
# the inside story

Shaftesbury PLC
Annual Report
2010

Our investment strategy is to focus exclusively on the busiest and liveliest districts in the heart of London's West End with the objective of delivering growing and sustainable net rental income over the long term, which will underpin growth in our distributions to shareholders and growth in the value of our property assets.

The West End has an unrivalled concentration of theatres, cinemas, museums, galleries, historic buildings and royal parks as well as a wide variety of shops and restaurants, which together make London the World's most popular city destination for visitors.

Today our wholly owned holdings cover more than 11 acres of freeholds across 500 buildings extending to 1.5 million sq. ft. This includes 453,000 sq. ft. of restaurants, bars and leisure space, 394,000 sq. ft. of retail accommodation, 424,000 sq. ft. of offices and 345 apartments over 233,000 sq. ft. The Longmartin Joint Venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden with 215,000 sq. ft. of mixed use commercial space and 54,000 sq. ft. of residential accommodation.

Our portfolio is now valued at almost £1.5 billion.

# financial highlights

| | | 2010 | 2009 | Change |
|---|---|---|---|---|
| **Net property income** | £m | **57.6** | 54.5 | +5.7% |
| **Adjusted profit before tax*** | £m | **22.3** | 21.3 | +4.7% |
| **Adjusted diluted earnings per share*** | pence | **9.7** | 11.2 | -13.4% |
| **Profit/(loss) (including fair value movements in respect of investment properties and financial derivatives) before tax** | £m | **171.9** | (58.1) | |
| **Diluted earnings/(loss) per share** | pence | **73.0** | (31.3) | |
| **Interim dividend per share** | pence | **5.00** | ***7.50 | -33.3% |
| **Final dividend per share** | pence | **5.25** | 4.75 | +10.5% |
| **Total distribution in respect of the financial year** | £m | **23.3** | 21.0 | +11.0% |
| **Property assets at book value** | £m | **1,480.7** | 1,209.9 | |
| **Adjusted net assets**** | £m | **948.2** | 763.4 | |
| **Adjusted diluted net assets per share**** | pence | **414** | 335 | +23.6% |
| **Net assets** | £m | **863.7** | 717.3 | |
| **Diluted net asset value per share** | pence | **378** | 315 | +20.0% |

* Adjusted to exclude property and financial derivatives fair value movements and gain on sale of investment properties (see page 4)
** Adjusted to exclude fair value of financial derivatives and deferred taxation arising on the revaluation of investment properties (see page 4)
*** Paid in respect of shares in issue prior to the Rights Issue in June 2009.

# performance summary

for the year ended 30 September 2010

| | | Shaftesbury Group | Benchmark |
|---|---|---|---|
| **Capital value return** (the valuation movement and realised surpluses or deficits arising from 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) | | **+14.2%** | IPD UK Monthly Index: Capital Growth* **+14.2%** |
| | *2009* | *-3.8%* | *-25.3%* |
| **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) | | **+18.5%** | IPD UK Monthly Index: Total Return* **+22.6%** |
| | *2009* | *+0.5%* | *-19.2%* |
| **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) | | | |
| **Based on adjusted net assets** | | **+26.5%** | |
| | *2009* | *-8.1%* | |
| **Based on reported net assets** | | **+23.1%** | |
| | *2009* | *-11.3%* | |
| **Total shareholder return** (the change 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 (Share price at 30.9.2010: £4.33) | | **+24.4%** | FTSE 350 Real Estate Index: **+2.1%** |
| | *2009 (closing share price £3.57)* | *+13.5%* | *-27.6%* |

*Source: Investment Property Databank Limited ©2010
Shaftesbury Group data (other than Total Shareholder Return) derived from financial results.

Lomography
Newburgh Quarter
Carnaby

Our portfolio, located in the heart of London's West End, is prospering, delivering a growing rental income and long term out-performance in capital value growth.

London's unrivalled attractions continue to draw millions of domestic and overseas visitors, supporting a buoyant local economy. Consequently demand for all of our uses in each of our Villages is strong, which is reflected in increasing rental values and an historically low level of vacant space in our portfolio.

We have made substantial progress with our St Martin's Courtyard project. With 81% by rental value of its commercial space contracted or under offer at 30 September 2010, the scheme will make an important contribution to our income from 2011 onwards. During the year we have secured additions to our portfolio totalling £65.3 million as well as progressing important projects, particularly in Carnaby.

**Our results**

Our net assets at 30 September 2010, adjusted in accordance with the guidance issued by the European Public Real Estate Association ("EPRA") totalled £948.2 million, equivalent to a diluted net asset value per share of £4.14. The increase in adjusted diluted net asset value per share over the year, after the payment of dividends of 9.75p per share, was £0.79, an uplift of 23.6% (2009: reduction of 10.9%). The increase in adjusted diluted net asset value per share before the payment of dividends amounted to 26.5% (2009: reduction of 8.1%).

Shareholders' funds shown in the unadjusted Group Balance Sheet at 30 September 2010 totalled £863.7 million, equivalent to a diluted net asset value of £3.78 per share. The increase in unadjusted net assets per share since the last year end after payment of dividends amounted to £0.63, an uplift of 20.0%. The increase before payment of dividends amounted to 23.1% (2009: reduction of 11.3%).

Profit before tax for the year ended 30 September 2010, adjusted in accordance with EPRA guidance to exclude the surplus on disposal and revaluation of investment properties and the movement in the fair value of financial derivatives, amounted to £22.3 million, an increase of £1.0 million or 4.7% over last year's adjusted profit before tax of £21.3 million. As explained below, our results this year reflect an increase of £1.0 million in the charge for share based remuneration arising as a consequence of the sustained out-performance of both our portfolio and our share price.

Group rental income (adjusted for lease incentives) rose to £65.7 million, an increase of £4.0 million over the year. Of this increase, £3.3 million arose in the wholly owned Group from both acquisitions and continuing crystallisation of our reversionary rental potential, through higher rents and a reduction in vacancies. Importantly, £0.7 million arose in our Longmartin Joint Venture, where rental income is now increasing rapidly as we complete lettings in the St Martin's Courtyard scheme.

Property outgoings totalled £8.1 million, an increase of £0.9 million compared with last year. The increase arose mainly in the first half and is principally attributable to:

- Obtaining vacant possession of buildings to create larger new schemes, particularly in Carnaby. This has both reduced our income and increased non-recoverable costs and will continue to do so in the short term. We do not capitalise either property outgoings or interest incurred in connection with our schemes.
- With uncertainty continuing in the wider economy, we have increased marketing expenditure, with a number of new initiatives to promote each of our Villages to both domestic and overseas retailers and visitors.

| | 2010 £million | 2009 £million |
|---|---|---|
| **Net assets reported in the Group Balance Sheet** | **863.7** | 717.3 |
| Adjusted for: | | |
| Fair value deficit arising on the revaluation of financial derivatives | **80.5** | 46.1 |
| Deferred tax arising on the revaluation of investment properties | **4.0** | - |
| **Adjusted net assets** | **948.2** | 763.4 |
| **Adjusted diluted net asset value per share** | **£4.14** | £3.35 |

| | | |
|---|---|---|
| **Profit/(loss) before tax reported in the Group Statement of Comprehensive Income** | **171.9** | (58.1) |
| Adjusted for: | | |
| Profit on disposal of investment properties | **(0.4)** | (0.3) |
| (Surplus)/deficit arising on revaluation of investment properties | **(183.6)** | 48.1 |
| Movement in fair value of financial derivatives | **34.4** | 31.6 |
| **Adjusted profit before taxation** | **22.3** | 21.3 |

| | | |
|---|---|---|
| **Taxation charge reported in the Group Statement of Comprehensive Income** | **4.8** | 0.3 |
| Adjusted for: | | |
| Current tax in respect of REIT conversion charge in connection with company acquired during the year | **(0.6)** | (0.1) |
| Deferred tax arising on the revaluation of investment properties | **(4.0)** | - |
| **Adjusted taxation charge on the adjusted profit** | **0.2** | 0.2 |
| **Adjusted profit after taxation** | **22.1** | 21.1 |

In our lettings of smaller offices and the smallest shops there is a trend of the landlord bearing a greater proportion of service charge expenditure. Also, as we increase the amount of residential accommodation, the extent of service charge recovery is reduced. We expect both of these trends to continue.

Net property income increased by £3.1 million to £57.6 million, compared with £54.5 million last year.

Administration expenses, which amounted to £8.2 million this year compared with £6.8 million last year, include a charge in respect of equity settled remuneration of £1.7 million (2009: £0.7 million). The continuing strong performance of both our portfolio and our share price has increased the likelihood that a greater proportion of performance related share options will vest, which has resulted in a £0.8 million increase in the accounting charge for share options. In addition, the rise in our share price over the year has increased by £0.2 million our potential national insurance liability in respect of share awards and options already vested or now expected to vest.

Interest payable totalled £27.2 million, an increase of £0.6 million over the year. Although our bank debt increased by £94.5 million over the year, this was drawn at prevailing unhedged short term rates which have remained at low levels throughout the year. However, the expectation that these unprecedented low interest rates will continue for some time has resulted in an increase of £34.4 million in the mark-to-market valuation deficit on our long term interest rate swaps over the year.

The profit before tax reported in the Group Statement of Comprehensive Income of £171.9 million (2009: loss of £58.4 million) included investment property revaluation surpluses of £183.6 million (2009: deficits of £48.1 million) and an increase in the fair value deficit of financial derivatives of £34.4 million referred to above (2009: £31.6 million).

Provision for current and deferred tax on the adjusted profit for the year amounted to £0.2 million (2009: £0.2 million). The Group's wholly-owned business is subject to the Real Estate Investment Trust ("REIT") regime so its 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.

The tax charge of £4.8 million (2009: £0.3 million) on the unadjusted profit included £0.6 million in connection with the REIT conversion charge payable in respect of a property investment company acquired during the year (2009: £0.1 million) and deferred tax of £4.1 million (2009: £0.1 million) arising in our Longmartin Joint Venture. Our interest in the Joint Venture remains outside of our REIT group, so our share of its profit is subject to corporation tax and deferred tax is provided in respect of property revaluation surpluses and accelerated capital allowances.

The profit after tax for the year, adjusted for the items referred to above, amounted to £22.1 million (2009: £21.1 million). The profit after tax reported in the Group Statement of Comprehensive Income amounted to £167.1 million (2009: loss of £58.4 million).

**Dividends**

Your Directors are pleased to recommend a final dividend of 5.25p per share, representing a distribution of £11.9 million. This compares with last year's final dividend of 4.75p per share, a distribution of £10.8 million. The final dividend will be paid entirely as a Property Income Distribution ("PID").

Together with the interim dividend of 5.00p (2009: 7.50p), this will bring the total distribution in respect of this year to £23.3 million or 10.25p per share (2009: £21.0 million or 12.25p), an increase in the total distribution of 11.0%. The reduction in the amount per share reflects the increased number of shares in issue following our Rights Issue in June 2009.

Distributions declared in respect of this financial year totalling £23.3 million are in excess of our adjusted profit after tax for the year of £22.1 million, largely as a result of the increase in the accounting charge for equity settled remuneration referred to above. With continuing growth in our rental income, together with a much higher contribution from our Longmartin Joint Venture from 2011, we expect to maintain steady growth in our dividends, which in future will be fully covered by adjusted annual post-tax profits.

