13% 2% 3	70 46,000 7% 7% 7% 3	33 27,000 46% 37% 3% 2	8 12,000 28% 26% - 1	348 420,000 21% 19% 8% 3	98,000 11% 30% 27% 10	
	58 40,000 4% 5% 29%	132 90,000 14% 13% 7%	85 52,000 7% 7% 13%	17 14,000 22% 18% 11%	18 8,000 19% 18% 6%	310 204,000 9% 9% 13%	74 54,000 29% 14% 9%	

4.77%	5.19%	4.90%	4.37%	5.04%	4.92%	4.07%
4.92%	5.29%	5.02%	4.68%	5.40%	5.05%	-
5.73%	5.60%	5.46%	5.94%	5.44%	5.62%	5.70%
5.25 - 7.00%	5.50 - 7.50%	5.25 - 6.25%	5.75% - 7.00%	5.75 - 6.50%		5.25 - 6.00%
£100 - £370	£40 - £450	£150 - £260	£80 - £124	£75 - £90		£100 - £440
5.75 - 6.00%	5.00 - 6.50%	5.25 - 6.25%	5.75%	5.25 - 5.35%		5.75 - 7.00%
£67 - £92	£35 - £112	£135 - £330 ITZA	£118	£70 - £74		£35 - £54
6.00 - 7.50%	6.00 - 7.50%	6.75 - 7.00%	6.15 - 7.25%	6.75 - 7.40%		6.00 - 8.00%
£22 - £47	£25 - £42	£27 - £40	£25 - £39	£30 - £35		£23 - £45
£10,400 - £52,000	£9,250 - £52,000	£8,400 - £30,000	£13,250 - £54,600	£10,400 - £18,200		£14,000 - £73,000

8 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 the date of valuation.

9 The initial yield ignoring contractual rent free periods has been calculated as if the contracted rent is payable from the date of valuation.

10 Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income 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.

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

12 All commercial floor areas are net lettable. All residential floor areas are gross internal.



Gerrard Street



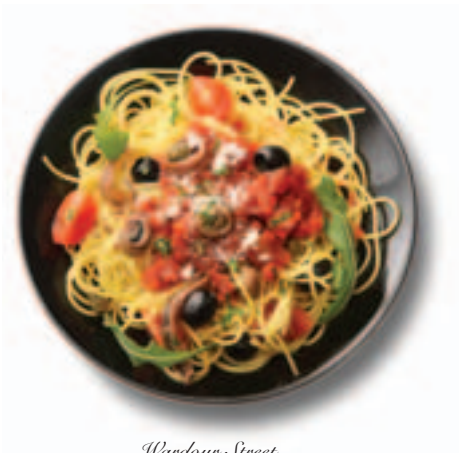
Berwick Street



Earlham Street



Wellington Street



Wardour Street



Kingly Court



Newburgh Street



Macclesfield Street



St. Martin's Courtyard



Lisle Street



Fouberts Place



Ganton Street



Directors' report

The Directors present their report and the financial statements for the year ended 30 September 2009.

Business review

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its 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 417 of the Companies Act 2006 may be found on pages 15 to 36 of the Business Review and pages 52 to 53 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 Group, excluding its interest in Longmartin Properties Limited, is a Real Estate Investment Trust ("REIT").

Results and dividends

The results for the year ended 30 September 2009 are set out in the Group Income Statement on page 57.

An interim dividend of 7.50p per Ordinary Share was paid on 26 June 2009 (2008: 5.00p).

The Directors recommend a final dividend in respect of the year ended 30 September 2009 of 4.75p per Ordinary Share (2008: 6.00p), making a total dividend for the year of 12.25p per Ordinary Share (2008: 11.00p). If authorised at the Annual General Meeting, the dividend will be paid on 19 February 2010 to members on the register at the close of business on 29 January 2010. The dividend will be paid as a Property Income Distribution (PID). For further information see inside back cover.

Share capital

On 20 May 2009, the Company announced a 2 for 3 Rights Issue of up to 90,329,134 new Ordinary Shares of 25 pence each at 175 pence per Ordinary Share. A general meeting held on 5 June 2009 approved the increase of the authorised share capital to £75,000,000 by the creation of 100,000,000 Ordinary Shares of 25p each and approved the authority for Directors to allot up to 90,329,134 new Ordinary Shares in the Company. Following receipt of valid acceptances for shares, 88,677,699 shares in the Company were issued on 1 July 2009 and 1,651,134 shares in the Company were issued on 7 July 2009 pursuant to the Rights Issue.

In February 2009, 130,280 Ordinary Shares were issued fully paid in respect of nil cost

options in the Group's 2006 Long Term Incentive Plan. Between July and September 2009, a further 1,101,231 Ordinary Shares were issued fully paid at prices in the range £1.56 to £3.09 per Ordinary Share pursuant to the exercise of share options under the Group's Sharesave and 2001 Discretionary Share Option Scheme.

At 30 September 2009, the Company's authorised share capital comprised 300,000,000 Ordinary Shares of 25p each and at that date, the issued share capital was 226,923,765 Ordinary Shares of 25p each. With effect from 1 October 2009, the concept of authorised share capital was removed with the final implementation of the Companies Act 2006. A resolution to amend the Company's Articles of Association and remove references to authorised share capital from the Articles of Association will be proposed at the forthcoming Annual General Meeting.

The Company has one class of ordinary shares and all shares rank equally and are fully paid. No person holds shares carrying special rights with regard to control of the Company. There are neither restrictions on the transfer of shares nor the size of a holding which are both governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of shares in the Company that may result in restrictions on the transfer of shares or on voting rights.

Directors

The rules that the Company has governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Company's Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders.

The Directors of the Company who served during the year ended 30 September 2009, and their interests in the Ordinary Share capital of the Company, were as follows:

	Ordinary Shares of 25p each		
	1.10.2008	30.9.2009	27.11.2009
Beneficial interests:			
J S Lane	478,028	844,119	844,119
B Bickell	372,139	623,163	623,163
S J Quayle	367,357	606,998	606,998
T J C Welton	255,585	451,816	451,816
P J Manser	95,000	158,333	158,333
J R K Emly	18,000	30,000	30,000
A W MacDonald (deceased 30 March 2009)	41,000	-	-
W G McQueen	5,000	8,333	8,333
P J Wheatcroft (resigned 30 September 2009)	1,000	1,666	-
O J D Marriott* (appointed 23 September 2009)	-	5,000	5,000

*Oliver Marriott held no shares in the Company at the date of his appointment to the Board.

The Company 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. At 30 September 2009, each of the executive Directors held shares with a value of between six and nine times one year's basic salary.

Details of options granted to executive Directors under the Group's Share Schemes are set out in the Directors' Remuneration Report on pages 45 to 49.

At the forthcoming Annual General Meeting, John Manser and John Emly will retire by rotation and will offer themselves for re-election. As required by the Company's Articles of Association, Oliver Marriott will offer himself for election having been appointed to the Board since the last Annual General Meeting. Full biographical details of Oliver Marriott are set out on page 5. The unexpired terms of appointment of John Manser and John Emly do not extend beyond the date of the 2010 Annual General Meeting. In accordance with the Company's Articles of Association and the Combined Code 2008, John Manser and John Emly are subject to re-election annually having been first appointed to the Board in 1997 and 2000 respectively and have served on the Board for nine years or more. Following the annual board performance reviews of individual Directors, the Board considers:

- that each of the Directors subject to re-election continues to operate as an effective member of the Board, and
- that each of the Directors subject to re-election and election has the skills, knowledge and experience that enable them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Nomination Committee, therefore recommends their re-election. The Board also recommends the election of Oliver Marriott as a Director.

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 27 November 2009, the Company had been notified in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules that the following held, or were beneficially interested in, 3% or more of the Company's issued share capital:

	Percentage of issued share capital
Co-operative Financial Services Limited	8.50
Lloyds TSB Group Plc	5.61
Ameriprise Financial Inc	5.31
F&C Asset Management plc	5.11
Schroders plc	4.78
Legal & General Group Plc	3.99
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 2009, the Group's creditors in respect of invoiced supplies represented 17 days purchases (2008: 24 days).

Purchase of own shares

The Company was granted authority at the 2009 Annual General Meeting to make market purchases of its own Ordinary Shares. This authority will expire at the conclusion of the 2010 Annual General Meeting and a resolution will be proposed to seek further authority. No Ordinary Shares were purchased under this authority during the year or in the period to 27 November 2009.

Directors' indemnities and directors' and officers' liability insurance

The Company's agreement 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 remains in force. The Group maintains Directors' and Officers' Liability Insurance and the Board reviewed the level of cover during the year and increased it from £5 million to £10 million and extended the cover to include public offerings of shares.

Charitable and other donations

During the year the Group made charitable donations in cash amounting to £97,000 (2008: £109,000). The principal charities supported by the Group are set out in the Corporate Responsibility Report on pages 52 to 53.

The Group made no donations of a political nature during the year. The Group's policy is not to make political donations but deems it prudent for the Company and its subsidiaries to continue to seek annual authority from the Company's shareholders at its Annual General Meeting.

Employment and environmental matters

The Group's employment and environmental policies are described in the Corporate Responsibility Report on pages 52 to 53 and are also available in full on the Group's website.

The Group employs nineteen staff. 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.

Financial instruments

The information required in respect of financial instruments as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 is given on page 67.

Change of control

The Group's bank loan agreements and the Longmartin Joint Venture arrangements contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group.

The Group's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

Contracts and other arrangements

The Group has no contracts or other arrangements which are considered essential to the Group's business.

Authorisation of directors' conflicts of interests

At the Company's Annual General Meeting held on 11 February 2009, new Articles of Association were adopted which permit the Directors to authorise conflicts of interest in accordance with the Companies Act 2006. Directors are required to notify the Company of any conflict or potential conflict of interest and also make an annual declaration to the Company that during the year no conflicts have arisen. The Board confirms that no conflicts have been identified or notified to the Company during the year and accordingly that the Board has not authorised any conflicts of interest.

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2010 Annual General Meeting. The Board, on the advice of the Audit Committee, recommends their re-appointment and PricewaterhouseCoopers LLP have consented to act.

2010 Annual General Meeting

The 2010 Annual General Meeting will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority to make political donations, adoption of new Articles of Association and authority to reduce the notice period for general meetings (other than annual general meetings). The resolutions are set out in the Notice of Annual General Meeting together with explanatory notes which are contained in a separate circular to shareholders which accompanies this Annual Report.

Disclosure of information to auditors

Each Director has confirmed that:

- So far as the Director 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 418 of the Companies Act 2006.

By Order of the Board

Penny Thomas
Secretary

1 December 2009



Corporate governance

Statement of compliance with the Combined Code

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 Company has complied in full with the recommendations of the Combined Code on Corporate Governance issued in June 2008 (the "Combined Code") except that in the period from 31 March 2009 to 30 September 2009, the Company did not comply with the recommendation that at least half the Board should comprise non-executive Directors determined by the Board to be independent as a result of the circumstances explained below.

The application of the principles contained in the Combined Code is described below.

Composition of the Board

At the beginning of the year, the Board comprised the non-executive Chairman, four executive Directors and four non-executive Directors. On 30 March 2009, Alastair MacDonald died and on 30 September 2009, Patience Wheatcroft resigned from the Board having taken full time employment which precluded her from holding any corporate directorships. On 23 September 2009, on the recommendation of the Nomination Committee, Oliver Marriott was appointed to the Board.

At 30 September 2009, the Board comprised the non-executive Chairman, four executive Directors and three non-executive Directors. The composition of the Board from 31 March 2009 until 30 September 2009 did not therefore comply with the Combined Code. An active search process is underway to identify additional non-executive Directors with the requisite skills and knowledge to enhance the composition of the Board and meet the recommendations of the Combined Code.

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 non-executive and executive Directors on the Board, he is not included within the total of independent non-executive Directors.

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 and their terms of appointment are available for inspection at the Company's registered office and on the Group's website. Biographies of each member of the Board are set out on page 5.

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 re-election annually in accordance with the Company's Articles of Association and the Combined Code.

The Chairman, John Manser, holds a number of non-executive directorships which are disclosed on page 5. The Board considers that the time commitment required by his other roles does not impact on his Chairmanship of the Company. John Emly and Gordon McQueen are both directors at J P Morgan Mid Cap Investment Trust but the Board considers that this does not affect the exercise of their independent judgement on the Board or Committees. None of the executive Directors has held any non-executive directorship or the chairmanship of a FTSE 100 company during the year.

The Board has a Senior Independent Director whose role includes being available to shareholders if required. He is also a nominated contact for employees under the Group's whistle blowing policy. John Emly was the Senior Independent Director for the full year and Gordon McQueen was appointed to this role with effect from 1 October 2009. Gordon McQueen is also the non-executive Director with recent and relevant financial experience.