**Our portfolio**

Our property portfolio has been valued at 30 September 2010 at £1,481.9 million resulting in a revaluation surplus for the year of £183.6 million. Allowing for acquisitions, disposals and capital expenditure during the year, this represents an increase of 14.2% in the book value over the year. The IPD UK Monthly Index: Capital Values for all classes of commercial property rose by a similar percentage over the year. Our portfolio showed a total return for the year of 18.5% compared with 22.6% shown by the IPD UK Monthly Index: Total Return, reflecting the lower yields of our properties.

The investment market remains strong in Central London, particularly for well-located properties with secure income and growth prospects. Over the year as a whole, the capital value return attributable to our wholly owned portfolio amounted to 12.6% of its adjusted book value. This year each of our principal Villages grew at a similar rate. With the movement in yields moderating since April, two-thirds of the value growth arose in the first six months of the financial year. As our wholly owned portfolio has substantially out-performed our IPD benchmark over the past five years, and particularly during the downturn from 2007, some short term under-performance at this stage of general recovery in property values is unsurprising.

**Portfolio reversionary potential**

| | Valuers' estimates | | | Attributable to | |
|---|---|---|---|---|---|
| **At 30 September:** | **Current gross income* £million** | **Estimated rental value £million** | **Portfolio reversionary potential £million** | **Wholly owned Group £million** | **Longmartin £million** |
| 2006 | 53.9 | 66.0 | 12.1 | 11.3 | 0.8 |
| 2007 | 57.9 | 72.4 | 14.5 | 13.1 | 1.4 |
| 2008 | 60.4 | 80.2 | 19.8 | 13.9 | 5.9 |
| 2009 | 63.4 | 78.3 | 14.9 | 9.7 | 5.2 |
| **2010** | **68.3** | **83.9** | **15.6** | **10.5** | ****5.1** |

* Excludes pre-lettings and contracted rent free periods
** Of this amount, £2.8 million (55%) was contracted at 30 September 2010

The equivalent yield attributed by our valuers to our wholly owned portfolio at 30 September 2010 was 5.10%, compared with 5.62% at the previous year end and 5.20% at 31 March 2010.

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 that, as a consequence of these unusual factors, 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.

The properties owned in the Longmartin Joint Venture showed a revaluation surplus of 39.5% of adjusted book value. Construction of St Martin's Courtyard is now nearing completion, and we have made considerable progress during the year in securing lettings and pre-lettings of its commercial space. We are confident that the remainder of the scheme, including the apartments which are only now becoming available, will let readily in the coming months.

Our valuers have estimated the rental value of our portfolio, including our share of the Joint Venture at £83.9 million compared with £78.3 million at 30 September 2009. The portfolio's current gross income, which excludes pre-lettings and contracted rent free periods, amounted to £68.3 million, compared with £63.4 million at 30 September 2009. Of the total reversion of £15.6 million, £10.5 million arises in the wholly owned portfolio and £5.1 million relates to our share of Longmartin's potential additional income. 55% of Longmartin's reversion was contracted at the year end.

Almost all of the reversionary value within our wholly owned portfolio is at present attributable to our shops and restaurants, which account for 72% of our estimated rental value, and where rental values continue to show steady growth. As we have demonstrated in past years we shall, over time, realise current reversionary potential and, through our management initiatives, continue to produce further reversions through growth in rental values.

**Finance**

Our financial resources are substantial. At the year end we had committed unutilised bank facilities of £119.3 million available to finance future investment. Our gearing levels are modest, revenue cash flow is strong, capital expenditure commitments are very low in relation to the size of our portfolio and we have no facility maturities before April 2016. We remain alert to opportunities to refinance existing facilities and raise additional long term finance as our portfolio expands.

**Total shareholder return**

Over the year we delivered a total shareholder return of 24.4%, compared with a return of 2.1% shown by the FTSE 350 Real Estate Index, our chosen benchmark. We believe that this material out-performance is in part a reflection of the equity market's evaluation of the resilience and qualities of our unique portfolio and its proven and continuing prospects for income and capital growth.

Equity market sentiment towards real estate continued to improve during the year. However it is impossible to predict how market sentiment will be affected by developments in the UK economy in 2011 and particularly the impact of tax increases and government spending plans.

**Board changes**

In February 2010 Hilary Riva OBE and Jill Little joined the Board as independent non-executive Directors.

Hilary has extensive experience as a senior executive in the fashion retail sector and most recently with the British Fashion Council. Jill is a member of the Management Board of the John Lewis Partnership and is now Strategy and International Director, having previously been Merchandise Director since 2002.

Both Hilary and Jill have an excellent knowledge and understanding of the markets in which Shaftesbury invests and of the West End of London. Their experience is already of great benefit to the Board.

Jonathan Lane, now 65, has advised the Board that he intends to retire from his role as Chief Executive during 2011. Jonathan has been Chief Executive since Shaftesbury's formation in 1986. He has made an enormous contribution to the Group, which is widely regarded as one of the most successful and innovative companies in the sector. We are delighted that following the appointment of his successor, he will be staying with the Group as Deputy Chairman. A process to appoint a new Chief Executive, considering both internal and external candidates, has now begun.

**Prospects**

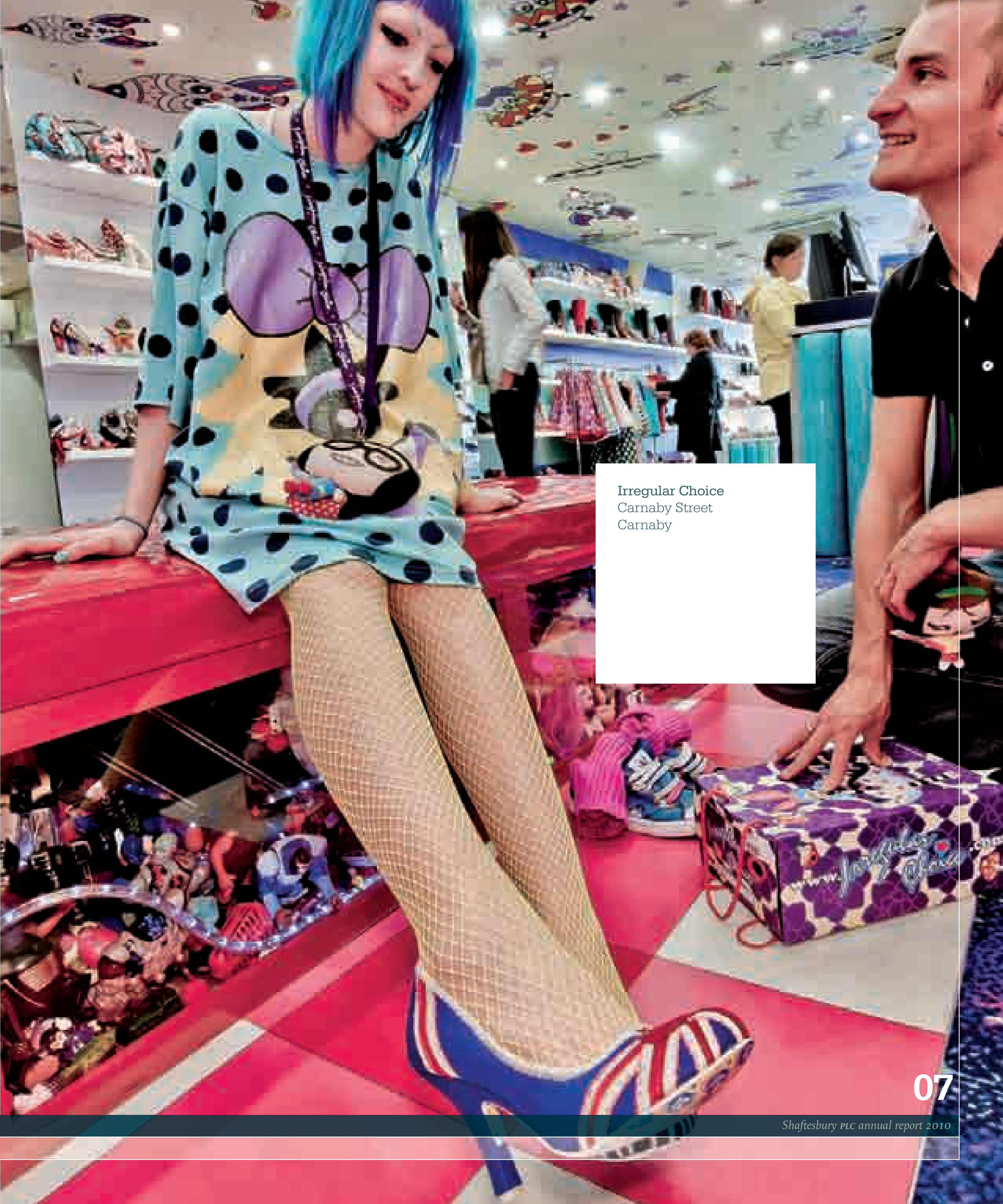
The property market generally has continued to recover over the year. Although there is good investment demand for secure, well-located properties it is expected that any further general yield improvement will be modest. However we are confident that that our portfolio, with its resilient qualities of consistent rental growth and limited obsolescence, will to continue to out-perform.

Although the impact on consumer spending of higher taxes and lower government spending in the future is uncertain, we believe London's West End, with its uniquely diverse and strong international visitor base, will be less affected by such concerns.

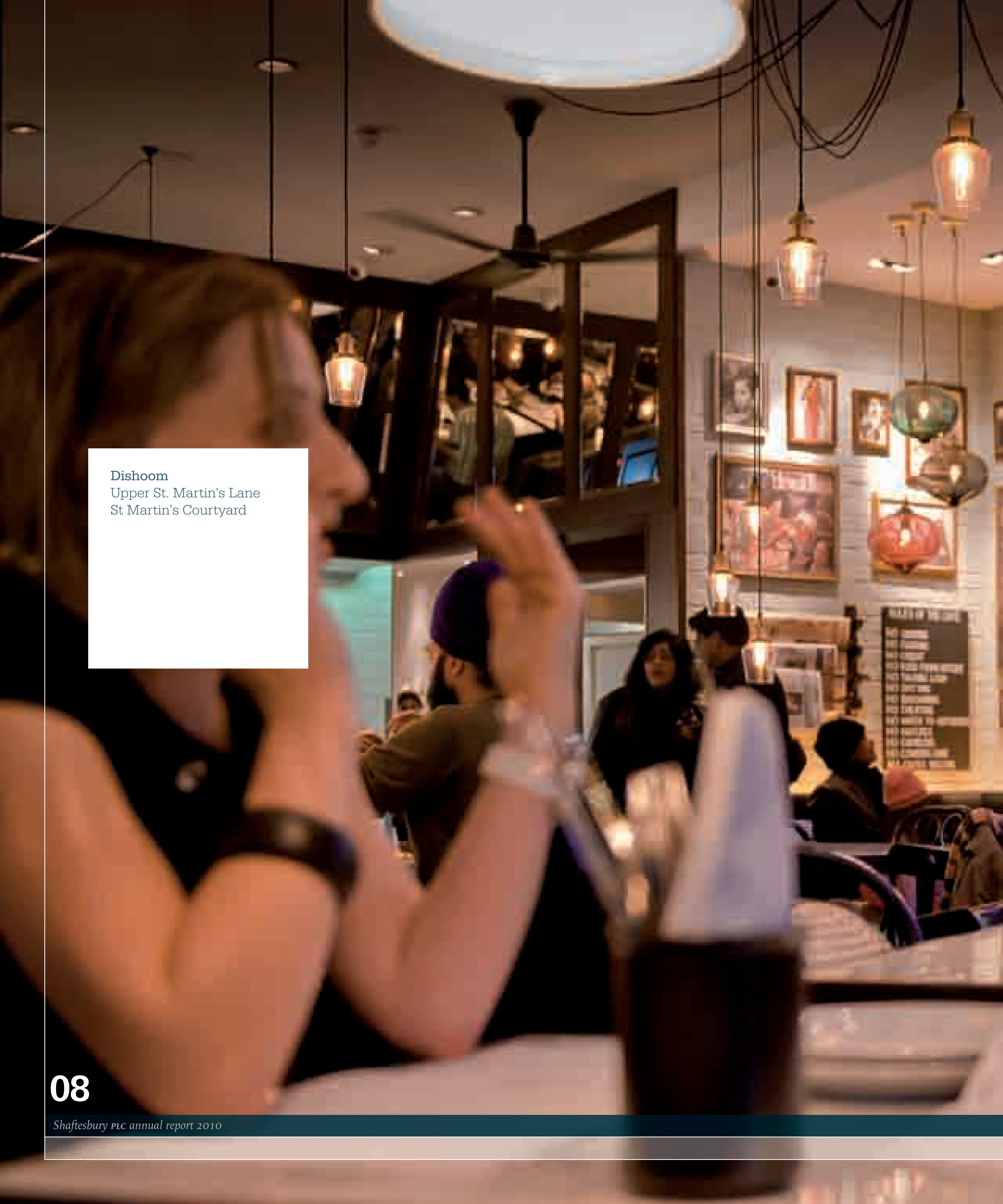
We have made good progress this year, particularly in the letting of our St Martin's Courtyard scheme which will make an important contribution to our results in the years ahead. We expect strong occupier demand for our properties to continue, and we are confident that we shall maintain our record of delivering out-performance in income, dividends and in capital values.