Board succession

The Board stated in its 2008 Annual Report that following the appointment of Patience Wheatcroft to the Board, a further non-executive Director would be sought to continue progressive refreshing of the Board's membership.

Following the unexpected death of Alastair MacDonald, the Nomination Committee has considered the implications for the composition of the Board, and in particular, the impact of the length of John Emly's service on the Board as he was appointed on 16 October 2000. Identifying suitable candidates to undertake the role of a non-executive Director needs to be undertaken with careful consideration. As with previous non-executive Director appointments, the Company has engaged the services of a specialist search company to assist in the process.

The Nomination Committee has considered the independence of John Emly in light of the criteria of the Combined Code which states that a non-executive Director may be determined by a board to be independent notwithstanding the fact that he has served for more than nine years. The main principle of the Combined Code (principle A.3) which governs this area seeks to ensure that the balance of executive and non-executive Directors is such that no individual or small group of individuals can dominate the board's decision making process. John Emly has served on the Board for nine years and was fully independent for the whole of the financial year ended 30 September 2009. The Nomination Committee considers that he remains independent in character and judgment notwithstanding the length of his tenure. The Board values his contribution to the Group and is of the opinion that by remaining on the Board he does not breach the spirit of Combined Code principle A.3.

During the search process for additional non-executive Directors and the time taken following the appointment of new non-executive Directors to become familiar with the Group, the Nomination Committee and the Board recommend that John Emly remain on the Board as an independent non-executive Director and, until an additional non-executive Director is appointed to this role, as Chairman of the Remuneration Committee. In accordance with the Company's Articles of

Association and the Combined Code, John Emly will be subject to annual re-election. The proposals have been discussed with major institutional shareholders who have expressed support for the Company's actions as described. The proposal that John Emly remain as Chairman of the Remuneration Committee is an interim measure not expected to extend beyond the Annual General Meeting in 2011. As a result of this consultation, it was decided that John Emly would step down as Senior Independent Director and Gordon McQueen has now taken over the role.

Functioning of the Board

The Board met five times during the year ended 30 September 2009. 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.

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.

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. The non-executive Directors met twice during the year without executive Directors or the Company Secretary present.

The Chairman is responsible for ensuring all Directors continually update their skills and knowledge required to fulfil their role on the Board and the Board's Committees. All Directors are encouraged to meet the training requirements of their professional bodies to ensure that their skills are updated and refreshed. The Board receives regular technical updates on regulatory, accounting and legal matters.

Following his appointment to the Board, Oliver Marriott has received a structured and comprehensive induction to the Company, led by the Chairman and co-ordinated and administered by the Company Secretary which introduced him to all aspects of the Company and his role as a Director of a publicly listed company, following the guidelines issued by the Institute of Chartered Secretaries and Administrators.

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.



Attendance at meetings

Directors' attendance at Board, Committee and general meetings convened in the year ended 30 September 2009 is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM/GM
Number of meetings held in the year	5	3	3	3	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	-	-	-	2
Non-Executive Directors					
P J Manser*	5	-	1(1)	3	1
J R K Emlly	5	3	3	3	1
A W MacDonald (deceased)	1(2)	0(1)	1(1)	0(0)	1
W G McQueen	5	3	3	3	1
PJ Wheatcroft*	4	2(3)	2(2)	1(2)	1
O J D Marriott*	0(0)	-	-	-	0(0)

*The numbers in brackets indicate the maximum number of meetings which a Director could have attended during the year. During the year John Manser resigned from the Remuneration Committee, Patience Wheatcroft was appointed to the Nomination Committee and Alastair MacDonald passed away. Oliver Marriott was appointed to the Board on 23 September 2009 and as at 30 September 2009 had not been appointed to any Committees.

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 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 45 to 51.

Board performance

The Board carries out an annual review of its performance and effectiveness. The review is undertaken internally and includes completion by all members of the Board of a comprehensive questionnaire which incorporates the criteria recommended by the Combined Code and addresses the composition and functioning of the Board and each of its Committees. There is an assessment of each Director and the Chairman by their peers. The Chairman interviewed each of the executive Directors as part of the process. 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 results of the review were considered by the Nomination Committee and reported to the Board. The review carried out in 2009 did not reveal any aspects of performance or effectiveness of the Board or its Committees which were considered to be unsatisfactory. The review did suggest some changes to the timing of meetings to improve their effectiveness, which have now been implemented.

Relations with shareholders

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

The Chief Executive and Finance Director meet investor representatives regularly during the year to discuss strategic and other issues within the constraints imposed by the Disclosure Rules and Transparency Rules of the UK Listing Authority. The meetings usually include a visit to parts of the Group's portfolio. 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. Non-executive Directors, including the Senior Independent Director, also attend a number of these presentations and briefings. 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 and risk management procedures

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

The executive Directors play a key role in the identification and management of risks. Non-executive Directors review the risks and processes of risk identification, management and control at both the Audit Committee and Board.

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 including insurance being in place where appropriate. 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 on Internal Control. The Audit Committee has the opportunity to question management on the risks and how they are identified and managed before reporting to the Board.

The principal risks and uncertainties identified in this review and how they are managed or mitigated are summarised in the Business Review on page 34 to 36.

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 monitored throughout the year, 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 including acquisitions, disposals and major refurbishment proposals which require the approval of the Board.
- 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 Audit Committee and Board at which financial information is reviewed and business risks are identified and monitored. The Group has a comprehensive risk identification and management procedure which includes obtaining the input of all staff (including executive Directors) involved in the management of the Group's business. The overall process is reviewed by the Audit Committee and Board.
- The day to day estate management of the Group's portfolio is outsourced to three firms of managing agents. The Group's staff monitor their activities and have established extensive financial and operational controls to ensure the managing agents maintain an acceptable level of service. The Group also uses the services of an external consultant from time to time to review the operational processes and controls of the managing agents.
- A comprehensive manual recording the key business processes and related controls across the whole of the Group's business which is regularly updated and reviewed by the Audit Committee and Board.

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

1 December 2009



Directors' remuneration report

This report, which has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, 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 2009. A resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Group's Auditors are required to review 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 2006.

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 2008 to the date of this Report regarding Directors' remuneration have been accepted by the Board without amendment.

Membership of the Committee

John Emly (Chairman of the Committee)

John Manser (resigned 11 February 2009)

Alastair MacDonald

(deceased 30 March 2009)

Gordon McQueen

Patience Wheatcroft

(resigned 30 September 2009)

Oliver Marriott (appointed 12 October 2009)

The Committee has been chaired throughout the year by John Emly and was comprised solely of independent non-executive Directors. Whilst the Chairman of the Company, John Manser, is permitted under the Combined Code to be a member of the Committee, he resigned from the Committee during the year in view of the length of his service on the Board which has been concurrent with the service of the executive Directors.

The Committee met three times during the year ended 30 September 2009 to consider the employment terms and remuneration of executive Directors and the Group's employees. The Committee also reviews the fees of the Company'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 Committee Chairman attend Committee meetings, the other executive Directors do not attend. No Director has any involvement in decisions regarding his own remuneration.

Hewitt New Bridge Street ("HNBS") has provided independent external advice throughout the year to assist the Committee in formulating its recommendations to the Board to implement the remuneration policy. HNBS is appointed by the Committee and only provides advice to the Group in respect of the Directors' and Company Secretary's remuneration.

During the year, the Committee considered the remuneration of employees, the award of annual bonuses and awards under the Group's 2006 Long Term Incentive Plan and confirmed the vesting of options granted under the Group's 2006 Long Term Incentive Plan in line with the achievement of the performance conditions set by the Committee. It also reviewed the impact of the Group's Rights Issue upon employees share options schemes. In line with best practice, it reviewed the operation of all the Group's share schemes and, other than making small changes to the Annual Deferred Share Bonus Scheme outlined below, concluded that no changes were required to the Group's share schemes for the year ahead.

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. 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 and takes cognisance of salary and benefit levels of FTSE 250 companies. Salary and benefit levels for employees within the Group more generally are considered;
- 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 employees, 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 principles of the Group's remuneration policy are applied to all employees within the Group. All employees are eligible for participation in each of the Group's share schemes, subject to any initial qualifying period.

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. Jonathan Lane received and retained fees in the year ended 30 September 2009 in respect of his directorship of a private company unconnected with the Group's business totalling £4,250 (2008: £9,250). The other executive Directors did not hold any paid external appointments during the year.

The terms of appointment of non-executive Directors are documented in letters of appointment between the Group and the non-executive 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 2010 Annual General Meeting, John Manser, and John Emly will receive new letters of appointment.



Salaries and benefits

The Committee's policy is broadly to align salaries with comparable companies in the real estate sector whilst also taking cognisance of salaries in similar sized FTSE 250 companies. The salary for each executive Director is reviewed annually in November against market information provided by HNBS and taking into account the individual's performance and experience in their role and salary increases of other employees in the Group.

The benefits provided to each executive Director comprise 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 executive 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.

Non-executive Directors' fees

Fees payable to non-executive Directors are determined by the Board with the non-executive Directors taking no part in the discussion and are reviewed periodically, with market data provided by HNBS. 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 Group's Chairman are set by the Committee with market data from HNBS and ratified by the Board. The Chairman is absent for, and therefore takes no part in, the discussion regarding his fees. Non-executive Directors receive only their fees and no additional benefits.

Fees for non-executive Directors were reviewed in November 2007 and have been reviewed in November 2009. New fee levels became effective from 1 December 2009 and are set out under Table 1 opposite.

Annual bonus scheme

The Group operates an Annual Bonus Scheme under which executive Directors and employees may be awarded 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 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. The Committee is satisfied that the bonus limit is competitive with peer companies and is not excessive.

Where a participant elects to take part or all of their annual bonus in shares, awards are granted under the Deferred Annual Share Bonus Scheme, which previously allowed participants to exercise their right to their entitlement after a minimum period of two years and no later than seven years following the date of the award. No dividend has been or will be payable on these shares whilst held in the Deferred Annual Share Bonus 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.

During the year, the Committee decided that to align more closely the interests of participants in the Deferred Annual Share Bonus Scheme with those of shareholders, the minimum holding period before which participants have the right to exercise their entitlement to an award would be extended from two to three years and that dividends or dividend equivalents will be payable on the shares held. These changes will apply to awards granted after 1 October 2009.

Annual bonuses are not pensionable and are not contractual.

Long term incentive arrangements

The 2006 Long Term Incentive Plan was approved by shareholders at the 2006 Annual General Meeting. Under the 2006 Long Term Incentive Plan all employees are eligible to participate, with the conditional award of shares granted to employees at the discretion of the Committee. Shares are awarded in the form of nil cost options. 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. In exceptional circumstances, such as senior executive recruitment, an award of up to 200% of salary may be made. 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 of the Group.

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 has specifically considered during the year whether or not the performance conditions should be changed or made inter-dependent. Having taken advice from HNBS, and with due consideration of market practice recognising the strategic aim of the 2006 Long Term Incentive Plan to offer stretching but achievable targets, the Committee concluded that the two existing measures of performance, independent of each other, are the most appropriate measures of performance to deliver enhanced shareholder value. It was felt that the operation of interdependent performance conditions would not be consistent with market practice and would add undue complexity to the arrangements.



Performance against targets is subject to independent review and ratification by the Committee prior to vesting. Once vested, participants have six months in which to exercise their award.

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 H M Revenue and Customs 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 shares in the Company at a 20% discount to the market price prevailing shortly before the date of grant within a six month exercise period. The Company made a further offer of savings contracts to all employees in 2009.

Impact of the Rights Issue on share options

The rules of each of the Group's share schemes provide for the adjustment of the number of shares under award and the exercise price (where appropriate) upon a capital reorganisation. The number of options and nil cost options held by employees in the Group's schemes have been adjusted following the Rights Issue in accordance with a formula which applied a factor of 0.7793 to the option price and a factor of 1.2831 to the number of shares under option. H M Revenue and Customs has approved the formula for adjustments in respect of the approved share option schemes. The notional value of the shares awarded following these adjustments remains equal to the notional value of the shares originally awarded.

Table 1 – Remuneration (audited)

Directors' remuneration for the year ended 30 September 2009 was as follows:

	Basic Salary		Annual Bonus		Benefits**		Aggregate	Pension		
	2009	2008	2009	2008	2009	2008	Emoluments	Contributions	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Director and Date of Appointment										
J S Lane	*442	*424	192	139	66	50	700	613	29	29
12.10.1987										
B Bickell	273	258	137	97	43	41	453	396	68	65
12.10.1987										
S J Quayle	263	252	133	96	39	47	435	395	66	63
8.10.1997										
T J C Welton	253	242	128	92	34	42	415	376	63	60
8.10.1997										
Total	1,231	1,176	590	424	182	180	2,003	1,780	226	217
Non-executive Director										
P J Manser							85	80		
J R K Emly							45	44		
A W MacDonald							23	44		
W G McQueen							45	44		
P J Wheatcroft							45	26		
O J D Marriott							-	-		
Total							243	238		
Total All Directors							2,246	2,018		

*Includes £59,500 (2008: £56,000) in respect of amount taken as salary in lieu of Company pension contributions.