**John Manser**
Chairman

30 November 2010



Irregular Choice
Carnaby Street
Carnaby



Dishoom
Upper St. Martin's Lane
St Martin's Courtyard

WESC
Neal Street
Seven Dials

**Yumchaa**
Berwick Street

### Our background

Shaftesbury listed on the London Stock Exchange in 1987. Whilst our initial strategy was geographically UK wide, our current investment focus developed as a result of our experiences during the recession in the early 1990s. At that time we found that although there was in general little demand for property investments and capital values fell, tenant demand continued and rents remained stable in the 32 buildings we had owned in Chinatown since the formation of the Company.

With that experience and local knowledge we sold all of our assets outside the West End and since 1993 we have steadily added to our holdings in the West End. In 1994 we made our first acquisitions in Covent Garden and Carnaby. In 1996, funded in part by two Rights Issues, we acquired the Island Site in Chinatown and the majority of what now comprises our Carnaby Village. In late 2005 we entered into our joint venture with the Mercers' Company as well as acquiring the Opera Quarter. These transactions have formed the backbone of our investment strategy.

Today our wholly owned holdings in the West End cover more than 11 acres of freeholds across 500 buildings extending to 1.5 million sq. ft. This includes 453,000 sq. ft. of restaurants, bars and leisure space, 394,000 sq. ft. of retail accommodation, 424,000 sq. ft. of offices and 345 apartments over 233,000 sq. ft. The Longmartin Joint Venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden with 215,000 sq. ft. of mixed use commercial space and 54,000 sq. ft. of residential accommodation.

Our cumulative investment in our portfolio, including acquisitions and refurbishment expenditure which, amounted to £885.2 million by 30 September 2010, is now valued at almost £1.5 billion.

### Our strategy

Our investment strategy is to focus exclusively on London's West End with the objective of delivering growing and sustainable net rental income over the long term, which will underpin growth in our distributions to shareholders and growth in the value of our property assets.

We achieve growth through investing:

- Solely in a location where demand and rents have demonstrated great resilience over many years;
- In local areas and properties within the West End which have, or have potential for, predominantly retail and leisure uses;
- With the objective of creating significantly higher income through change of use and refurbishment, often starting with run down areas and under-managed or dilapidated buildings and where rental levels are initially modest;
- In buildings which offer the flexibility to provide a variety of commercial and residential uses and are less prone to obsolescence;
- To establish clusters of ownerships which allow us to create distinctive destinations, particularly through the management of tenant mix, bringing greater footfall and prosperity;
- Using our forensic knowledge of the areas in which we operate to adapt and manage our assets effectively and intensively;
- In the local environment and community to create safe and welcoming areas for our tenants, their customers and local residents.

A key aspect of our success is London's prosperity and growth and, in particular, London's reputation as the world's most popular city for visitors. Tourists from across the UK as well as from overseas are increasingly attracted by the exceptional vitality and diversity of the West End. Recent research has indicated that some 200 million visitors travel into the West End each year, of which 25% are from overseas and 21% are from the rest of the UK outside the south east. It is reassuring that almost 80% of those interviewed continue to give their principal reasons for visiting the West End as sightseeing, shopping, eating out, the performing arts as well as galleries and museums. 79% rated their visit as "good" or "very good" with West End theatre achieving the strongest individual response.

Today, London's reputation as a world centre of creativity in the visual and applied arts has never been greater. It is no coincidence that our investment and regeneration initiatives in Soho, Covent Garden, Chinatown and Charlotte Street are where the West End's creative quarters originated and have flourished for over 300 years since they moved westward following the Great Fire.

All of our investments are adjacent to or within walking distance of London's principal visitor attractions. We foster well known Villages such as Carnaby and Chinatown and, within Covent Garden, the distinctive quarters of Seven Dials, St Martin's Courtyard (a joint venture with The Mercers' Company), Opera Quarter and Coliseum. We have also invested in Charlotte Street, a long established restaurant district, and more recently, in and around Berwick Street, Soho's local high street.

Our strategy is to combine change with continuity. We improve accommodation and encourage mixed uses to create lively areas. Within our ownerships we seek to improve the local environment in partnership with local authorities to attract greater footfall.

All our investments are within fifteen minutes walk of our office, so we have an unrivalled knowledge of our locations. Being "on the spot" we can act very quickly. We are on site every day and we have regular contact with our tenants, the local community and other stakeholders.

A commitment to the local community is an integral aspect of our strategy. We support a number of charities and initiatives associated with the arts, social issues and community projects that have to be located in the West End but need backing to be there. We provide accommodation in our buildings on preferential terms so that these organisations are able to be close to their key stakeholders. We are now actively encouraging these organisations to explore joint programmes and shared facilities. Their activities and specialist knowledge are invaluable to the prosperity and security of the West End and provide us with useful insights on how to adapt our plans for the long term benefit of our own business and the local community.

A reliable, safe and integrated public transport system is essential to the prosperity of London as many millions travel in and out daily. Investment in new rail projects such as Crossrail is to be welcomed. However, construction is lengthy and can cause considerable disruption in the short term. Less heralded, but of equal importance and of more immediate benefit, are on-going improvements to the existing underground and overground networks as well as the new and popular London Cycle Hire scheme. For example, improvements in rail transport from the east of London, and in particular Stratford, will reduce journey times between the West End and the Olympic park to only twenty minutes. The current reconstruction and substantial extension of Tottenham Court Road station as part of the Crossrail project will make this station an important gateway to the West End and improve access to Covent Garden (to the south) and Charlotte Street (to the north).

We work closely with Westminster City Council and the London Borough of Camden, within whose jurisdictions our properties are located, to improve the public realm in and around our Villages, particularly the streets, pavements and lighting. We promote and make substantial financial contributions to schemes which prioritise the needs of pedestrians. These initiatives greatly improve access and safety as well as increasing footfall and dwell time. This year schemes have been completed at Lisle Street and Wardour Street in Chinatown and at Kingly Street in Carnaby. We are discussing further public realm improvements with both local authorities although, in the current financial climate, public funding is becoming more restricted.

All of our investments are in Conservation Areas and many are listed as a consequence of their historic and architectural interest. Together with the intricate variety of uses and their historic street patterns, this contributes to a lively and vibrant atmosphere in our Villages. This valuable historic environment presents us with particular challenges:

- The average age of our buildings is over 125 years and many have elements which date from the seventeenth and eighteenth centuries. With our experience and an imaginative approach, together with advice from specialist consultants, we introduce improvements and uses which further extend the economic lives of our buildings whilst retaining their character. London's traditional terraced buildings are surprisingly flexible in their layout and we endeavour to make our buildings easily adaptable to a number of potential uses and layouts.

- Working closely with English Heritage and Westminster City Council we are now exploring a number of initiatives to improve the environmental performance of our historic buildings. We seek to preserve the embodied energy within these valuable existing structures whilst introducing energy saving features.

As a consequence of the prosperity of the West End, there is strong demand across all our areas. This allows us to experiment with new ideas and foster change by encouraging new retail concepts into our Villages. We offer smaller shops on flexible leases which enables tenants to satisfy themselves of the viability of their ideas without any initial long term commitment. We designed Kingly Court in Carnaby for just such retailers and it has been increasingly successful as a location for new ventures, some of which have progressed to take larger shops from us.

Our current strategy is one of expansion across all of our Villages, although the timing and nature of our acquisitions can be unpredictable and opportunistic. Some changes in our portfolio are emerging:

- Demand is particularly strong for our larger and more modern shops and offices centred in Carnaby and St Martin's Courtyard in Covent Garden;

- Restaurants, bars and cafes (33% of our wholly owned income) are becoming more significant in our portfolio, with our holdings increasingly clustered around the theatres and cinemas in Covent Garden and near Chinatown;

- Conversions of smaller, older offices to apartments across our portfolio are increasing, especially in Covent Garden.

### Portfolio activity

More properties of interest have come for sale this year and continue to do so. We have acquired properties totalling £65.3 million during the year and have more under negotiation. By value 70% were in Covent Garden, with the remainder in Berwick Street and Charlotte Street. Our acquisitions included fourteen restaurants and cafes and seven shops, with mainly offices above.

As we generally let our shops and restaurants in shell form, the costs of fitting out and obsolescence which we incur are modest. Consequently capital expenditure during the year on our wholly owned portfolio was £9.7 million (2009: £10.3 million) representing only 0.7% of its capital value.

St Martin's Courtyard, our mixed use joint venture with The Mercers' Company, has now opened to the public. The scheme is completing in phases, with the final office accommodation due to be finished by the end of December 2010. Our share of capital expenditure was £12.8 million in the year ended 30 September 2010 and, in the current financial year, our share of the costs to complete the scheme will be approximately £5.0 million.

Once again the value of commercial lettings in our wholly owned portfolio has been very healthy. During the year we let commercial space with a rental value of £4.1 million per annum, compared with an average of £3.0 million over the previous three years. Our lettings this year comprised £2.4 million of shops, £0.6 million of restaurants and £1.1 million of offices.

At 30 September 2010 the rental value of wholly owned vacant commercial accommodation held for or under refurbishment was £1.8 million (2009: £1.1 million). This represented 2.6% of the estimated rental value of the commercial elements of our wholly owned properties. The estimated rental value of accommodation vacant and available for letting amounted to £1.1 million (2009: £2.1 million), equivalent to 1.6% of the estimated rental value of the commercial elements of our wholly owned properties. Almost half of this available space was under offer at the year end. These historically low vacancies reflect healthy demand across all uses and encourage us to seek vacant possession of any space where we see potential for improvement.