**Benefits comprise car benefit or car allowance, permanent health insurance, life insurance and health insurance.

Bonuses equivalent to 50% of salary in cash terms were awarded to executive Directors based on achievement of a range of corporate and personal objectives. These included NAV performance and reflect the increase in adjusted profit in the year ended 30 September 2009. This compares with a substantially reduced cash equivalent bonus in 2008 of 30% of salary which reflected the decline in NAV and share price at the time and cash equivalent bonus levels in 2007 of 70 – 80%. The Committee is aware of current market sentiment but considers that these bonuses are appropriate and justified by the Company's performance and the achievement of both corporate and personal objectives in current market conditions. Each of the executive Directors has elected to take their 2009 Annual Bonus entirely in cash.

Review of salaries and fees

Executive Directors' basic annual salaries were revised with effect from 1 December 2009. Salary increases not exceeding 4% were awarded to executive Directors to reflect cost of living increases and to bring them closer to market median levels based on the data provided by HNBS. Increases of a similar level were awarded to staff.

	£'000	£'000
	1.12.2009	1.12.2008
J S Lane	400	385
B Bickell	285	275
S J Quayle	275	265
T J C Welton	265	255

Non-executive Directors' fees were revised with effect from 1 December 2009 to the following levels:

P J Manser (Chairman)	100	80
J R K Emly	50	45
W G McQueen	50	45
O J D Marriott	50	-

Non-executive Directors' fees were increased after a detailed review of the market data provided by HNBS and which reflects their time commitment and responsibilities at broadly median levels.



Summary of Directors' Share Options

Directors' share options held and exercised during the year ended 30 September 2009 in the Group's schemes are as follows:

Table 2 - Share Options (audited)

	Options and nil cost options held at 1.10.2008	Granted	Exercised	Lapsed	Options and nil cost options held at 30.9.2009			Grant Price	Latest date for exercise
					Total	Vested	Not Vested		
J S Lane									
2001 Scheme									
21.2.2001	68,389	-	68,389	-	-	-	-	£2.295	2.2011
13.12.2001	155,403	-	155,403	-	-	-	-	£2.13	12.2011
18.12.2002	170,011	-	170,011	-	-	-	-	£1.56	12.2012
18.12.2003	197,884	-	-	-	197,884	197,884	-	£1.80	12.2013
15.12.2004	241,524	-	-	-	241,524	241,524	-	£2.65	12.2014
2006 LTIP									
15.2.2006*	66,150	-	33,075	33,075	-	-	-	Nil	9.2009
20.12.2006	61,460	-	-	-	-	-	61,460	Nil	6.2010
18.12.2007	88,791	-	-	-	88,791	-	88,791	Nil	6.2011
16.12.2008	-	150,713	-	-	150,713	-	150,713	Nil	6.2012
Sharesave									
3.7.2006	5,202	-	-	-	5,202	-	5,202	£3.09	1.2012
B Bickell									
2001 Scheme									
21.2.2001	41,630	-	41,630	-	-	-	-	£2.295	2.2011
13.12.2001	89,136	-	89,136	-	-	-	-	£2.13	12.2011
18.12.2002	121,895	-	121,895	-	-	-	-	£1.56	12.2012
18.12.2003	116,647	-	-	-	116,647	116,647	-	£1.80	12.2013
15.12.2004	169,825	-	-	-	169,825	169,825	-	£2.65	12.2014
2006 LTIP									
15.2.2006*	46,695	-	23,348	23,347	-	-	-	Nil	9.2009
20.12.2006	43,369	-	-	-	43,369	-	43,369	Nil	6.2010
18.12.2007	62,532	-	-	-	62,532	-	62,532	Nil	6.2011
16.12.2008	-	105,907	-	-	105,907	-	105,907	Nil	6.2012
Sharesave									
3.7.2006	5,202	-	-	-	5,202	-	5,202	£3.09	1.2012
S J Quayle									
2001 Scheme									
21.2.2001	41,630	-	41,630	-	-	-	-	£2.295	2.2011
13.12.2001	77,408	-	77,408	-	-	-	-	£2.13	12.2011
18.12.2002	105,856	-	105,856	-	-	-	-	£1.56	12.2012
18.12.2003	97,204	-	-	-	97,204	97,204	-	£1.80	12.2013
15.12.2004	143,406	-	-	-	143,406	143,406	-	£2.65	12.2014
2006 LTIP									
15.2.2006*	44,750	-	22,375	22,375	-	-	-	Nil	9.2009
20.12.2006	41,572	-	-	-	41,572	-	41,572	Nil	6.2010
18.12.2007	60,030	-	-	-	60,030	-	60,030	Nil	6.2011
16.12.2008	-	103,867	-	-	103,867	-	103,867	Nil	6.2012
Sharesave									
3.7.2006	5,202	-	-	-	5,202	-	5,202	£3.09	1.2012
T J C Welton									
2001 Scheme									
21.2.2001	37,170	-	37,170	-	-	-	-	£2.295	2.2011
13.12.2001	65,682	-	65,682	-	-	-	-	£2.13	12.2011
18.12.2002	89,817	-	89,817	-	-	-	-	£1.56	12.2012
18.12.2003	88,875	-	-	-	88,875	88,875	-	£1.80	12.2013
15.12.2004	132,089	-	-	-	132,089	132,089	-	£2.65	12.2014
2006 LTIP									
15.2.2006*	41,830	-	20,915	20,915	-	-	-	Nil	9.2009
20.12.2006	38,878	-	-	-	38,878	-	38,878	Nil	6.2010
18.12.2007	56,277	-	-	-	56,277	-	56,277	Nil	6.2011
16.12.2008	-	99,800	-	-	99,800	-	99,800	Nil	6.2012
Sharesave									
3.7.2006	5,202	-	-	-	5,202	-	5,202	£3.09	1.2012

Notes to Table 2:

Vesting and exercise of options during the year

The number of options and the option price in the table above have been restated where appropriate to take account of the impact of the Rights Issue. As the 15 February 2006 LTIP awards (marked*) were exercised/lapsed on 16 February 2009, ie prior to the Rights Issue, the number of options has not been recalculated or restated.

There have been no changes in options outstanding in the period from 1 October 2009 to 27 November 2009. 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 shares at 30 September 2009 was £3.57 and during the year then ended was quoted in the range £2.40 to £4.34.

2001 Discretionary Share Option Scheme

Under the terms of the 2001 Discretionary Share Option Scheme, performance was 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. Performance conditions were applied to options with vesting after three years. No options have been granted since 2004 and all the options granted under the Scheme have now either vested or lapsed. Thereafter, participants have seven years in which to exercise vested options.

2006 Long Term Incentive Plan

The performance conditions described above in the 2006 Long Term Incentive Plan section apply to the vesting of awards granted to date, each applying to one half of the shares awarded.

The criteria for the 2008 LTIP award were established by the Committee at their meeting on 5 November 2008. Generally each participant would receive an award with a notional value at grant equivalent to one year's basic salary. The number of shares under option would be determined based on the average closing mid-market price of an Ordinary share over the five days following the announcement of the 2008 annual results. This average price was subsequently calculated at £3.15. The awards, structured as nil cost options, were subsequently granted on 16 December 2008, when the closing mid-market price of an Ordinary share was £3.70.

The respective performance periods and ultimate vesting for the first two awards is shown below:

Date of Award	Performance Period	TSR (% of award – maximum 50%)	NAV (% of award – maximum 50%)
15.2.2006	1.10.2005 – 30.9.2008	50%	0%
20.12.2006	1.10.2006 – 30.9.2009	50%	0%

The TSR performance calculations were prepared by HNBS.



Gains made on the exercise of Directors' share options during the year

Directors exercised certain share options during the year and in each case sold sufficient shares to meet their personal taxation and national insurance liabilities arising on the exercise and retained the remainder. The gains stated below are the gross proceeds of the exercise before deduction of tax and national insurance. Exercises were made on 16 February, 6 August and 28 August 2009 and the mid market closing share prices on those dates were £2.935, £3.66 and £3.79 respectively. No options were exercised by Directors in the previous financial year.

	Gain on exercise	
	2009	2008
	£'000	£'000
J S Lane	800	-
B Bickell	528	-
S J Quayle	472	-
T J C Welton	409	-
	2,209	-

Table 3 – Share entitlements (audited)

Directors hold entitlements to shares in respect of that part of awards granted under the Deferred Annual Share Bonus Scheme where Directors have elected to take their annual bonus by way of shares rather than cash. At 30 September 2009 and at 27 November 2009, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 407,402 shares in respect of awards granted but not delivered to Directors as set out below and employees:

Date of Award	Entitlement to Ordinary Shares at 1.10.2008	Awarded in Year*	Delivered in Year	Adjustment for Rights Issue	Entitlement to Ordinary Shares at 30.9.2009
J S Lane					
13.12.2006	48,364	-	(48,364)	-	-
6.12.2007	64,470	-	-	18,955	83,425
17.12.2008	-	38,959	-	11,454	50,413
	112,834	38,959	(48,364)	30,409	133,838
B Bickell					
13.12.2006	29,871	-	(29,871)	-	-
6.12.2007	39,726	-	-	11,680	51,406
17.12.2008	-	27,377	-	8,049	35,426
	69,597	27,377	(29,871)	19,729	86,832
S J Quayle					
13.12.2006	28,627	-	(28,627)	-	-
6.12.2007	43,585	-	-	12,814	56,399
17.12.2008	-	26,850	-	7,894	34,744
	72,212	26,850	(28,627)	20,708	91,143
T J C Welton					
13.12.2006	26,760	-	(26,760)	-	-
6.12.2007	35,753	-	-	10,512	46,265
17.12.2008	-	25,797	-	7,585	33,382
	62,513	25,797	(26,760)	18,097	79,647

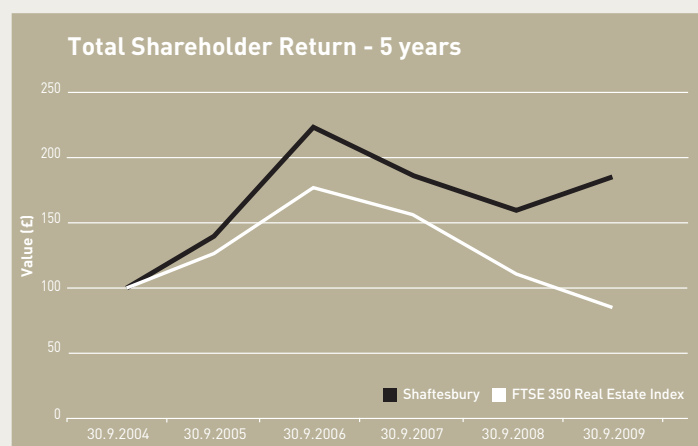
*In respect of annual bonus for the year ended 30 September 2008

Each award of shares prior to 1 October 2009 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. As stated earlier, the holding period for awards granted after 1 October 2009 will be increased to three years.

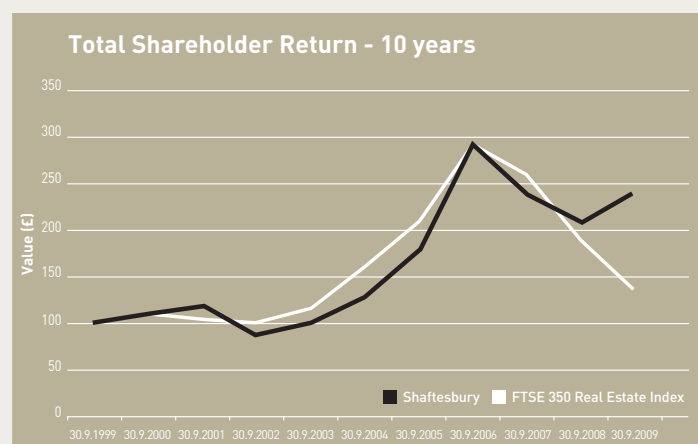
The Employee Benefit Trust took up its entitlements in the Rights Issue by the sale of sufficient nil paid rights to fund the acquisition of the remainder. The resulting new shares were distributed pro rata amongst the participants in the Deferred Annual Share Bonus Scheme and these figures are reflected above. No other adjustments to the scheme were made and no adjustment was made to the awards in December 2006 which were exercised prior to the Rights Issue.