At the year end, only four of our 311 wholly owned apartments were vacant and ready to let. This is typical of the high level of occupancy we have seen throughout the year. A further 34 were under construction, principally as a result of changes from office use, with a rental value on completion of approximately £0.9 million per annum.

Our share of the estimated rental value of commercial and residential space at St Martin's Courtyard has increased during the year to £5.4 million per annum (2009: £5.1 million per annum). 81% of the commercial space by rental value was contracted or under offer at 30 September 2010. We are now just beginning to market the remaining 30 apartments, which represent 10% of the scheme's rental value. Preliminary indications suggest they will let readily.

**Our wholly owned portfolio**

Our wholly owned portfolio at 30 September 2010 included 315 shops extending to 394,000 sq. ft. They produce 37% of current income, have an average rent of £78,000 per annum and an average unexpired lease term of five years. We have no large shops (estimated rental value over £100,000 per annum) ready to let other than two units at our development at 36/39 Carnaby Street, where already we have strong demand. Of the remaining eighteen smaller shops at the year end, eight were under offer, ten were to let and one was being refurbished.

Whilst demand for shops remains strong, lease lengths particularly of the smaller units are becoming shorter. As demand exceeds supply, we use short and flexible leases actively to manage tenant changes. We believe this approach has benefits for the tenant and provides us with the ability quickly to introduce new retailers and concepts.

Our 189 restaurants, cafes, bars and clubs extending to 453,000 sq. ft. are an increasingly important element of our business, providing 33% of current income in our wholly owned portfolio. 44 of our 100 largest tenants are restaurant businesses. Catering leases are often initially 25 years and, at the year end, the average unexpired term was 13 years. It is rare that we are able to secure vacant possession of restaurants or cafes, as tenants' investment in our properties and the restrictions placed on this planning use in our locations mean the leases are very valuable for the tenant as well as the landlord. At 30 September 2010 two small units were under offer and one cafe was being refurbished.

Our office space remains integral to our mixed use Villages. Whilst demand for offices is cyclical, lettings of offices across our portfolio have improved during the year and continue to do so. Recent purchases and the construction of additional new offices at 36/39 Carnaby Street have slightly increased the total of our office space this year.

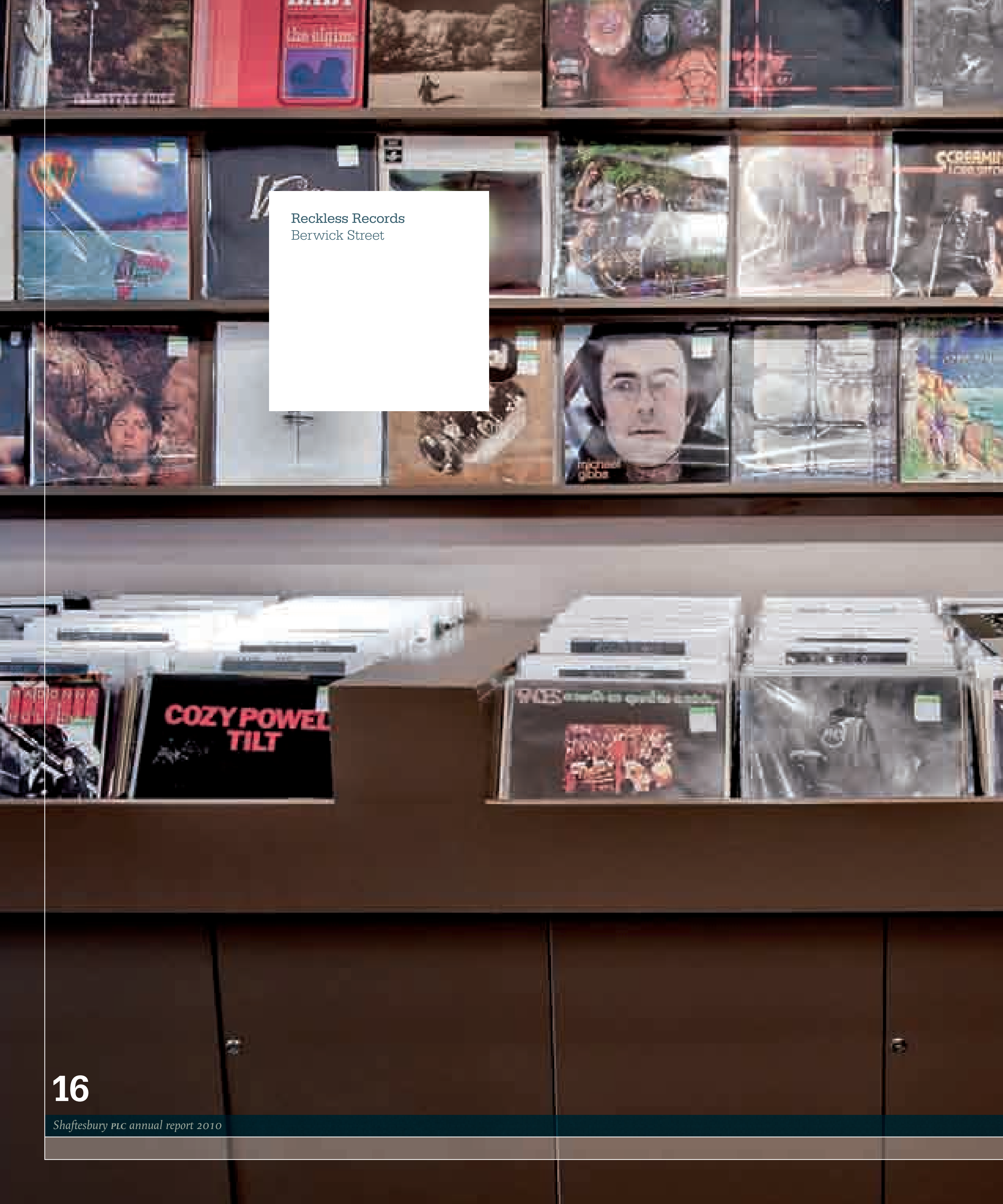
The size and types of offices vary in each Village. Our relatively larger (average size 1,500 sq. ft.) and more modern offices are located in Carnaby and are mainly let to fashion and media related businesses. In contrast, demand for offices in Chinatown is for small areas (average size 600 sq. ft.) for solicitors, accountants and other advisors to the East Asian community.

Residential accommodation, which provides 9% of our current income, continues to grow within our portfolio. We have created many of our apartments by conversion from smaller offices, particularly those which cannot be refurbished to standards expected by today's office occupiers. Our policy is to rent rather than sell our apartments. This provides us with the maximum flexibility in the long term management of our investments, where typically the majority of the value is in the shops and restaurants on the lower floors. However we do sell individual apartments in special situations.

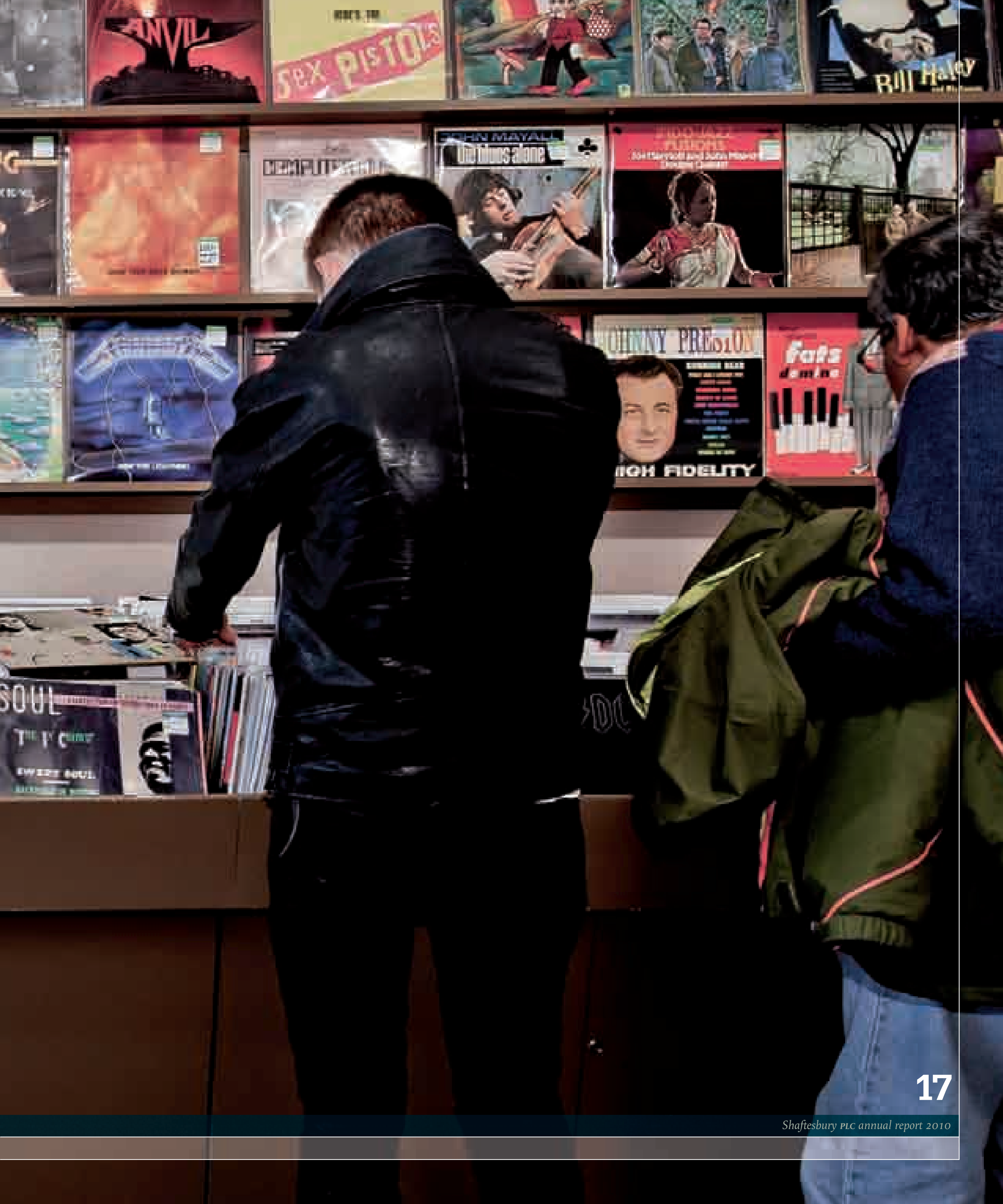
Of our 345 apartments, 311 are complete and 34 are under construction. The rental value of the 34 under construction is £0.9 million per annum. We have identified potential for up to 40 more units, principally by conversion from office use, which we will progress over the current year.

**Vacant commercial space at 30 September 2010 (wholly owned portfolio only)**

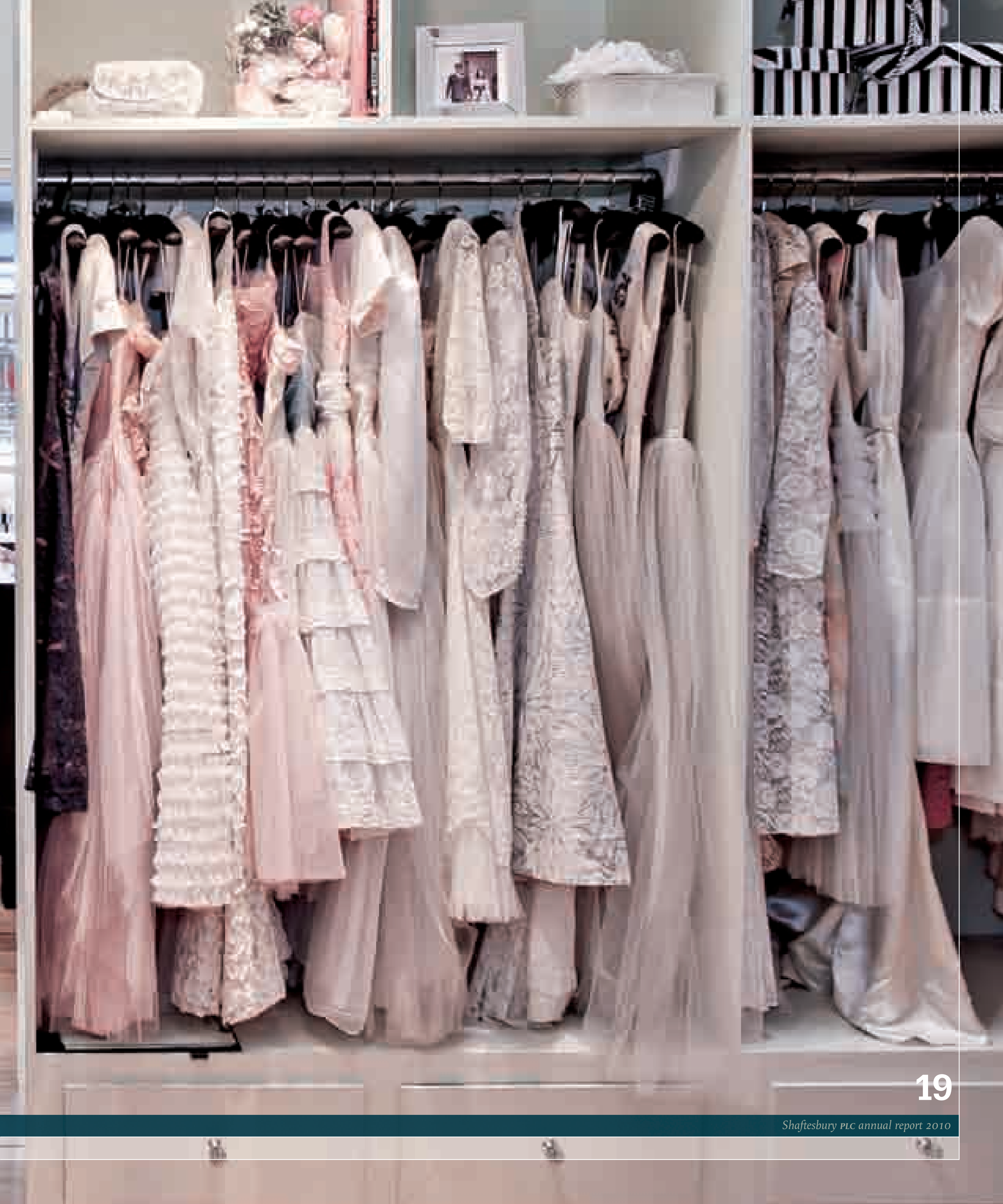
| **Held for or under refurbishment** | **Shops** | **Restaurants and leisure** | **Offices** | **Total** | **Percentage of total ERV** |
|---|---|---|---|---|---|
| Estimated rental value - £million | £0.9 | £0.1 | £0.8 | **£1.8** | **2.6%** |
| Area - '000 sq. ft. | 11 | 1 | 20 | **32** | |
| Number of units | 4 | 1 | 16 | | |
| **Available** | | | | | |
| Estimated rental value - £million | | | | | |
| Ready to let | £0.4 | - | £0.2 | **£0.6** | **0.9%** |
| Under offer | £0.3 | £0.1 | £0.1 | **£0.5** | **0.7%** |
| | £0.7 | £0.1 | £0.3 | **£1.1** | **1.6%** |
| Area - '000 sq. ft. | 14 | 3 | 9 | **26** | |
| Number of units | 18 | 2 | 13 | | |




Reckless Records
Berwick Street


ANVIL
SEX PISTOLS
JOHN MAYALL
Bill Haley
HIGH FIDELITY
SOUL

Fur Coat No Knickers
Kingly Court
Carnaby




Orange Crystals
Bubblegum Crystals
Jelly Hearts
Sour Apples
Fangs
Fried Eggs
Big Bananas!
Mini Mallows


**Hope and Greenwood**
Russell Street
Opera Quarter

Dehesa
Ganton Street
Carnaby

## Carnaby

Carnaby represents 34% of our property assets. Just east of Regent Street it extends across twelve streets. It has many of our larger shops and modern offices for which demand remains very strong.

Responding to the demand for larger units, we have started to redevelop 36/39 Carnaby Street. The scheme includes 9,000 sq. ft. of retail and 9,000 sq. ft. of offices. Demolition of the original buildings, excavations and groundworks are now complete and construction will start in January 2011. The shops should be finished within nine months, and the offices by the end of 2011, somewhat earlier than we had originally anticipated. The total cost of the scheme is approximately £6.0 million. There is already very strong interest to pre-let the shops.

We are now discussing with Westminster City Council further connected phases to redevelop 14/18 Foubert's Place and 22/25 Kingly Street with a mix of restaurant, retail, offices and residential.

Reconstruction of Kingly Street, providing a single surface with high quality granite finish, is almost complete. The street is now traffic free between 11am and 8pm, making it a much more pedestrian-friendly environment. This will enable us to improve and change the use of several of the buildings which we own along the east side of the street and we have already seen an increase in demand for both retail and restaurant space. Recently we have finished one such scheme at 27/28 Kingly Street where we have pre-let the shop (8,000 sq. ft.), most of the offices and the residential accommodation above. At 12/13 Kingly Street basement and ground floor offices have been converted and let as a restaurant, which has just opened.

Some of the most historic areas in Carnaby Village are the small streets and passages immediately to the east of Carnaby in our Newburgh Quarter. Here small, period properties provide a particularly attractive setting both for multi-national retailers for their niche concepts as well as for independent traders. Footfall and demand in Newburgh Quarter has increased appreciably during the year assisted by our marketing initiatives and the re-opening of the nearby Marshall Street leisure centre.

We are continuing to evaluate opportunities for increasing and reconfiguring retail space within Carnaby to adapt to changing demand, together with further conversions of offices to residential use. Although much of the area is now pedestrianised, we are currently discussing with Westminster City Council improvements to Ganton Street which would enhance this busy street in the heart of Carnaby.

### Carnaby Statistics

| | |
|---|---|
| Valuation | **£506.8 million** |
| Percentage of portfolio | **34%** |
| Acquisitions during the year | **£2.0 million** |
| Capital expenditure during the year | **£5.4 million** |
| Capital value return | **12.7%** |

| | Number | Area sq. ft. '000 | % of current gross income |
|---|---|---|---|
| Shops | 128 | 181 | 48 |
| Restaurants, cafes and leisure | 36 | 78 | 14 |
| Offices (tenancies) | 164 | 244 | 34 |
| Residential | 66 | 44 | 4 |

## Covent Garden

Whilst our wholly owned investments in Covent Garden represent 28% of our property assets, when our 50% interest in the Longmartin Joint Venture is included, it represents 35%, making Covent Garden for the first time our largest investment district.

With the area's historic origins and containing half of the West End's 38 theatres, Covent Garden retains an alternative atmosphere which is very distinct from the rest of the West End. It also includes a long established and flourishing residential community which is expanding. We have carried out a significant number of schemes to convert offices to residential accommodation in recent years. The floor areas of office and residential space are now almost equal in this Village.

In the year ended 30 September 2010 most of our purchases have been in Covent Garden. These have included six restaurants and four shops with offices above, acquired for a total of £47.8 million during the year. All have a number of interesting medium term opportunities for improvement.

Seven Dials with its broad appeal continues to attract new retailers to add to the diverse and interesting retail offer. In common with our other Villages, vacancies remain at an historic low across all uses. Following the success of the street improvements in Monmouth Street, we are currently discussing with Camden Council proposals for traffic management and repaving in Earlham Street west, an important pedestrian route between Soho and Seven Dials.

We have increased our investment in the Opera Quarter, which is becoming increasingly popular following the introduction of better quality operators. Our latest scheme comprising a pre-let restaurant and nine apartments is nearing completion.

### Covent Garden Statistics (wholly owned)

| | |
|---|---|
| Valuation | **£420.7 million** |
| Percentage of portfolio | **28%** |
| Acquisitions during the year | **£47.8 million** |
| Capital expenditure during the year | **£2.8 million** |
| Capital value return | **13.0%** |

| | Number | Area sq. ft. '000 | % of current gross income |
|---|---|---|---|
| Shops | 108 | 130 | 40 |
| Restaurants, cafes and leisure | 69 | 147 | 30 |
| Offices (tenancies) | 75 | 100 | 16 |
| Residential | 148 | 99 | 14 |

Something Hells
Kingly Court
Carnaby

### Chinatown

Chinatown represents 25% of our property assets where 64 restaurants and 59 shops provide 86% of its income.

Chinatown, with its high concentration of restaurants at the heart of the West End, is benefitting from the increasing number of visitors to London, especially from China and the Far East. Our properties remain fully let and tenant defaults are rare. We continue to see steady progress in rental income and values. As a consequence of the predominance of non-office uses, capital expenditure, which this year amounted to £0.8 million, remains exceptionally low in relation to the size of our investment.

Westminster City Council's works to the Chinatown section of Wardour Street, together with much of Lisle Street, were completed during the summer. The pedestrian environment in these streets is now much improved, encouraging visitor access to Chinatown from Coventry Street, which reputedly has the highest footfall of any street in Europe.

The redevelopment of Leicester Square, immediately to the south of Chinatown, is about to commence. With a budget of £10 million this will be the West End's most significant public realm improvement scheme since Trafalgar Square in 2003. Together with the opening of an important new hotel on the site of the former Swiss Centre, this will undoubtedly add to the prosperity of the area.

**Chinatown Statistics**

| | |
|---|---|
| Valuation | **£363.9 million** |
| Percentage of portfolio | **25%** |
| Acquisitions during the year | **£1.7 million** |
| Capital expenditure during the year | **£0.8 million** |
| Capital value return | **13.0%** |

| | Number | Area sq. ft. '000 | % of current gross income |
|---|---|---|---|
| Shops | **59** | **57** | **24** |
| Restaurants, cafes and leisure | **64** | **182** | **62** |
| Offices (tenancies) | **71** | **43** | **7** |
| Residential | **83** | **51** | **7** |

### Berwick Street

We have chosen to invest in Berwick Street because, although at the heart of Soho and with good footfall, buildings and the public realm are dilapidated, ownership and tenant mix are disparate, and as a consequence rental levels are modest.

The southern end of Berwick Street and the areas immediately to the west are dominated by publicly owned buildings which are either empty or are in poor repair, having lacked investment in recent years. This gives the area a shabby atmosphere which contributes to the vacancies within Berwick Street market and in adjacent buildings. We support Westminster City Council's designation of Berwick Street as an Action Area, which will stimulate investment in the area as a whole.

We continue to add to our holdings and this year our purchases included six shops and three restaurants.