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 (which includes dividends reinvested) performance over the last five and ten financial years.



This graph shows the value, by 30 September 2009, of £100 invested in Shaftesbury PLC on 30 September 2004 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year ends. Source: Thomson Financial



This graph shows the value, by 30 September 2009, of £100 invested in Shaftesbury PLC on 30 September 1999 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year ends. Source: Thomson Financial

On behalf of the Board

John R K Emly

Remuneration Committee Chairman

1 December 2009



Nomination Committee Report

Membership of the Committee

John Manser (Chairman of the Committee)

John Emly

Alastair MacDonald (deceased 30 March 2009)

Gordon McQueen

Patience Wheatcroft (from 14 May 2009 to 30 September 2009)

Oliver Marriott (appointed 13 October 2009)

The Nomination Committee (the "Committee") is comprised of the Chairman of the Company and three independent non-executive Directors.

Meetings

The Committee met three times during the year ended 30 September 2009.

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.

The Committee recognises that succession planning is important to the future continuing performance of the Group and it considers succession planning for the Board as a whole and senior management on a regular basis. The Committee keeps the composition of the Board under review and whilst the search for non-executive Directors continues, the Committee recommended to the Board the appointment during the year of one non-executive Director.

In the year under review, the Committee has undertaken:

- The monitoring of the composition of the Board;
- Board succession planning;
- Nomination of Directors for election and re-election; and
- A review of the annual Board and Committee performance evaluations together with recommendations to the Board.

In 2008, the Committee recommended to the Board that an additional non-executive Director should be appointed. The Committee recognised the need to maintain a balance of independent non-executive Directors on the Board, particularly as existing non-executive Directors reach nine years service and cease to be independent under the criteria for independence of the Combined Code.

Unexpectedly during the year, Alastair MacDonald passed away and Patience Wheatcroft advised the Company that she would resign on 30 September 2009 as a result of conditions of full time employment she accepted in July 2009.

The Committee had appointed an executive search company to compile a list of potential candidates for the role of non-executive Director. The process is continuing, and whilst the formal recommendation to the Board for the appointment of Oliver Marriott has been made, the Committee continues to search for at least one additional non-executive Director.

The process for the recruitment of additional non-executive Directors is extensive. All candidates for short list meet executive Directors and senior management and visit the Group's portfolio to understand fully the nature of the Group's business, prior to interview by the Committee.

On behalf of the Board

John Manser

Nomination Committee Chairman

1 December 2009



Audit Committee Report

Membership of the Committee

Gordon McQueen (Chairman of the Committee)

John Emly

Alastair MacDonald (deceased 30 March 2009)

Patience Wheatcroft (resigned 30 September 2009)

Oliver Marriott (appointed 12 October 2009)

The Audit Committee (the "Committee") is comprised solely of independent non-executive Directors. Gordon McQueen is a Member of the Institute of Chartered Accountants of Scotland, a Fellow of the Chartered Institute of Bankers in Scotland and is the member of the Committee with recent and relevant financial experience. John Emly is a Fellow of the Institute of Chartered Secretaries.

Meetings

The Committee met three times during the year ended 30 September 2009. The Finance Director and representatives of the Group's auditors have been invited to attend each meeting. The Committee considers some items of business without executives or the 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, monitor developments in financial reporting and review the framework and effectiveness of risk management and controls across the Group's business. 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 half year financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- The financial information contained within the Rights Issue prospectus;
- Published Interim Management Statements;
- Management's reports to the Board on risk and internal controls and the Group's public statements on these matters;
- The manual recording of the key business processes and related controls across the whole of the Group's business;
- The risk and control strategies of the Group's principal managing agents;
- The Group's whistleblowing policy;

- The need to establish an internal audit function;
- 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.

As part of the monitoring of the preparation of the annual and half year results, the Committee meets with the Group's external valuers to discuss the process of the annual and half year valuation.

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 external audit firm where there is a risk of a conflict arising with their audit independence and objectivity. The award of all non-audit assignments to the external audit firm in excess of £25,000 is subject to the approval of the Committee.

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 £110,000 (2008: £99,000). During the year, the external auditors, PricewaterhouseCoopers LLP undertook non-audit work for the Group totalling £656,000 (2008: £143,000). Of this amount, £42,000 (2008: £101,000) related to taxation compliance and associated matters, £417,000 (2008: £nil) related to the working capital report and other work relating to the Rights Issue, £36,000 (2008: £nil) related to the review of the half year financial statements and £113,000 (2008: £27,000) related to other services. Note 5 to the financial statements sets out the fees paid to the Group's auditors.

A non-audit assignment in excess of £25,000 relates to the REIT conversion of the Group's interest in Longmartin Properties Limited which was awarded to PricewaterhouseCoopers LLP during the previous financial year. This work continued during 2009 and is expected to continue in the year ahead.

The Committee was satisfied that the non-audit work did not give rise to any risk that the auditors' objectivity and performance of their statutory audit responsibilities would be compromised.

The level of non-audit fees payable to the external audit firm have risen over recent years, due to events such as the Group's conversion to a REIT in 2008 and the Rights Issue in 2009. The Group's conversion of its interest in Longmartin Properties Limited to a REIT is ongoing, but with the exception of this work and unforeseen circumstances, it is expected that the level of non-audit fees should revert to more normal levels in the year ahead.

Rights Issue

During the year, the Company undertook a Rights Issue. The Committee reviewed the prospectus for the Rights Issue which required a detailed analysis of the risk factors of the Group and the preparation of a working capital report. The award of this work to PricewaterhouseCoopers LLP was authorised in advance by the Committee.

Tenure of auditors

PricewaterhouseCoopers LLP (or its predecessor firms) has been the Company's auditor since it listed on the London Stock Exchange in October 1986. In view of the good working relationship with the auditor and the confirmations set out below, together with the safeguard of audit partner rotation every five years, the Committee is satisfied with that it has not been necessary to tender the audit work. The current senior statutory auditor has been in place for four years.

Auditor confirmation

PricewaterhouseCoopers LLP 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;
- That the total fees paid by the Group during the year do not represent a material part of their firm's fee income; and
- That they consider that they have maintained their audit independence throughout the year.

On behalf of the Board

Gordon McQueen

Audit Committee Chairman

1 December 2009



Corporate responsibility

The Board recognises the importance of social, environmental and ethical matters in the conduct of the Group's business.

The Group has a well embedded corporate responsibility process and this is its sixth year of reporting since the initial report in 2003. The Group's approach to corporate responsibility is that it is essential that it be seamlessly integrated into its overall corporate strategy. The Group acquires and manages properties in the West End of London in Conservation Areas, refurbishes the buildings and obtains changes of use where appropriate and in doing so seeks to extend the useful life of its buildings.

The Board receives regular reports on corporate responsibility and matters are taken into account in annual corporate and personal targets set by the Remuneration Committee.

The following report is a summary of the 2008 - 2009 Corporate Responsibility Report which is available in full on the Group's website together with the Action Plan against which the Group was measured. The 2008 - 2009 Corporate Responsibility Report was prepared by RPS, the Group's external consultant. The Group's policy, which is updated annually, is also available on the Group's website.

Key achievements

The Group is a constituent of the FTSE4 Good Index, which acts as a guide to socially responsible investment, and continues to be listed on the Dow Jones Sustainability Index. The Group has also retained its listing in the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies. It was listed in the Carbon Disclosure Project's (CDP) Carbon Disclosure Leadership Index. This index comprises the top scoring 10% of companies in the FTSE 350 based on analysis of the responses to CDP's 2009 questionnaire which focused on greenhouse gas emissions, emissions reduction targets and risks and opportunities associated with climate change.

Environmental strategy – investment and refurbishments

The Group's strategy is 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.

Significant regulatory emphasis is being placed on carbon emissions of dwellings throughout their operational lifetime, with emphasis on improvements in the Building Regulations, Energy Performance Certificates

(EPCs) and BREEAM/Code for Sustainable Homes. The Group supports and implements these requirements wherever practical. Recent studies have now highlighted the importance of embodied energy contained within the fabric of existing buildings, recognising the overall environmental benefits of extending the useful lives and efficiency of existing buildings rather than demolition and rebuilding.

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. The Group is not a significant user of timber and designers and contractors are encouraged to reuse as much as possible during refurbishment work. When installing new fixtures and plant, consideration is given to environmental sustainability as well as building regulations.

For the small amount of timber that is purchased, the aim is to source sustainably sourced products, particularly those certified to the Forestry Stewardship Commission (FSC) or Programme for the Endorsement of Forest Certification (PEFC) schemes. The Group has set internal targets for 50% to be sourced from sustainable supplies and for all hardwood to be sustainably sourced. The Group has not achieved its target of 50% in the year to 30 September 2009. This is due solely to the absence of full chain of custody details in some cases, so the proportion sustainably sourced is likely to have significantly exceeded the target. This includes all formally certified timber plus sourcing of timber from suppliers which have confirmed that a high proportion of their timber is from sustainable sources, but where full chain of custody details were not provided.

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:

- Eighteen refurbishment schemes of a capital value of above £75,000 have been registered with the Considerate Constructors Scheme. In 2009, the Group's target to maintain at least 80% of sites achieving a score of 26 or above was met when considering the results of an initial and follow up visit (where undertaken);
- 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. All were updated in late 2008 to reflect new legislation and best practice, and with the aim of improving the data collection process;
- A new initiative considered suitable for some of the Group's schemes and already installed at one of the properties on Berwick Street is the installation of bird boxes. This is intended to improve the potential biodiversity within the limitations of a central city area. Within the Longmartin scheme green roofs will be incorporated, together with bird and bat boxes;
- There have been no notifiable environmental incidents within the portfolio for the year 2008 - 2009.

Through its contractor management procedures, including checklists and supporting information, the Group requires project managers to dispose of waste appropriately, to segregate and recycle where possible and to collate information on waste quantities produced. Owing to the variation in projects, the extent of the work undertaken at each site, and the absence of any industry benchmarks for construction waste, it is not considered meaningful to present absolute waste data within the audit. However, the process encourages site managers and contractors to adopt responsible waste practices and provides the Group with details of waste quantities attributable to its activities. A sample of two 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 Longmartin joint venture project is due for phased completion beginning in early 2010 and will include photovoltaic cells and solar water heating panels to supplement power supplies with a renewable, low carbon source.

Whilst the Group does not require the formal certification of schemes to the Building Research Establishment's Environmental Assessment Method (BREEAM), the sub-contractor checklists are designed to follow the principles of the scheme and to encourage environmental factors to be considered during design, specification and refurbishment works. The Longmartin scheme is being formally assessed under BREEAM; Phase C (former NCP Building) has already achieved a 'Very Good' certificate and the remainder is expected to achieve the target.

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. The use of energy within the managed property portfolio is the responsibility of the tenants, with the exception of certain common areas such as stairwell lights and shared facilities. Generally energy use is restricted to lighting so the environmental impact is small.

An increase in electricity usage, and consequently carbon emissions, has been recorded during the year. For the majority of the portfolio this is has arisen as a result of a reduction in vacant space particularly with properties coming into full use in the Opera Quarter. Within Chinatown, an established area of the portfolio, the increase in usage results from improved data avoiding the need for the estimation of some data required in past reporting years. Green tariffs for the managed portfolio are not currently considered to be financially viable, but this will be reviewed annually.



The Group provides an EPC to all prospective tenants to demonstrate the predicted energy performance of the building. Due to the nature of the portfolio within conservation areas, with a number of Listed buildings, the vast majority of the Group's buildings are unlikely to achieve a high energy rating using the standardised approach. Furthermore, whilst the Group endeavours to improve energy performance when carrying out refurbishment, there are constraints as to what can be undertaken with Listed buildings and in Conservation Areas (with restrictions on factors such as cavity wall insulation, double glazing and visible renewable technologies) and it may not be possible to improve materially performance. However, actual energy consumption is low.

In the managed portfolio, responsibility for waste disposal lies with the Group's managing agents although the volumes generated are a result of the tenants' activities. Through the provision of shared waste facilities the Group encourages tenants to maximise recycling.

There are currently four sites within Carnaby and Seven Dials where the Group is directly responsible for waste management. Although there has been an increase in the total volume of waste disposed, which reflects the increased number of tenants using the facility, the proportion of waste recycled has shown a steady increase over the past three years.

Waste is not currently quantified in Chinatown. However, 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.

A 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

The Group's only office is small and the environmental impact is low risk relating to energy consumption, resource use and waste production.

Health and Safety issues

Health and Safety is an important aspect of the Group's business and operations. Overall responsibility rests with the Board 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 each site by site managers and project managers. The Group's managing agents oversee health and safety matters throughout the Group's portfolio.