We intend to acquire and refurbish additional properties as they become available. Extending our ownership will allow us to advance our ideas for the street by developing a cohesive strategy for a broad mix of retailers that particularly reflects the needs of the local residential and working communities and the traditions of the area. Retaining its character as "Soho's local high street", this village will have a wider retail mix and a different atmosphere when compared with our other Villages.

**Berwick Street Statistics**

| | |
|---|---|
| Valuation | **£52.6 million** |
| Percentage of portfolio | **4%** |
| Acquisitions during the year | **£11.0 million** |
| Capital expenditure during the year | **£0.7 million** |
| Capital value return | **17.0%** |

| | Number | Area sq. ft. '000 | % of current gross income |
|---|---|---|---|
| Shops | **17** | **19** | **20** |
| Restaurants, cafes and leisure | **9** | **19** | **33** |
| Offices (tenancies) | **33** | **27** | **31** |
| Residential | **27** | **18** | **16** |

### Charlotte Street

It is some seven years since we first identified this neighbourhood at the southern end of Charlotte Street, with its concentration of restaurants and cosmopolitan atmosphere, as a suitable location for long term investment. Although in recent years we have found ourselves being outbid, our patience is now bearing fruit as properties are becoming available at sensible prices.

With major investment planned by others in many of the adjacent streets as well as considerable activity around Tottenham Court Road, we are now adding to our holdings.

**Charlotte Street Statistics**

| | |
|---|---|
| Valuation | **£31.0 million** |
| Percentage of portfolio | **2%** |
| Acquisitions during the year | **£4.8 million** |
| Capital expenditure during the year | **£0.1 million** |
| Capital value return | **11.0%** |

| | Number | Area sq. ft. '000 | % of current gross income |
|---|---|---|---|
| Shops | **3** | **7** | **3** |
| Restaurants, cafes and leisure | **11** | **27** | **59** |
| Offices (tenancies) | **8** | **10** | **19** |
| Residential | **21** | **11** | **19** |

### Longmartin Joint Venture

Our Longmartin Joint Venture with The Mercers' Company owns a 1.9 acre island site on the corner of Long Acre and Upper St Martin's Lane, close to Leicester Square's underground station.

St Martin's Courtyard, our redevelopment and regeneration project which fronts Long Acre, Upper St Martin's Lane and Mercer Street is now substantially complete. The final phase, comprising offices which have been pre-let, is expected to be completed by the end of 2010, some four months later than expected.

At 30 September 2010, 81% of the commercial space by rental value had been let, pre-let or was under offer. This includes sixteen of the 22 shops, all the restaurants and 76% of the offices.

Following completion of construction works, the remaining 30 apartments within the scheme are now being marketed and should let readily. We expect that by Spring 2011 the remaining vacant commercial space in the scheme will have been substantially let.

We are considering further upgrading of office accommodation in Wellington House, together with schemes to improve other unmodernised properties adjacent to St Martin's Courtyard.

| **St Martin's Courtyard*** | | **Let or pre-let** | **Under offer** | **Remaining** | **Total** |
|---|---|---|---|---|---|
| Shops | Number | 14 | 2 | 6 | 22 |
| | Area '000 sq. ft. | 49 | 3 | 16 | 68 |
| | Rental value £million | £3.7 | £0.1 | £1.0 | £4.8 |
| Restaurants | Number | 4 | 1 | - | 5 |
| and leisure | Area '000 sq. ft. | 20 | 5 | - | 25 |
| | Rental value £million | £1.1 | £0.2 | - | £1.3 |
| Offices | Area '000 sq. ft. | 43 | 12 | 17 | 72 |
| | Rental value £million | £2.1 | £0.6 | £0.8 | £3.5 |
| 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** | | **£7.0** | **£0.9** | **£2.9** | **£10.8** |

| **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 | Number | 3 | - | - | 3 |
| and leisure | Area '000 sq. ft. | 17 | - | - | 17 |
| | Current rental income £million | £0.8 | - | - | £0.8 |
| Offices | Area '000 sq. ft. | 22 | - | 7 | 29 |
| | Current rental income £million | £0.4 | - | £0.2 | £0.6 |
| Residential | Number | 39 | - | 2 | 41 |
| | Area '000 sq. ft. | 28 | - | 1 | 29 |
| | Current rental income £million | £0.7 | - | - | £0.7 |
| **Total current rental income £million** | | **£2.0** | **-** | **£0.3** | **£2.3** |

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

The Covent Garden Academy of Flowers
Slingsby Place
St Martin's Courtyard

The Powder Room
Marshall Street
Carnaby


PAUL & JOE

**Results**

Our profit before taxation for the year, adjusted as shown on page 4 to eliminate the surplus realised on property disposals and the fair valuation movements in respect of investment properties and financial derivatives, amounted to £22.3 million, an increase of 4.7%, compared with an adjusted profit of £21.3 million in the previous year. The profit on ordinary activities before taxation reported in the Group Statement of Comprehensive Income amounted to £171.9 million (2009: loss £58.1 million).

Our rental income has continued to rise, with rents receivable across the Group (adjusted for lease incentives) increasing from £61.7 million to £65.7 million, an increase of £4.0 million. For the wholly owned Group, after eliminating the impact of property acquisitions and disposals, rents invoiced increased by 3.0% this year compared with the previous year (2009: 3.9% year-on-year increase).

The Group has not experienced any increase in tenant defaults over the year, with a charge in the Group Statement of Comprehensive Income of £0.5 million (2009: £0.5 million) in respect of bad and doubtful debts. The amount of vacant space, already low, has reduced further over the year.

Our share of the current rental income in the Longmartin Joint Venture, where the St Martin's Courtyard scheme is now almost complete, has increased by £0.7 million to £2.2 million during the year. As units are handed over to tenants and further lettings are completed, our share of Longmartin's income will rise rapidly in the current financial year.

The increase in the Group's property outgoings this year of £0.9 million to £8.1 million (2009: £7.2 million) arose mainly in the first half and is principally attributable to:

- Obtaining vacant possession during the year of buildings, particularly in Carnaby, for important new schemes, which has both reduced our income and increased non-recoverable costs in the short term. We do not capitalise property outgoings or interest incurred in our schemes.
- With uncertainty continuing in the wider economy we have increased marketing expenditure, with a number of new initiatives to promote each of our Villages to both domestic and overseas retailers and visitors. In Carnaby we organised a number of events to mark the 50th anniversary of the start of the "Swinging Sixties", when the street first came to international prominence.
- We are bearing a greater proportion of service charge expenditure, particularly in our lettings of smaller offices and the smallest shops, and also as a result of the increasing amount of residential accommodation in our portfolio.

Administration expenses include a charge of £1.7 million (2009: £0.7 million) in respect of equity settled remuneration. The accounting charge in respect of share options has increased by £0.8 million to £1.3 million as our portfolio and our share price continues to out-perform, increasing the likelihood of vesting of performance-based share options. The charge for employer's national insurance liability on share awards and share options has increased by £0.2 million to £0.4 million as a result of the rise in the Company's share price over the year and the expectation that more options will vest in the coming years.

Interest payable, including settlements under interest rate derivative contracts, amounted to £27.2 million, compared with £26.6 million in the previous year. Short term interest rates have remained at unprecedented low levels throughout the year. Although this has increased the cost of settlements under our £360 million of interest swap contracts, we are benefitting from these low rates on our unhedged floating rate bank debt of £94.5 million. Currently our marginal cost of additional bank debt is around 1.5%.

Net interest payable was covered 1.8 times by operating profit before investment property disposals and valuation movements (2009: 1.8 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 (2009: 2.1 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 1.8 times.

With market expectations that interest rates will remain at current low levels for some time, the fair value deficit of our long term interest rate swaps has increased by £34.4 million to £80.5 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. We can see no commercial benefit at present in terminating any of our interest rate hedging, which would involve crystallising this accounting provision. However we continue to monitor opportunities to restructure our swaps as market sentiment changes.

The tax charge on the adjusted profit for the year was £0.2 million, unchanged from last year, and arises solely 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 9.7p compared with 11.2p last year, a reduction of 13.4%. Although our profits have risen compared with last year, we have a greater number of shares in issue following the Rights Issue in June 2009. The unadjusted diluted post-tax earnings per share shown in the Group Statement of Comprehensive Income for the current year amounted to 73.0p compared with a loss per share last year of 31.3p.

Unadjusted shareholders' funds at the year end shown in the Group Balance Sheet totalled £863.7 million, an increase over the year of £146.4 million. Adjusting these amounts to exclude the fair value of financial derivatives and the deferred tax arising on property revaluations in the Longmartin Joint Venture, our adjusted net asset value becomes £948.2 million, equivalent to a diluted net asset value per share of £4.14 per share (2009: £763.4 million equivalent to £3.35 per share), an increase of £184.8 million.

**Dividends**

Distributions charged in the Group Statement of Comprehensive Income this year amounted to £22.2 million, or 9.75p per share. This compares with a total distribution last year of £18.3 million, or 13.5p per share, paid on our share capital prior to the Rights issue in June 2009.

A final dividend in respect of the year ended 30 September 2010 of 5.25p per share, amounting to £11.9 million will be proposed at the 2011 Annual General Meeting. This will result in total distributions in respect of the financial year of £23.3 million. This compares with our adjusted profit after tax of £22.1 million which this year has been reduced by the additional accounting charge for equity settled remuneration arising from the continuing out-performance of our portfolio and our share price.

The interim dividend was paid, and final dividend will be paid entirely as Property Income Distributions ("PID"). Real Estate Investment Trust legislation broadly requires us to distribute of a minimum of 90% of net rental income, calculated by reference to tax rather than accounting rules. Our distributions are in excess of this minimum amount. With continuing growth in our rental income, together with an increased contribution from our Longmartin Joint Venture from 2011, we expect to maintain steady growth in our dividends, fully covered in future by adjusted annual post-tax profits.

**Finance**

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 to 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 £516.7 million, an increase of £94.5 million over the year. Cash outflows during the year on acquisitions, less capital receipts, amounted to £70.2 million. Expenditure on the Group's portfolio totalled £22.7 million, of which our share of the Longmartin Joint Venture accounted for £14.3 million. Revenue operations after net interest payments produced a net cash surplus of £26.4 million, compared with £20.6 million in the previous year. Tax payments, which totalled £7.4 million (2009: £7.2 million), included £7.2 million in respect of the settlement of our 2007 REIT conversion charge liability. At the year end £3.8 million of this liability remained to be settled by January 2011.

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% (2009: 55%). The ratio of the nominal value of debenture and net bank debt to the market value of our property assets was 35% (2009: 35%).

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 and we operate well within our banking covenants. 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 £575.0 million, unchanged over the year, with a weighted average maturity of 6.6 years (2009: 7.6 years). Committed unutilised facilities at the year end totalled £119.3 million (2009: £213.8 million).

The average margin over LIBOR we paid on amounts drawn from our bank facilities at the year end was 0.76%. If we fully drew all of our facilities, the weighted average margin we would pay would be 0.81%. These margins, which are fixed throughout the terms of our present facilities, are much lower than would be obtainable for similar arrangements in current debt markets.

We have fixed rate hedging in place on £360.0 million of our £455.7 million of floating rate bank debt, leaving 21% unhedged. The rates range from 4.59% to 5.15% (excluding margin) with a weighted average rate at the year end of 4.87%. The hedging contracts have weighted average maturity of 22.4 years (2009: 23.4 years).

At the year end, reflecting both our hedged and unhedged bank debt, the weighted average cost of bank borrowings including margin was 4.74%, compared with 5.30% at the previous year end. Including our long term Debenture debt, our overall weighted cost of debt at 30 September 2010 was 5.13% (2009: 5.78%).