During the year, there was one Prohibition Notice and one Improvement Health and Safety Notice served on subcontractors. In both instances the issues were resolved to the satisfaction of the Health and Safety Executive.

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.

The Group 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 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 London Chinatown Chinese Association, Chinatown Arts Space, the Chinatown Working Party, the Seven Dials Trust, the Yellow Earth Theatre Company and The Tennis Foundation. In addition, the Group has partnered extensively with Barnardos during the year on a number of fund raising projects.

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 Metropolitan 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, Covent Garden and Chinatown which will improve public safety and accessibility. The Longmartin joint venture has provided substantial contributions to the street improvements on Long Acre. A number of other schemes are scheduled for the year ahead, not just in Covent Garden. The Group supports and endorses the Soho Action Plan, the Chinatown Action Plan and the Covent Garden Action Plan.

The Group maintains active and effective relationships across all aspects of its business and especially with its tenants and service providers.

Employment issues

The Group employs nineteen 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 also 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. Employees receive a basic salary together with a contribution of 17.5% of salary into a pension and health and life insurance. All members of staff are eligible to participate in the Group's bonus and long term incentive schemes.

Corporate responsibility objectives for 2009 - 2010

The Group has set an Action Plan for 2009 - 2010 which is set out in full on the Group's website. The Group has the following key objectives:

- Continue to engage with key investors and benchmarking agencies as appropriate;
- 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);
- Aim to achieve a 'Very Good' BREEAM score for the Longmartin joint venture;
- Continue to invest only in "brownfield" sites;
- Continue to maximise the reuse of materials, especially timber, as part of the refurbishment process. Where new timber needs to be sourced aim to purchase a minimum of 50% from certified sustainable sources;
- Continue to monitor water use in Carnaby and Seven Dials and investigate opportunities for installing water meters in the Berwick Street part of the portfolio;
- Continue to monitor the waste management strategy for Carnaby and Seven Dials in order to encourage recycling by tenants;
- Investigate options within Berwick Street for a central recycling point;
- Improve biodiversity through use of bird nesting boxes at appropriate locations;
- Promote initiatives in Chinatown to improve recycling;
- Continue to support local community groups and be proactive in mentoring charitable and other organisations.

On behalf of the Board

Jonathan Lane
Chief Executive

1 December 2009



Valuers' summary report

(Wholly owned portfolio)

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 2009 (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 19 November 2009 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2009 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 Valuation Standards, 6th Edition (the "Red Book"). We confirm that we have the knowledge, skills and understanding to undertake the valuations competently and that we have undertaken the valuations acting as 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 and he has been the signatory of Reports addressed to the Subsidiary Companies since September 2006. 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. There are no current fee-earning instructions between DTZ Debenham Tie Leung and the Company or the Subsidiary Companies other than valuation instructions. However, in addition to valuation instructions, there are other recent fee-earning relationships between DTZ Debenham Tie Leung and certain of the Subsidiary Companies or the Company itself. These relate to our appointment, until recently, 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 previous involvement in advising the Company and Longmartin Properties Limited in respect of landlord and tenant and other matters; to our involvement, until recently, in advising the Company or some of the Subsidiary Companies in connection with the acquisition or disposal of certain properties and to our involvement, until recently, on behalf of the Company or certain 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 2009, 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 four 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 and a block of properties to the east of the Central Covent Garden Piazza with its main frontage to Wellington Street. 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 2009, 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 £1,845,000 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 number of 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 2009, 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 19 November 2009, were as follows:

Freehold properties	£1,068,920,000 (One billion, sixty-eight million, nine hundred and twenty thousand pounds)
Long leasehold properties	£77,245,000 (Seventy-seven million, two hundred and forty-five thousand pounds)
Total	£1,146,165,000 (One billion, one hundred and forty-six million, one hundred and sixty-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
48 Warwick Street,
London W1B 5NL

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 elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 5 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors' confirmation in accordance with Section 418 of the Companies Act 2006 is contained within the Directors' Report on page 42.



Independent Auditors' report

To the Members of Shaftesbury PLC

We have audited the financial statements of Shaftesbury PLC for the year ended 30 September 2009 which comprise the Group income statement, the Group and Company Balance sheets, the Group and Company Cash flow Statements, the Group and Company statements of changes in shareholders' equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 55, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2009 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in "Corporate governance" with respect to Rules 7.2.5 and 7.2.6 of the Disclosure and Transparency Rules issued by the Financial Services Authority is consistent with the financial statements; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 44, in relation to going concern; and
- the parts of "Corporate governance" relating to the company's compliance with the nine provisions of the Combined Code (2008) specified for our review.

Bowker Andrews (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

London, 1 December 2009



Group income statement

For the year ended 30 September 2009

	<i>Note</i>	2009 £m	2008 £m
Revenue from properties	3	67.8	65.3
Property charges	4	(13.3)	(14.0)
Net property income		54.5	51.3
Administration expenses	5	(6.1)	(5.3)
Charge in respect of equity settled remuneration	6	(0.7)	(0.2)
Total administration expenses		(6.8)	(5.5)
Operating profit before investment property disposals and valuation movements		47.7	45.8
Profit on disposal of investment properties	7	0.3	0.3
Investment property valuation movements	12	(48.1)	(222.6)
Operating loss		(0.1)	(176.5)
Interest receivable		0.2	0.2
Interest payable	8	(26.6)	(30.7)
Change in fair value of financial derivatives	19	(31.6)	(13.9)
Total finance costs		(58.0)	(44.4)
Loss before tax		(58.1)	(220.9)
Current tax	9	(0.2)	(0.5)
Deferred tax	9	(0.1)	5.3
Tax (charge)/credit for the year		(0.3)	4.8
Loss for the year	23	(58.4)	(216.1)
Loss per share:	10		
Basic		(31.3)p	*(124.6)p
Diluted		(31.3)p	*(124.6)p

*Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009

Balance Sheets

As at 30 September 2009

	<i>Note</i>	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Non-current assets					
Investment properties	12	1,209.9	1,207.7	-	-
Office assets and vehicles	13	0.3	0.3	0.3	0.3
Investment in subsidiary undertakings	27	-	-	483.6	483.6
Investment in joint venture	28	-	-	79.0	79.0
		1,210.2	1,208.0	562.9	562.9
Current assets					
Trade and other receivables	14	17.3	14.6	478.8	453.8
Cash and cash equivalents	15	2.9	0.2	-	-
Total assets		1,230.4	1,222.8	1041.7	1,016.7
Current liabilities					
Trade and other payables	16	35.6	30.4	11.4	23.1
Non-current liabilities					
Taxation payable	17	3.8	11.1	3.8	11.1
Borrowings	18	427.5	524.5	428.6	525.3
Financial derivatives	19	46.1	14.5	46.1	14.5
Deferred tax liabilities	21	0.1	-	-	-
Total liabilities		513.1	580.5	489.9	574.0
Net assets		717.3	642.3	551.8	442.7
Equity					
Called up share capital	22	56.7	33.8	56.7	33.8
Other reserves	23	124.0	132.0	124.0	132.0
Retained earnings	23	536.6	476.5	371.1	276.9
Total equity		717.3	642.3	551.8	442.7
Net assets per share:	24				
Basic		£3.16	*£3.70		
Diluted		£3.15	*£3.67		

*Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

On behalf of the Board who approved the financial statements on pages 57 to 74 on 1 December 2009.

Jonathan S Lane

Chief Executive

Brian Bickell

Finance Director



Cash Flow Statements

For the year ended 30 September 2009

	<i>Note</i>	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Operating activities					
Cash generated from/(consumed by) operating activities	25	44.9	47.5	(6.0)	(4.2)
Interest received		0.2	0.2	-	-
Interest paid		(24.5)	(31.1)	(24.7)	(32.0)
Tax payments in respect of operating activities		(7.2)	(10.2)	(6.8)	(9.4)
		13.4	6.4	(37.5)	(45.6)
Investing activities					
Property acquisitions		(24.9)	(19.7)	-	-
Capital expenditure on properties		(21.3)	(15.0)	-	-
Capital receipts from disposal of interests in properties		0.2	-	-	-
Net proceeds from sales of properties		-	12.4	-	-
Net purchase of office assets and vehicles		(0.1)	(0.1)	(0.1)	(0.1)
Purchase of shares in Carnaby Investments Limited		-	-	-	(0.2)
Cash flows from investing activities		(46.1)	(22.4)	(0.1)	(0.3)
Financing activities					
Issue of shares for cash		151.2	0.5	151.2	0.5
(Decrease)/increase in borrowings	26	(95.2)	29.8	(95.0)	30.1
Facility arrangement costs	26	(2.0)	-	(2.0)	-
Payment of finance lease liabilities		(0.3)	(0.3)	-	-
Equity dividends paid	11	(18.3)	(14.2)	(18.3)	(14.2)
Net loans to subsidiary undertakings		-	-	15.1	34.5
Repayment of loan from joint venture		-	-	(13.4)	(5.0)
Cash flows from financing activities		35.4	15.8	37.6	45.9
Net change in cash and cash equivalents		2.7	(0.2)	-	-

Statement of changes in shareholders' equity

At 1 October 2008	642.3	866.8	442.7	467.4
Loss for the year	(58.4)	(216.1)	(24.3)	(16.3)
Dividends paid	(18.3)	(14.2)	(18.3)	(14.2)
Proceeds of shares issued (net of expenses)	151.2	5.4	151.2	5.4
Fair value of share based remuneration	0.5	0.4	0.5	0.4
At 30 September 2009	717.3	642.3	551.8	442.7

Notes to the Financial Statements

for the year ended 30 September 2009

1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 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 policies have been applied consistently in all periods presented in these financial statements.

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 whom the Board considers to be suitably qualified to carry out such valuations. In the case of share based payments, assumptions regarding the vesting of options are made by the Directors.

Segmental analysis

The Group has only one reportable business segment as all of its revenue is derived from the ownership of investment properties located in the West End of London.

2. Accounting policies

New accounting standards and interpretations

The Group's approach to new accounting standards and interpretations issued during the year is set out below.

Standards, amendments and interpretations effective in the year ended 30 September 2009 but not relevant

The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- Amendment to IFRS 7 Financial Instruments: Disclosures
- Amendment to IFRIC 9 Reassessment of embedded derivatives
- IFRIC 12 Service concession arrangements
- IFRIC 13 Customer loyalty programmes

Amendments to and interpretations of existing standards that are relevant to the Group but are not yet effective and have not been adopted early

The following amendments to and interpretations of existing standards have been published and are mandatory for the Group's future accounting periods beginning on or after 1 October 2009 and which the Group has not adopted early:

- IAS 1 (revised) Presentation of financial statements – comprehensive revision including a statement of comprehensive income. This revised standard will impact the presentational disclosure of the financial statements, but will have no impact on the carrying values of items;
- IAS 23 (revised) Borrowing Costs. This revised standard will have no impact on the Group's financial statements. The Group's properties are included in the financial statements at fair value and it will not be required to capitalise interest in respect of any development projects carried at fair value;
- IAS 27 (revised) Consolidated and separate financial statements – consequential amendment arising from amendments to IFRS 3;
- IAS 31 Investments in joint ventures;
- IFRS 2 (Amendment) Share based payments – amendment to vesting conditions and cancellations;
- IFRS 8 Operating segments. This new standard will not impact on the format of the Group's financial reporting, as the Group has only one reportable segment within its business;
- IFRIC 15 Construction of real estate;
- Amendment to IFRS 7 Financial instruments: Disclosures.

Amendments to and interpretations of existing standards that are not yet effective and are not relevant for the Group's current operations

- IFRS 3, (Revised) Business combinations – comprehensive revision on applying the acquisition method
- IAS 28 Investments in Associates – consequential amendment arising from amendments to IFRS 3
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements on puttable financial instruments and obligations arising on liquidation
- Amendment to IFRS 1 First time adoption of IFRS and IAS 27 Consolidated and separate financial statements
- Amendment to IAS 39 Financial Instruments: Recognition and measurement on eligible hedged items
- IFRIC 14 :IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 16 Hedges of a net investment in a foreign operation
- IFRIC 17 Distributions of non-cash assets to owners
- IFRIC 18 Transfers of assets from customers

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiary undertakings, together with the Group's share of the results of its joint venture, made up to the balance sheet date.

Subsidiary undertakings

Subsidiary undertakings are those entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to direct the financial and operating activities of an entity so as to obtain benefits from its activities.

In the Company's Balance Sheet, 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 Group's 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. Amounts capitalised comprise costs incurred which are directly attributable to the formation of a specific joint venture entity which has the main purpose of property investment.