At 30 September 2010, the fair value of the Group's interest rate derivatives represented a liability of £80.5 million (2009: £46.1 million). Our strategy of taking long term, fixed rate swaps leads to greater volatility in this non-cash mark-to-market calculation, particularly in the current environment of unprecedentedly low interest rates. The commercial certainty of fixing our interest costs on a substantial portion of our debt, at rates which we believe will prove attractive once rates return to their historic averages, outweighs this accounting volatility.

The deficit arising on the fair value of the Group's long term Debenture debt, which is not reflected in our results, amounted to £13.6 million which has increased over the year by £2.8 million as a result of the decline in long term interest rates, particularly in the latter months of the year.

The Group has no legal obligation to crystallise these non-cash fair value deficits by early refinancing of its fixed rate debt or 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 each of 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 £61.0 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. The financial covenants, together with their status at 30 September 2010, were as shown below.

**Bank covenants and status at 30 September 2010**

| Financial covenant | Covenant level | Status at 30 September 2010 |
|---|---|---|
| Ratio of Group net property income to Group net interest payable | Minimum of 1.5:1 | 2.1:1 |
| Actual borrowings from each lender as a percentage of property assets charged as security | Not to exceed 66.67% | 33% (based on total bank borrowings/ available assets as across the Group) |
| Percentage of Group borrowings compared to Group shareholders' funds (adjusted to exclude any fair value accounting provisions for interest rate derivatives) | Maximum of 175% | 55% |

Based on the results for the year ended 30 September 2010, net property income could fall by approximately £17 million (equivalent to 29% 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 44% 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.

We believe that, with our good income/interest cover, modest gearing and future expenditure commitments and overall security structure, existing and potential new lenders will continue to view us to be a secure customer. We are confident that we will be able to secure additional long term finance when the need arises. Inevitably, pricing of new arrangements would reflect current conditions in debt markets.

**Performance and benchmarking**

The table on page 1 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.

Taking into account acquisitions and capital expenditure during the year, our portfolio grew in value by 14.2% over the year, which matched the increase in our benchmark IPD.

Property values generally recovered sharply over the year, particularly in the first half. As our portfolio had previously declined by a much lower percentage from the start of the decline in the property market in 2007, it is unsurprising that we have not out-performed our benchmark this year.

Taking 1 October 2007 as the start of the present cycle in property markets, our portfolio declined in value over the three years to 30 September 2010 by 5.6%, compared with a fall of 33.9% recorded by our benchmark IPD Index. We expect our properties, which have a consistent record of greater stability in values, rising income and rental values and limited obsolescence, will continue to out-perform the wider market over the long term.

Our portfolio recorded a total return of 18.5% for the year, below the total return of 22.6% recorded by our IPD benchmark, due to the lower yield profile of our property assets.

We recorded a positive total shareholder return for the year ended 30 September 2010 of 24.4% compared with the FTSE 350 Real Estate Index which recorded a return of 2.1% 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.

## Risk and impact

**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 could result in the Group being unable to meet the asset-related covenants contained in its Debenture and bank loan arrangements.

**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 over 70% of our rental income, is heavily dependent on large numbers of visitors.

Events which discourage visitors, such as threats to security or public safety due to terrorism, health concerns such as an influenza pandemic, or disruption to the public transport network on which the area depends, could reduce visitor numbers. Over time, if a 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. 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.

**Tenant risk**

As a result of adverse conditions in the wider economy, a restriction of the availability of credit for consumers and businesses could lead to lower levels of consumer spending, a higher level of business failures and difficulties for new ventures in raising start-up capital. This could adversely affect the financial viability of the Group's tenants, potentially leading to higher levels of vacancies and declines in rental values.

**Speculative development**

The Group carries out refurbishments and developments on a speculative basis. There is a risk that letting expectations, both in terms of timing and rental income, may not be met due to an adverse change in economic conditions while the schemes are being carried out.

## Mitigation

The Group has chosen to invest in property assets in a particular location and with uses which have historically demonstrated a much lower degree of valuation volatility than the wider market.

As part of its regular internal reporting, the Group reviews quarterly forecasts of compliance with value-related banking covenants and the extent to which values could fall before any covenant was reached.

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" on pages 33 to 34.

In our experience, the wide diversity of visitors to the West End means that overall visitor numbers and spending are less influenced by UK economic conditions than in other domestic retail and leisure locations.

Such events, which are faced by all high profile locations such as London, are often beyond the Group's control, and are an inherent risk in the Group's geographically-focussed investment strategy.

However, the Group has an active policy of working with many local bodies and statutory authorities to maximise the safety and comfort of visitors to the West End and its Villages.

The Group has in place insurance which would meet the cost of physical destruction of its property assets resulting from a terrorist event, and would also reimburse the Group for up to three years' loss of income.

The Group works closely with both local authorities to ensure that its properties are operated in a manner which complies with the authorities' local policies and statutes.

The Group makes representations to the authorities regarding proposed policy changes so that its views and practical experiences are considered in framing public policy.

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 33% 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 £0.6 million per annum.

The Group reviews the creditworthiness of prospective new commercial tenants. Where appropriate new tenants are required to provide a cash deposit as security against default on their rent commitment. At 30 September 2010, such deposits amounted to £9.1 million (2009: £8.9 million).

Individual schemes carried out by the Group are small in relation to the overall portfolio and are usually of relatively short duration. Therefore the risk of material loss is less.

In the case of the St Martin's Courtyard scheme in the Longmartin Joint Venture, which represents some 7% of the Group's portfolio, risk has been mitigated by securing substantial pre-lettings of its commercial space.

### Key performance indicators

The key financial objective of the Group is to deliver to shareholders sustained out-performance in the long term growth of its net asset value. Fundamental to this objective is the capital value growth delivered by the Group's property assets. The Group's financial key performance indicators measure its portfolio performance, both in terms of capital value and total returns, 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 1.

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 are:

- 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 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. Demand for offices has improved over the year and rents achieved have generally met valuers' expectations and in some instances incentives granted to tenants, usually in the form of rent-free periods, have been less than anticipated.

The amount of vacant space across the portfolio, already very low, has reduced 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. The improvement in demand for offices has been reflected in shorter void periods. The Group continues to experience delays in schemes due to problems beyond its control, such as delays in the planning process or the failure of utility companies to meet their service obligations.

### Prospects

Some negative sentiment is to be expected in the New Year as the increase in taxes and substantial cost cutting by Local Authorities and Central Government begin to take effect. Whilst the West End cannot be completely immune from these national factors, we do not expect to see any material deterioration in the buoyant local economy.

We intend to pursue further acquisitions which match our very focussed strategy and, after a very quiet period in 2008 and 2009 in our investment market, activity is returning to more normal levels.

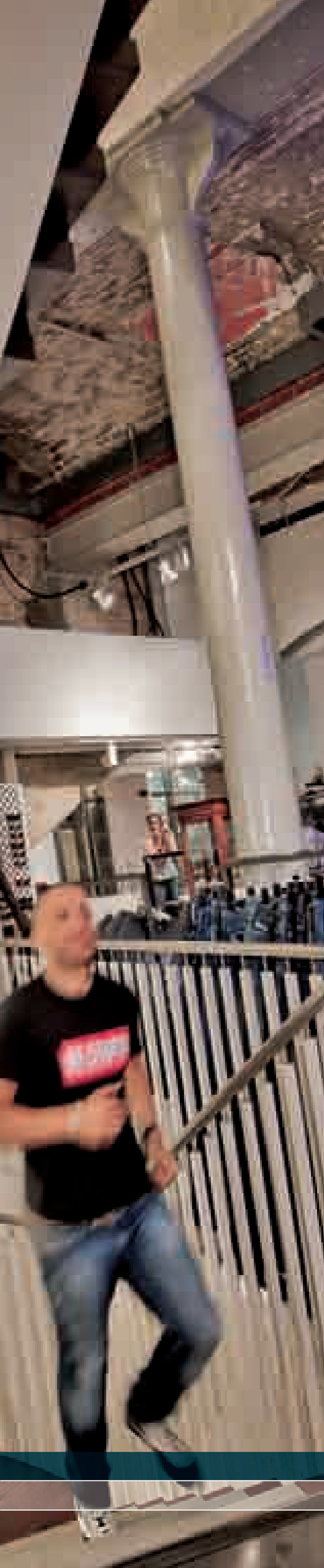
Our success in securing lettings in the St Martin's Courtyard scheme will result in a rapid increase in rental income in the Longmartin Joint Venture in the current financial year.

We are confident that with strong demand for all uses within our chosen areas continuing for the foreseeable future, and innovative management of our portfolio, we shall continue to deliver sustained long term out performance in income and capital values.

**Jonathan S. Lane** Chief Executive
**Brian Bickell** Finance Director

30 November 2010


**Diesel**
Neal Street
Seven Dials




SORRY
NO JEANS
SECURITY


Joe and the Juice
Broadwick Street
Carnaby

# portfolio analysis

at 30 September 2010

| | | Note | Carnaby | Covent Garden | Chinatown |
|---|---|---|---|---|---|
| **Total portfolio** | Market Value | 1 | £506.8m | £420.7m | £363.9m |
| | % of total Market Value | | 34% | 28% | 25% |
| | Current gross income | 2 | £24.1m | £20.6m | £17.7m |
| | Estimated rental value (ERV) | 3 | £29.9m | £23.3m | £19.0m |
| **Shops** | Number | | 128 | 108 | 59 |
| | Area - sq. ft. | | 181,000 | 130,000 | 57,000 |
| | % of current gross income | 4 | 48% | 40% | 24% |
| | % of ERV | 4 | 52% | 42% | 24% |
| | Vacancy rate by % of ERV | 5 | 7% | 4% | 1% |
| | Average unexpired lease length - years | 6 | 4 | 5 | 8 |
| **Restaurants and leisure** | Number | | 36 | 69 | 64 |
| | Area - sq. ft. | | 78,000 | 147,000 | 182,000 |
| | % of current gross income | 4 | 14% | 30% | 62% |
| | % of ERV | 4 | 13% | 30% | 62% |
| | Vacancy rate by % of ERV | 5 | 0% | 1% | 1% |
| | Average unexpired lease length - years | 6 | 11 | 13 | 14 |
| **Offices** | Number of tenancies | | 164 | 75 | 71 |
| | Area - sq. ft. | | 244,000 | 100,000 | 43,000 |
| | % of current gross income | 4 | 34% | 16% | 7% |
| | % of ERV | 4 | 30% | 14% | 7% |
| | Vacancy rate by % of ERV | 5 | 10% | 5% | 5% |
| | Average unexpired lease length - years | 6 | 3 | 3 | 3 |
| **Residential** | Number | | 66 | 148 | 83 |
| | Area - sq. ft. | | 44,000 | 99,000 | 51,000 |
| | % of current passing rent | | 4% | 14% | 7% |
| | % of ERV | 4 | 5% | 14% | 7% |
| | Vacancy rate by % of ERV | 5 | 30% | 13% | 3% |