Acquisitions

Where properties are acquired through corporate acquisitions and there are no significant assets and liabilities other than investment property, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Investment properties

Investment properties are properties owned or leased by the Group which are held to earn rental income or capital appreciation or both. 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.

Investment properties are initially recognised on acquisition at cost and are revalued semi-annually to reflect fair value. Fair value is determined either by external professional valuers on the basis of market value or by the Directors in the case of properties sold shortly after the period 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.

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 are recognised in the financial statements on the date at which there is a legally binding and unconditional contract.

Office assets and vehicles

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

Depreciation is provided on office assets and vehicles to write their cost down to their estimated residual values over their estimated useful lives at the following rates:

Short leasehold office premises	- over the period of the lease on cost, assuming no residual value
Equipment	- 20%/25% per annum on cost
Motor vehicles	- 25% per annum on written down value

Asset lives and residual values are reviewed at each balance sheet date.

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 are recognised in the Income Statement within total finance costs. Amounts payable or receivable under such arrangements are included within interest payable, recognised on an accruals basis.

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.

Loans and receivables

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand bank deposits. Where such deposits can be offset against any amounts owing to the same bank in accordance with its loan agreement, and in the event of settlement the Group intends to settle as a net liability, they are deducted from that loan liability.

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.

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. The amount charged in the Income Statement is credited to the Share Based Payment Reserve. Following the exercise of share options, the charge previously recognised in respect of these options is released from the Share Based Payment Reserve to retained earnings.

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 basis over the term of the lease.

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. The Group expects to recover the value of its investment property assets through future rental income streams.

Deferred tax liabilities are calculated using the tax rate applicable at the balance sheet date and are not discounted. Deferred tax assets are recognised when recoverability is considered probable.

3. Revenue from properties

	2009 £m	2008 £m
Rents receivable (adjusted for lease incentives):		
Wholly owned Group	60.2	56.0
Group's share of Longmartin Joint Venture	1.5	1.8
Rents receivable	61.7	57.8
Recoverable property expenses	6.1	7.5
	67.8	65.3

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

Rents receivable includes lease incentives recognised of £0.4 million (2008: lease incentives written back £0.8 million)

4. Property charges

Property outgoings	7.2	6.5
Recoverable property expenses	6.1	7.5
	13.3	14.0

5. Administration expenses

Administration expenses include:		
Administration fees receivable from joint venture	(0.4)	(0.4)
Depreciation	0.1	0.1
Operating lease rentals – office premises	0.2	0.2

Services provided by the Group's auditor

	£'000	£'000
Audit services		
The audit of the Company and Group financial statements (Company: 2009: £20,000; 2008: £19,000)	33	27
The audit of the financial statements of subsidiary and joint venture undertakings pursuant to legislation	77	72
	110	99
Non-audit services		
Services in connection with the Rights Issue (charged to equity)	417	-
Review of half year financial statements	36	-
Taxation advice - compliance	42	101
Taxation advice - REIT conversion	48	15
Other services	113	27
	766	242

	£m	£m
Employee costs (Group and Company)		
Salaries	2.1	2.0
Annual bonuses	1.0	0.7
Social security costs	0.4	0.2
Pension contributions	0.4	0.4
Equity settled remuneration (see note 6)	0.7	0.2
	4.6	3.5

The Group 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 (Group and Company)

	Number	Number
Executive Directors	4	4
Administration	14	14
Estate management	1	2
	19	20

A summary of Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report on pages 45 to 49.

6. Charge in respect of equity settled remuneration

	2009 £m	2008 £m
Charge for share based remuneration	0.5	0.4
Employer's National Insurance in respect of share awards and share options vested or expected to vest	0.2	(0.2)
	0.7	0.2

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

Capital receipts from disposal of interests in properties	0.3	-
Net sale proceeds	-	4.7
Book value at date of sale	-	(4.4)
	0.3	0.3

8. Interest payable

Debenture stock interest and amortisation	5.1	5.1
Bank and other interest	13.6	27.7
Amounts payable/(receivable) under financial derivative contracts	7.6	(2.4)
Amounts payable under finance leases	0.3	0.3
	26.6	30.7

9. Taxation**Current tax**

UK Corporation tax at 28% (2008: 29%)	0.1	0.5
REIT conversion charge in respect of company acquired during the year	0.1	0.1
Adjustments in respect of prior years	-	(0.1)

Deferred tax (note 21)**Tax charge/(credit) for the year**

Factors affecting the tax charge: (Loss)/profit before tax	(58.1)	(220.9)
UK Corporation tax at 28% (2008: 29%)	(16.3)	(64.0)
Taxable profit not liable to UK Corporation tax due to REIT status	(5.7)	(4.0)
Deferred tax not provided in respect of property and financial derivative movements and capital allowances due to REIT status	22.0	63.5
Difference between expenses and deductions for taxation purposes and amounts charged in the financial statements	0.2	(0.3)
Adjustments in respect of prior years	-	(0.1)
REIT conversion charge in respect of company acquired during the year	0.1	0.1
Tax charge/(credit) for the year	0.3	(4.8)

10. (Loss)/earnings per share

	2009 £m	2008 £m
Loss after tax used for calculation of basic earnings per share	(58.4)	(216.1)
Adjusted for:		
Gain on sale of investment properties	(0.3)	(0.3)
Investment property valuation movements	48.1	222.6
Movement in fair value of financial derivatives	31.6	13.9
Current tax in respect of:		
REIT conversion charge	0.1	0.1
Deferred tax in respect of:		
Investment property revaluation gains	-	(5.3)
Profit after tax used for adjusted earnings per share	21.1	14.9
Weighted average number of shares in issue – million	186.7	*173.4
Weighted average number of shares in issue for calculation of diluted earnings per share – million	188.2	*174.4
(Loss)/earnings per share:	Pence	Pence
Basic	(31.3)	*[124.6]
Diluted	(31.3)	*[124.6]
Adjusted basic	11.3	*8.6
Adjusted diluted	11.2	*8.5

*Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

The difference between the weighted average and diluted average number of Ordinary Shares arises from the potentially dilutive effect of outstanding 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 property disposals and movements in the valuation of investment properties and financial derivatives.

11. Dividends paid

	2009 £m	2008 £m
Final dividend paid in respect of:		
Year ended 30 September 2008 at 6.00p per share	8.1	-
Year ended 30 September 2007 at 5.50p per share	-	7.4
Interim dividend paid in respect of:		
Six months ended 31 March 2009 at 7.50p per share	10.2	-
Six months ended 31 March 2008 at 5.00p per share	-	6.8
	18.3	14.2

A final dividend in respect of the year ended 30 September 2009 of 4.75p per Ordinary share amounting to £10.8 million will be proposed at the 2010 Annual General Meeting. If approved, this dividend will be paid on 19 February 2010 to shareholders on the register at 29 January 2010. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2010.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 314,835 (2008: 325,082) Ordinary Shares during the year.



12. Investment properties

	2009 £m	2008 £m
At 1 October 2008 – book value	1,202.2	1,388.2
Acquisitions	24.6	19.5
Acquisition on purchase of subsidiary undertaking	5.2	4.9
Refurbishment and other capital expenditure	20.6	16.6
Disposals	-	(4.4)
Net deficit on revaluation	(48.1)	(222.6)
	1,204.5	1,202.2
Add: Head lease liabilities	5.4	5.5
Book value at 30 September 2009	1,209.9	1,207.7
Market value at 30 September 2009:		
Properties valued by DTZ Debenham Tie Leung	1,146.2	1,139.4
Properties valued by Knight Frank LLP	63.8	67.9
	1,210.0	1,207.3
Add: Head lease liabilities	5.4	5.5
Less: Lease incentives recognised to date	(5.5)	(5.1)
Book value at 30 September 2009	1,209.9	1,207.7
Historic cost of properties at valuation	798.0	747.6

Investment properties were subject to external valuation as at 30 September 2009 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 Valuation Standards (Sixth Edition).

A summary report by DTZ Debenham Tie Leung describing the basis of their valuation of the Group's wholly owned properties (which does not form part of these financial statements) is set out on pages 54 to 55.

Investment properties include freehold properties valued at £1,069.0 million (2008: £1,067.0 million), leasehold properties with an unexpired term of over 50 years valued at £74.4 million (2008: £73.8 million) and a notional apportionment of value in respect of part freehold/part leasehold properties, where the apportionment in respect of the leasehold element with over 50 years unexpired is £66.6 million (2008: £66.5 million).

Capital Commitments

	Wholly owned Group		Group's share of Longmartin Joint Venture	
	2009 £m	2008 £m	2009 £m	2008 £m
Authorised and contracted	1.8	5.7	14.9	4.0
Authorised but not contracted	1.2	4.5	-	17.4

The Company had no capital commitments at 30 September 2009 (2008: £Nil)

13. Office assets and vehicles

	Short Leasehold Office Premises £m	Equipment and Vehicles £m	Total 2009 £m	2008 £m
Group and Company				
Cost				
At 1 October 2008	0.1	0.8	0.9	0.9
Additions	-	0.1	0.1	0.1
Disposals	-	(0.1)	(0.1)	(0.1)
At 30 September 2009	0.1	0.8	0.9	0.9
Depreciation				
At 1 October 2008	0.1	0.5	0.6	0.6
Charge for the year	-	0.1	0.1	0.1
Eliminated on disposals	-	(0.1)	(0.1)	(0.1)
At 30 September 2009	0.1	0.5	0.6	0.6
Net book value at 30 September 2009	-	0.3	0.3	0.3
Net book value at 30 September 2008	-	0.3	0.3	

14. Trade and other receivables

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts due from tenants	9.4	7.6	-	-
Provision for doubtful debts (see below)	(0.3)	(0.2)	-	-
	9.1	7.4	-	-
Lease incentives recognised in the Income Statement	5.5	5.1	-	-
Amounts due from subsidiary undertakings	-	-	478.4	453.4
Other receivables and prepayments	2.7	2.1	0.4	0.4
	17.3	14.6	478.8	453.8

Amounts due from tenants at each year end included amounts contractually due and invoiced on 29 September in respect of rents and service charge contributions in advance for the period 29 September to 24 December. At 30 September 2009, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2009, totalled £1.2 million (2008: £0.7 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.3 million (2008: £0.2 million).

Movement in provision for doubtful debts:

At 1 October 2008	0.2	0.2	-	-
Amounts written off during the year	(0.4)	(0.6)	-	-
Charge in the Income Statement	0.5	0.6	-	-
At 30 September 2009	0.3	0.2	-	-

At 30 September 2009, cash deposits totalling £8.9 million were held against tenants' rent payment obligations (2008: £8.1 million).

15. Cash

Cash balances at 30 September 2009 included an amount of £2.5 million (2008: £Nil), being the Group's share of a deposit made by the Longmartin Joint Venture in respect of payment obligations under a building contract. The deposit will be released in stages after June 2010 and will be released in full on completion of the building contract.

16. Trade and other payables

Rents and service charges invoiced in advance	14.1	14.1	-	-
Corporation tax and REIT conversion charge payable (note 17)	7.4	7.1	7.4	6.8
Amount due to joint venture undertaking	-	-	-	13.4
Amounts due in respect of property acquisitions	4.9	-	-	-
Trade payables in respect of accrued capital expenditure	2.4	2.3	-	-
Other trade payables and accruals*	6.8	6.9	4.0	2.9
	35.6	30.4	11.4	23.1
	2.3	0.8	2.3	0.8

*Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's wholly owned assets.



17. Taxation payable

Group and Company

2007 REIT conversion charge outstanding at year end
Less: Payable within one year included in trade and other payables (note 16)

2009 £m	2008 £m
11.1	17.9
(7.3)	(6.8)
3.8	11.1
<hr/>	
-	6.8
7.3	7.3
3.8	3.8
11.1	17.9

The Group has elected to pay its 2007 REIT conversion charge in instalments as follows:

Year to 30 September 2009
Year to 30 September 2010
Year to 30 September 2011

18. Borrowings

	2009			2008		
	Nominal value £m	Unamortised premium and issue costs £m	Book value £m	Nominal value £m	Unamortised premium and issue costs £m	Book Value £m
Group						
8.5% First Mortgage Debenture Stock 2024	61.0	3.0	64.0	61.0	3.1	64.1
Secured bank loans	361.2	(3.1)	358.1	456.4	(1.5)	454.9
Debenture and bank borrowings	422.2	(0.1)	422.1	517.4	1.6	519.0
Finance lease obligations	5.4	-	5.4	5.5	-	5.5
	427.6	(0.1)	427.5	522.9	1.6	524.5
Company						
8.5% First Mortgage Debenture Stock 2024	61.0	3.0	64.0	61.0	3.1	64.1
Secured bank loans	367.7	(3.1)	364.6	462.7	(1.5)	461.2
Debenture and bank borrowings	428.7	(0.1)	428.6	523.7	1.6	525.3

The Group's finance lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 171 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.

Certain of the Company's bank loan agreements allow for part of the facility commitments to be provided by way of overdrafts to the Company, which are available throughout the term of those facilities. At 30 September 2009, Group and Company bank loans included overdrafts of £1.7 million (2008: £2.2 million).

19. Financial instruments

Categories of financial instruments (Group)

	Book value £m	2009 Income/(expense) £m	Book value £m	2008 Income/(expense) £m
Financial assets/(liabilities) at fair value through the Income Statement				
Interest rate swaps	(46.1)	(7.6)	(14.6)	2.4
Financial assets				
Trade and other receivables (note 14)	9.1	-	7.4	-
Cash and cash equivalents	2.9	0.2	0.2	0.2
	12.0	0.2	7.6	0.2
Financial liabilities				
Trade and other payables (due within one year) (note 16)	(6.8)	-	(6.9)	-
Interest bearing borrowings (note 18)	(422.1)	(18.7)	(519.0)	(32.8)
Finance leases (note 18)	(5.4)	(0.3)	(5.5)	(0.3)
Liabilities at amortised cost	(434.3)	(19.0)	(531.4)	(33.1)
Total financial instruments	(468.4)	(26.4)	(538.4)	(30.5)

There were no gains or losses in respect of financial instruments recognised in equity during the year (2008: Nil).

Fair values of financial instruments

	2009 £m	2008 £m
Interest rate swaps		
At 1 October 2008 – Deficit	(14.5)	(0.6)
Increase in fair value deficit in year charged in the Income Statement	(31.6)	(13.9)
At 30 September 2009 – Deficit	(46.1)	(14.5)

Changes in the fair value of the Group's interest rate swaps, 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. The extent to which the fair value deficit will crystallise will depend on the course of interest rates over the life of the swaps, which had a weighted average maturity of 23.4 years at the balance sheet date.

8.5% Mortgage Debenture Stock 2024

Fair value deficit not recognised in the reported results for the year:

At 30 September 2009	(10.8)	(11.3)
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The fair value of the outstanding Debenture Stock has been calculated by J.C. Rathbone Associates Limited at 217 basis points (2008: 142 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 £61.0 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.

Other financial instruments

The fair values of the Group's cash and cash equivalents, trade and other receivables, interest bearing borrowings (other than the 8.5% Mortgage Debenture Stock 2024) and trade and other payables are not materially different from the values at which they are carried in the financial statements.

20. Management of financial risk**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group reviews the creditworthiness of potential tenants prior to entering into contractual arrangements. Where appropriate, tenants are required to provide cash rental deposits to mitigate the potential loss in the event of default. Deposits held are referred to in note 14. The Group has a large and diverse tenant base so that tenant credit risk is widely spread.

Provision is made in full where recovery of financial assets is, in the opinion of the Directors, uncertain. The carrying amount of financial assets, net of provisions for impairment, represents the Group's maximum exposure to credit risk.

The Group's bankers are set out on page 5. All The Group holds minimal cash balances, utilising overdraft and loan facilities for its day to day cash requirements. Where cash deposits are held, they are placed with one of the Group's existing facility providers.

Liquidity risk

The Board keeps under review the Group's funding requirements to ensure it has sufficient funds available to meet its commitments and extend its portfolio through investment and acquisition of additional properties. The Group's policies regarding finance and its current financial position are set out in the Business Review on pages 33 to 34.

Availability and maturity of Group borrowings

	2009 Facilities		2008 Facilities	
	Committed £m	Undrawn £m	Committed £m	Undrawn £m
Repayable after more than 15 years:				
8.5% First Mortgage Debenture Stock 2024	-	-	61.0	-
Repayable between 10 and 15 years				
8.5% First Mortgage Debenture Stock 2024	61.0	-	-	-
Bank facilities	75.0	-	100.0	-
Repayable between 5 and 10 years				
Bank facilities	500.0	213.8	425.0	68.6
	636.0	213.8	586.0	68.6
Finance lease obligations – leases expiring in 171 years	5.4	-	5.5	-
	641.4	213.8	591.5	68.6

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 and certain other financial covenants as described in the Business Review on pages 33 to 34.



Market risk

Market risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Group's policy is to minimise market risk through long term, fixed rate debt, long term committed bank facilities and the use of long term interest rate swaps on a large portion of its floating rate bank debt. As described in the Business Review on pages 33 to 34, the Board keeps under review the Group's market risk, particularly in light of expectations of future interest rate movements.

The Group's First Mortgage Debenture Stock carries a rate of interest of 8.5%, which is fixed until maturity in March 2024.

The Group's current bank facilities, which expire between April 2016 and March 2021, are at credit margins which are fixed for the life of the facilities. At 30 September, the actual average credit margin on the amounts drawn under those facilities was 0.71%. If those facilities had been fully drawn at that date, the average credit margin payable would have been 0.81%.

The Group has in place interest rate swaps to hedge £360 million of floating rate bank debt, at a weighted average rate at the year end of 4.71% excluding margin. The weighted average rate rises to 4.87% from December 2009, following the expiry of certain short term settlement arrangements. The swaps, which are settled against three month LIBOR, expire between December 2027 and November 2038 (weighted average maturity 23.4 years).

Interest rate profile of interest bearing borrowings

	Debt £m	2009 Weighted Average Interest Rate %	Debt £m	2008 Weighted Average Interest Rate %
Floating rate borrowings				
LIBOR-linked loans – interest rates fixed until December 2009 at latest (including margin)	1.2	1.42	96.4	6.23
Hedged borrowings				
Interest rate swaps in operation at year end (including margin)	360.0	5.42	360.0	5.74
Fixed rate borrowing				
8.5% First Mortgage Debenture Stock (interest rate fixed for 14.5 years until 31 March 2024) – book value	64.0	7.93	64.1	7.93
Weighted average cost of borrowings		5.78		6.10

Interest rate sensitivity

Based on indebtedness, interest rates and hedging in place at the year end, the impact of a change of 0.5% in market interest rates applicable to its LIBOR-linked borrowings and swaps and a change of 0.5% in the long term interest rates against which the fair value of swaps is calculated, would have the following impacts on the Group's results and equity:

	Movement in market rates	
	Increase of 0.5% £m	Reduction of 0.5% £m
(Increase)/decrease in finance costs before fair valuation of interest rate swaps	-	-
(Decrease)/increase in fair value deficit of interest rate swaps	(27.2)	27.2
Increase/(decrease) in profit and shareholders' equity	27.2	(27.2)

This sensitivity analysis does not take into account the impact of that long term interest rate movements could have on the valuation of the Group's investment properties, which would be reflected in the Income Statement.

21. Deferred tax liabilities

Group	2009 £m	2008 £m
At 1 October 2008	-	5.3
Provided/(released) through the Income Statement	0.1	(5.3)
At 30 September 2009	0.1	-
Comprising:		
Provision in respect of capital allowances	0.1	-

22. Called Up Share Capital

	2009 Number Million	2008 Number Million	2009 £m	2008 £m
Ordinary Shares of 25p each Authorised	300.0	200.0	75.0	50.0
Issued, called up and fully paid				
At 1 October 2008	135.4	134.3	33.8	33.6
Issued in connection with the exercise of share options	1.2	0.2	0.3	-
Issued in connection with the Rights Issue	90.3	-	22.6	-
Issued in connection with the acquisition of Carnaby Investments Limited	-	0.9	-	0.2
At 30 September 2009	226.9	135.4	56.7	33.8

The Company's authorised share capital was increased on 5 June 2009 from £50.0 million to £75.0 million by the creation of 100 million Ordinary shares of 25p each.

The gross proceeds of shares issued in connection with the Rights Issue approved by shareholders on 5 June 2009 amounted to £158.1 million. Expenses incurred in connection with the Rights Issue, which amounted to £9.0 million, have been charged to the Share Premium Account. The proceeds of shares issued during the year in connection with the exercise of share options amounted to £2.1 million.

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 2009:

	Ordinary Shares of 25p each		Option Exercise Price	Exercise Period
	Exercisable	Not yet vested		
Date of Grant				
2001 Discretionary Share Option Schemes				
18 December 2003	523,766	-	£1.80	2006-2013
15 December 2004	686,844	-	£2.65	2007-2014
2001 Sharesave Scheme				
3 July 2006	22,620	-	£3.09	2009-2012
30 June 2008	7,090	-	£2.91	2011-2013
14 July 2009	52,941	-	£2.37	2012-2014
2006 Long Term Incentive Plan				
20 December 2006*	-	244,004	Nil Cost	2009
18 December 2007	-	363,201	Nil Cost	2010
16 December 2008	-	798,467	Nil Cost	2011
Number of shares under option at 30 September 2009	1,293,261	1,405,672		

The rules of the Schemes referred, which apply on the same basis to options granted to Directors and other employees, are described on pages 46 to 49 of the Directors' Remuneration Report.

* Options over 122,002 Ordinary Shares will vest in December 2009, following satisfaction of performance targets in respect of the three years ended 30 September 2009. The remainder of the options will lapse.



23. Reserves

Group	Share premium £m	Merger reserve £m	Share based payments £m	Retained earnings £m	Total £m
At 1 October 2007	124.0	-	2.4	706.8	833.2
Premium on shares issued	5.2	-	-	-	5.2
Fair value of share based payments	-	-	0.4	-	0.4
Loss for the year	-	-	-	(216.1)	(216.1)
Dividends paid during the year	-	-	-	(14.2)	(14.2)
At 30 September 2008	129.2	-	2.8	476.5	608.5
Arising on Rights Issue	-	135.5	-	-	135.5
Transfer to retained earnings	-	(135.5)	-	135.5	-
Expenses incurred in connection with Rights Issue	(9.0)	-	-	-	(9.0)
Premium on shares issued in connection with the exercise of share options	1.8	-	-	-	1.8
Fair value of share based payments	-	-	0.5	-	0.5
Transfer in respect of share options exercised	-	-	(1.3)	1.3	-
Loss for the year	-	-	-	(58.4)	(58.4)
Dividends paid during the year	-	-	-	(18.3)	(18.3)
At 30 September 2009	122.0	-	2.0	536.6	660.6
Company					
At 1 October 2007	124.0	-	2.4	307.4	433.8
Premium on shares issued	5.2	-	-	-	5.2
Fair value of share based payments	-	-	0.4	-	0.4
Loss for the year	-	-	-	(16.3)	-
Dividends paid during the year	-	-	-	(14.2)	(14.2)
At 30 September 2008	129.2	-	2.8	276.9	408.9
Arising on Rights Issue	-	135.5	-	-	135.5
Transfer to retained earnings	-	(135.5)	-	135.5	-
Expenses incurred in connection with Rights Issue	(9.0)	-	-	-	(9.0)
Premium on shares issued in connection with the exercise of share options	1.8	-	-	-	1.8
Fair value of share based payments	-	-	0.5	-	0.5
Transfer in respect of share options exercised	-	-	(1.3)	1.3	-
Loss for the year	-	-	-	(24.3)	(24.3)
Dividends paid during the year	-	-	-	(18.3)	(18.3)
At 30 September 2009	122.0	-	2.0	371.1	495.1

The Company's retained earnings at 30 September 2009 include amounts distributable of £156.4 million (2008: £31.3 million). As permitted by Section 408 of the Companies Act 2006, no Income Statement has been presented for the Company.

24. Net assets per share

	2009 £m	2008 £m
Net assets used for calculation of basic net assets per share	717.3	642.3
Adjusted for:		
Cumulative fair value adjustment in respect of financial derivatives	46.1	14.6
Adjusted net assets	763.4	656.9
Additional equity if all vested share options exercised	3.0	4.4
Net assets used for adjusted diluted net asset calculations	766.4	661.3
Ordinary shares in issue – million	226.9	*173.7
Diluted Ordinary shares – million	228.9	*176.1
Net assets per share:		
Basic	£3.16	*£3.70
Diluted	£3.15	*£3.67
Adjusted basic	£3.36	*£3.78
Adjusted diluted	£3.35	*£3.76

*Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

The calculations of diluted net asset value per share show the potentially dilutive effect of outstanding 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.



25. Cash flows from operating activities

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Operating activities				
Operating loss	(0.1)	(176.5)	(6.2)	(3.7)
Adjustment for non-cash items:				
Lease incentives (recognised)/written back	(0.4)	0.8	-	-
Charge for share based remuneration	0.5	0.4	0.5	0.4
Depreciation and losses on disposals	0.1	0.1	0.1	0.1
Profit on sale of investment properties	(0.3)	(0.3)	-	-
Investment property valuation movements	48.1	222.6	-	-
Cash flows from operations before changes in working capital	47.9	47.1	(5.6)	(3.2)
Change in trade and other receivables	(2.2)	1.2	-	0.2
Change in trade and other payables	(0.8)	(0.8)	(0.4)	(1.2)
Cash flows from operating activities	44.9	47.5	(6.0)	(4.2)

26. Movement in borrowings

	1.10.2008	Cash Flows	Non-cash Items	30.9.2009
	£m	£m	£m	£m
Group				
8.5% First Mortgage Debenture Stock 2024	(64.1)	-	0.1	(64.0)
Secured bank loans	(456.4)	95.2	-	(361.2)
Facility arrangement costs	1.5	2.0	(0.4)	3.1
Finance lease obligations	(5.5)	-	0.1	(5.4)
	(524.5)	97.2	(0.2)	(427.5)
Year ended 30 September 2008	(494.7)	(29.8)	-	(524.5)
Company				
8.5% First Mortgage Debenture Stock 2024	(64.1)	-	0.1	(64.0)
Secured bank loans	(462.7)	95.0	-	(367.7)
Facility arrangement costs	1.5	2.0	(0.4)	3.1
	(525.3)	97.0	(0.3)	(428.6)
Year ended 30 September 2008	(495.1)	(30.1)	(0.1)	(525.3)

27. Investment in subsidiary undertakings

	2009	2008
	£m	£m
Shares at cost		
At 1 October 2008	483.6	428.5
Shares acquired during the year	-	55.1
At 30 September 2009	483.6	483.6

At 30 September 2009 the Group's operating subsidiary companies, all of which are wholly-owned and engaged in property investment, were:

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

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



28. Investment in joint venture

	2009 £m	2008 £m
Shares at cost	79.0	79.0

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 2009, and its assets and liabilities at that date, which have been consolidated in the Group's Income Statement and Balance Sheet, are as follows:

	2009 £m	2008 £m
Income Statement		
Rents receivable	1.2	1.7
Lease incentives recognised	0.3	0.1
Recoverable property expenses	0.1	0.1
Revenue from properties	1.6	1.9
Property outgoings	(0.5)	(0.5)
Recoverable property expenses	(0.1)	(0.1)
Property charges	(0.6)	(0.6)
Net property income	1.0	1.3
Administration expenses	(0.4)	(0.4)
Operating profit before investment property disposals and revaluation	0.6	0.9
Investment property revaluation movements	(14.7)	(19.0)
Operating loss	(14.1)	(18.1)
Interest receivable	0.1	0.9
Interest payable	(0.3)	(0.3)
Total finance income	(0.2)	0.6
Loss before tax	(14.3)	(17.5)
Current tax	-	0.4
Deferred tax	0.3	4.9
Tax credit for the year	0.3	4.5
Loss for the year	(14.0)	(13.0)
Dividends paid	(0.3)	(1.4)
Loss retained for the year	(14.3)	(14.4)
Balance Sheet		
Non-current assets		
Investment properties at market value	63.8	67.9
Lease incentives recognised	(0.3)	(0.1)
Head lease liability grossed up	5.4	5.5
	68.9	73.3
Current assets		
Trade and other receivables	1.1	0.5
Amounts due from shareholders	-	13.4
Cash and cash equivalents	2.9	0.2
Total assets	72.9	87.4
Current liabilities		
Trade and other payables	2.2	2.0
Non-current liabilities		
Deferred tax	0.1	0.4
Head lease liability	5.4	5.5
Total liabilities	7.7	7.9
Net assets attributable to the Shaftesbury Group	65.2	79.5

29. Lease commitments

	Expiry	2009 £m	Minimum annual commitment 2008 £m	2009 £m	Total minimum commitment 2008 £m
Company					
Operating lease expiring between two and five years	2014	0.2	0.2	1.0	1.0
Group					
Group's share of Longmartin Joint Venture:					
Finance leases expiring after more than five years	2180	0.3	0.3	44.1	43.8

Under the terms of Longmartin's head leases, the head rent payable from 2011 is the greater of the minimum annual commitment and 7.5% of the net rental income (as defined in the leases).

30. Related party transactions

During the year, the Company received from its wholly owned operating subsidiaries administration fees totalling £5.2 million (2008: £4.2 million), interest in respect of inter-company debt totalling £25.6million (2008: £28.5 million) and dividends totalling £9.3 million (2008: £Nil).

The Company provides funding to its wholly owned operating subsidiaries as required. Surplus cash held by the operating subsidiaries is loaned to the Company. The net amount owing to the Company by subsidiary undertakings at the year end totalled £478.4 million (2008: £453.4 million).

During the year the Company received from Longmartin Properties Limited, a 50% owned joint venture, administration fees totalling £0.7 million (2008: £0.7 million) and paid interest in respect of a loan from that company totalling £0.1 million (2008: £0.8 million). The amount owing by the Company to Longmartin Properties Limited at the year end amounted to £Nil (2008: £13.4 million).

31. Share based remuneration

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants, using a combination of Monte Carlo simulation and modified binomial models, and taking into account the terms and conditions upon which awards were granted. The fair value is recognised over the expected vesting period. For the grants made during the year, the main inputs and assumptions of the models, and the resulting fair values, are as follows:

	2001 SAYE Scheme 14 July 2009	2006 Long Term Incentive Plan 16 December 2008
Grant date	14 July 2009	16 December 2008
Share price at date of grant	£2.96	£3.70
Exercise price	£2.37	£Nil
Expected life - years	3 or 5	3
Performance condition	-	NAV and TSR
Assumed return volatility per annum	40%	35%
Assumed dividend yield per annum	3.6%	3.0%
Risk free discount rate per annum:		
3 year	2.2%	2.6%
5 year	2.9%	-
Assumed return volatility of FTSE 350 Real Estate Index per annum:		
TSR performance condition	-	30%
Assumed statistical correlation between the total return on the Company's shares and those in the FTSE 350 Real Estate Index:		
TSR performance condition	-	75%
Basis of option pricing:		
No performance condition	Modified binomial	-
NAV performance condition	-	Modified binomial
TSR performance condition	-	Monte Carlo simulation
Fair values:		
3 year	£0.936	-
5 year	£1.033	-
NAV	-	£3.38
TSR	-	£2.71

The assumed volatility was determined taking into account factors including the historical volatility of the Shaftesbury PLC share price. Actual future volatility may differ, potentially significantly, from historic volatility.

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 pages 45 to 49.



Five year financial summary

Net Assets

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Investment properties					
At 1 October	1,202.2	1,388.2	1,249.2	987.5	820.4
Acquisitions	29.8	24.4	32.1	107.7	37.6
Refurbishment expenditure	20.6	16.6	9.9	8.9	10.6
Disposals	-	(4.4)	(6.0)	(45.8)	(11.1)
Net revaluation (deficit)/surplus	(48.1)	(222.6)	103.0	190.9	130.0
	1,204.5	1,202.2	1,388.2	1,249.2	987.5
Head lease liabilities	5.4	5.5	5.5	5.6	-
At 30 September – book value	1,209.9	1,207.7	1,393.7	1,254.8	987.5
Deferred tax assets	-	-	-	6.2	4.8
Other assets	0.3	0.3	0.4	0.4	0.4
	1,210.2	1,208.0	1,394.1	1,261.4	992.7
Net current (liabilities)/assets	(15.4)	(15.6)	(8.8)	2.9	5.3
	1,194.8	1,192.4	1,385.3	1,264.3	998.0
Taxation payable	(3.8)	(11.1)	(17.9)	-	-
Borrowings	(427.5)	(524.5)	(494.7)	(468.3)	(384.4)
Financial derivatives	(46.1)	(14.5)	(0.6)	(9.3)	(11.7)
Deferred taxation	(0.1)	-	(5.3)	(179.8)	(128.7)
Net Assets	717.3	642.3	866.8	606.9	473.2
Add:					
Fair value deficit in respect of financial derivatives	46.1	14.6	0.6	9.3	11.7
Deferred tax provisions in respect of property revaluations and financial derivatives	-	-	5.3	172.5	118.7
Adjusted Net Assets	763.4	656.9	872.7	788.7	603.6
Diluted Net Asset Value per Ordinary Share*	£3.15	£3.67	£5.00	£3.54	£2.78
Adjusted Diluted Net Asset Value per Ordinary share*	£3.35	£3.76	£5.03	£4.60	£3.55
Mid market price of an Ordinary share at 30 September					
Actual	£3.57	£4.22	£4.95	£6.00	£3.80
Restated**	-	£3.29	£3.86	£4.68	£2.96

*Net Asset Value calculations for 30 September 2005, 2006, 2007 and 2008 adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

**Mid market prices at 30 September 2005, 2006, 2007 and 2008 restated to show the theoretical mid market price of an Ordinary share had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.

Five year financial summary continued

Income Statements

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Rents receivable	61.7	57.8	55.6	52.2	48.9
Recoverable property expenses	6.1	7.5	6.8	6.6	3.9
	67.8	65.3	62.4	58.8	52.8
Property outgoings	(13.3)	(14.0)	(12.8)	(11.8)	(9.4)
Net property income	54.5	51.3	49.6	47.0	43.4
Administrative expenses	(6.8)	(5.5)	(6.8)	(7.4)	(5.8)
	47.7	45.8	42.8	39.6	37.6
Surplus on disposal of investment properties	0.3	0.3	2.2	0.7	4.2
Property valuation movements	(48.1)	(222.6)	103.0	190.9	130.0
Operating (loss)/profit	(0.1)	(176.5)	148.0	231.2	171.8
Net interest payable	(26.4)	(30.5)	(30.0)	(26.0)	(23.5)
Change in fair value of financial derivatives	(31.6)	(13.9)	8.7	2.4	(4.2)
Loss on purchase of debenture stock	-	-	(2.5)	(20.0)	(3.7)
(Loss)/profit before taxation	(58.4)	(220.9)	124.2	187.6	140.4
Taxation (charge)/credit	(0.3)	4.8	140.6	(50.1)	(41.6)
(Loss)/profit after taxation	(58.1)	(216.1)	264.8	137.5	98.8
Adjust for:					
Exceptional administration costs	-	-	-	-	0.3
Property disposal surpluses	(0.3)	(0.3)	(2.2)	(0.7)	(4.2)
Property valuation movements	48.1	222.6	(103.0)	(190.9)	(130.0)
Change in fair value of financial derivatives	31.6	13.9	(8.7)	(2.4)	4.2
Loss on purchase of debenture stock	-	-	2.5	20.0	3.7
Taxation movements relating to the above	-	(5.3)	2.0	46.1	37.3
Effect of REIT conversion	0.1	0.1	(143.9)	-	-
Adjusted profit after taxation	21.1	14.9	11.5	9.6	10.1
Diluted (loss)/earnings after tax per Ordinary Share*	(31.3)p	(124.6)p	153.4p	80.5p	58.2p
Adjusted diluted earnings after tax per Ordinary Share*	11.2p	8.5p	6.7p	5.6p	6.0p
Total dividends per Ordinary Share declared in respect of the financial year:					
Actual	12.25p	11.00p	7.66p	5.65p	5.00p
Restated**	10.60p	8.57p	5.97p	4.40p	3.90p

*Years ended 30 September 2005, 2006, 2007 and 2008 adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

**Dividends declared in respect of the years ended 30 September 2005, 2006, 2007 and 2008 and the interim 2009 dividend restated to show the theoretical dividends per share that would have been declared had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.



shareholders and corporate information

Analysis of shareholders

at 30 September 2009

	Number of accounts	Shares held '000	%
Banks	4	718	0.3
Nominees	560	217,767	96.0
Limited and PLC	38	231	0.1
Other organisations	24	2,770	1.2
Individuals	261	5,437	2.4
	887	226,923	100.0

	Number of shareholders	% of shareholders	Number of shares held '000
Number of shares:			
1 – 100,000	681	76.8	8,113
100,001 – 500,000	115	13.0	28,213
500,001 – 1,000,000	38	4.2	25,835
Over 1,000,001	53	6.0	164,762
	887	100.0	226,923

corporate timetable

Financial calendar

Annual Results announced	1 December 2009
Annual Report posted to shareholders	18 December 2009
Annual General Meeting	12 February 2010
Interim Management Statement (first half)	12 February 2010
2009 Half Year Results to be announced	May 2010
Interim Management Statement (second half)	July/ August 2010

Dividends and Debenture interest

Proposed 2009 Final Dividend:	
Ex-Dividend	27 January 2010
Record date	29 January 2010
Payment date	19 February 2010
2010 Interim Dividend to be paid	July 2010
Debenture Stock interest to be paid	31 March 2010 and 30 September 2010

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 0871 384 2294 (International +44 121 415 7047). Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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 status on payment of dividends

As 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 2009 final dividend is 29 January 2010.

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.

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