* 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 2010

| | Note | Carnaby | Covent Garden | Chinatown |
|---|---|---|---|---|
| Overall initial yield | 8 | 4.40% | 4.49% | 4.57% |
| Initial yield ignoring contractual rent free periods | 9 | 4.69% | 4.63% | 4.68% |
| Overall equivalent yield | 10 | 5.37% | 4.98% | 4.89% |
| Tone of retail equivalent yields | 11 | 4.75 - 6.75% | 4.50 - 6.50% | 4.70 - 5.70% |
| Tone of retail estimated rental values - ITZA £ per sq. ft. | 11 | £100 - £400 | £40 - £450 | £150 - £290 |
| Tone of restaurant equivalent yields | 11 | 4.85 - 5.25% | 4.35 - 5.75% | 4.70 - 5.35% |
| Tone of restaurant estimated rental values - £ per sq. ft. | 11 | £67.50 - £92 | £40 - £125 | £135 - £338 ITZA |
| Tone of office equivalent yields | 11 | 5.31 - 6.00% | 5.50 - 6.50% | 5.75 - 6.25% |
| Tone of office estimated rental values - £ per sq. ft. | 11 | £26 - £52.50 | £27 - £40 | £27 - £40 |
| Tone of residential estimated rental values - £ per annum | 11 | £10,400 - £52,000 | £9,250 - £52,900 | £8,400 - £28,600 |

| Berwick Street | Charlotte Street | Wholly Owned Portfolio | Longmartin* | Total Portfolio |
|---|---|---|---|---|
| £52.6m | £31.0m | £1,375.0m | **£106.9m | £1,481.9m |
| 4% | 2% | 93% | 7% | 100% |
| £2.4m | £1.7m | £66.5m | **£1.8m | £68.3m |
| £3.0m | £1.7m | £77.0m | **£6.9m | £83.9m |
| 17 | 3 | 315 | 23 | |
| 19,000 | 7,000 | 394,000 | 70,000 | |
| 20% | 3% | 37% | 48% | |
| 27% | 3% | 40% | 37% | |
| 28% | 0% | 6% | 22% | |
| 4 | 7 | 5 | 7 | |
| 9 | 11 | 189 | 8 | |
| 19,000 | 27,000 | 453,000 | 42,000 | |
| 33% | 59% | 33% | 22% | |
| 26% | 56% | 32% | 15% | |
| 0% | 0% | 1% | 10% | |
| 8 | 14 | 13 | 16 | |
| 33 | 8 | 351 | n/a | |
| 27,000 | 10,000 | 424,000 | 101,000 | |
| 31% | 19% | 21% | 10% | |
| 26% | 22% | 19% | 33% | |
| 5% | 19% | 8% | 40% | |
| 2 | 1 | 3 | 10 | |
| 27 | 21 | 345 | 75 | |
| 18,000 | 11,000 | 223,000 | 54,000 | |
| 16% | 19% | 9% | 21% | |
| 21% | 19% | 9% | 15% | |
| 32% | 0% | 16% | 54% | |

| | | | |
|---|---|---|---|
| 3.99% | 4.75% | 4.47% | 1.03% |
| 4.14% | 4.75% | 4.62% | 3.35% |
| 5.14% | 4.87% | 5.10% | 4.98% |
| 5.15 - 6.00% | 5.00 - 6.00% | | 4.75 - 6.00% |
| £95 - £112 | £75 - £90 | | £92 - £440 |
| 4.85 - 5.75% | 4.50 - 5.25% | | 5.25 - 6.50% |
| £35 - £70 | £70 - £74 | | £36.50 - £54 |
| 5.75 - 6.25% | 6.00 - 7.00% | | 5.00 - 6.50% |
| £25 - £40 | £27.50 - £31.50 | | £28 - £55 |
| £14,300 - £55,000 | £9,100 - £21,000 | | £16,000 - £79,000 |

**Notes**

1 The Market Values at 30 September 2010 (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 within each Village were not valued as a single lot.

2 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.

3 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.

4 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.

5 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.

6 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.

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

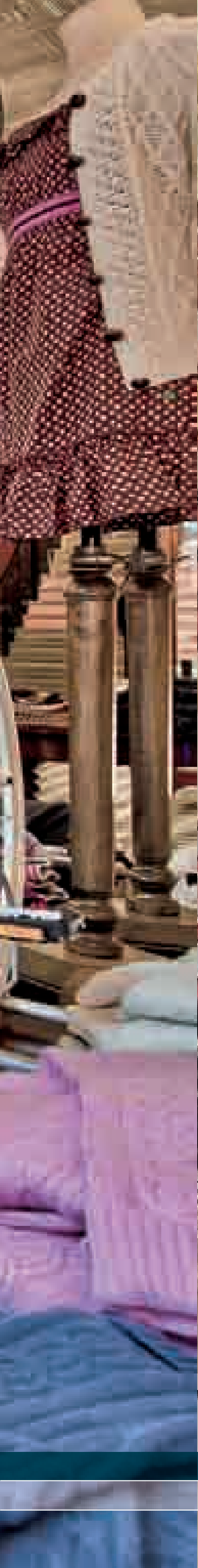
8 The initial yield is the net initial income at the date of valuation expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the date of valuation.

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

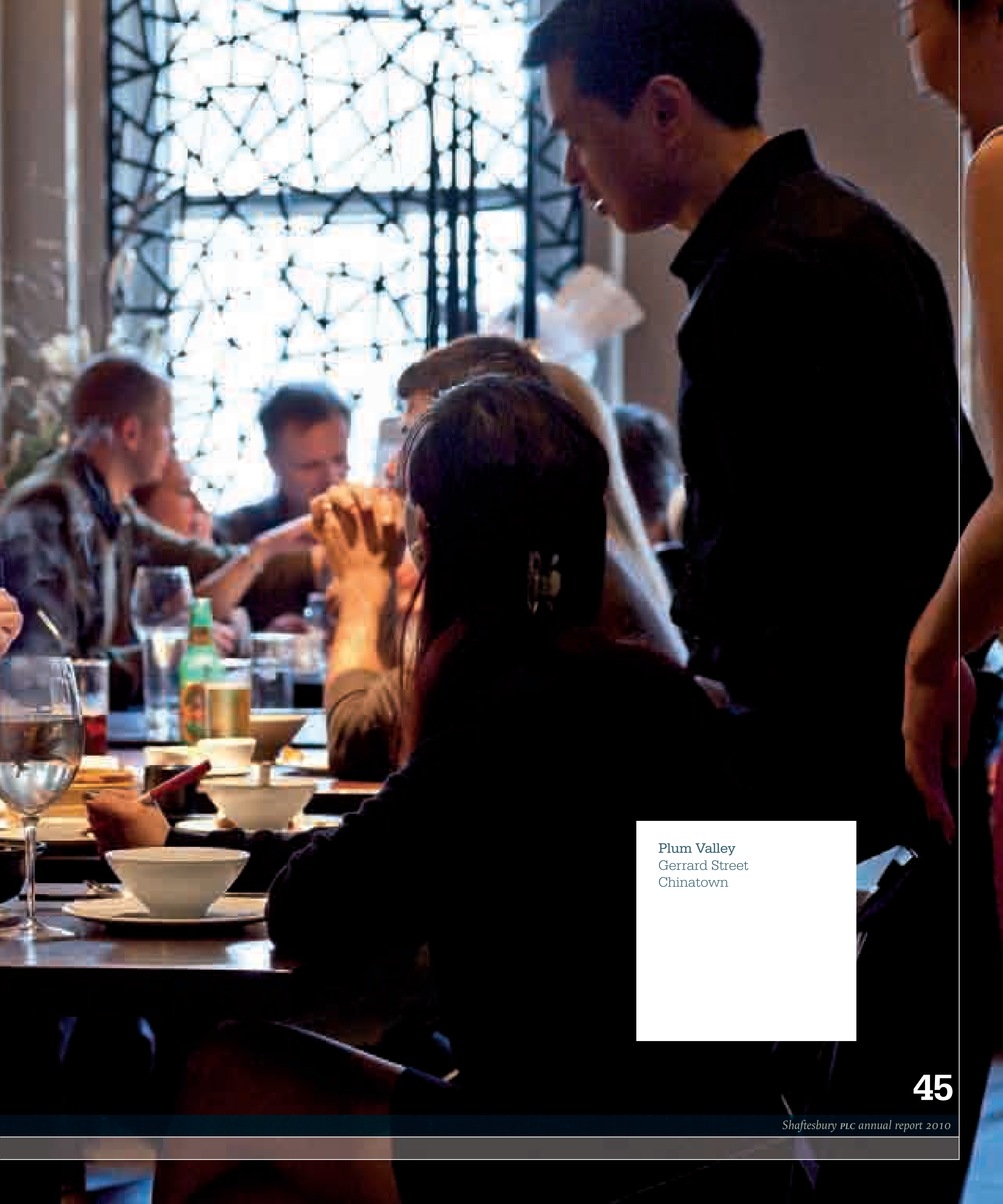
10 Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income so discounted at this rate equals the capital outlay at values current at the date of valuation. The Equivalent Yield shown for each 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.




Jack Wills
Long Acre
St Martin's Courtyard



Plum Valley
Gerrard Street
Chinatown

**The Board recognises the importance of social, environmental and ethical matters in the conduct of our business.**

We have a well embedded corporate responsibility process and this is our seventh year of reporting. Our corporate responsibility policies are seamlessly integrated into our overall corporate strategy.

We acquire and manage properties in the West End of London, refurbish them and obtain changes of use where appropriate and in doing so seek to extend the useful life of our buildings. Sustainability is it at the core of our activities.

Our policy, which is updated annually, is available on our website. The full report on our 2009-2010 Corporate Responsibility performance is available on our website together with the Action Plan against which we were measured. Below are some key extracts from the report.

### Corporate responsibility and integration with the Group's strategy

Our strategy is aligned with the corporate responsibility objectives and targets set out below. There are annual corporate and personal targets set by the Remuneration Committee across the Group. Overall responsibility lies with the Chief Executive.

### Key achievements

We have been a constituent of the FTSE4Good Index since 2004, which is designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and have been listed on the Dow Jones Sustainability Index ('DJSI') since 2007. We are also listed in the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies.

### Environmental policy

Our policy is to minimise any adverse environmental impact of our operations and operate in a sustainable manner. In order to implement this commitment and any necessary measures, we have set the following overall environmental objectives:

- To operate in an environmentally sustainable manner throughout our activities;
- To address the implications of our activities on climate change through reducing energy use throughout our portfolio and improving drainage to address localised flooding issues, particularly where there are old Victorian water mains, as effectively as possible;
- To minimise any adverse impacts on the environment throughout our operations;
- To comply with and where feasible exceed all relevant legal and regulatory requirements;
- To encourage continual improvement of our environmental performance;
- To establish a framework for determining specific objectives and targets;
- To promote staff and principal supplier environmental awareness and provide training where necessary;
- To engage with our stakeholders to ensure that we are responsive to their expectations.

### Impact on the environment

We seek to minimise our impact on the environment through the reuse of existing buildings, refurbishing and prolonging the useful lives and by minimising the impact of consumables. This includes a focus on timber usage and construction waste management in the refurbishment projects throughout the portfolio as well as waste, water and electricity in day to day portfolio management.

The level of carbon emissions produced by our portfolio from 2004, when data started to be collected, is set out in the chart below. Overall, our impact is minimal as carbon emissions generally are confined to activities in the common parts of the portfolio. Tenants are responsible for their own activities and emissions and for reporting on them. As a result, our level of energy consumption is below the threshold for inclusion in the Government's Carbon Reduction Scheme.

Total Carbon Emissions (tonnes of carbon dioxide) for Managed Portfolio


The chart above, which illustrates carbon emissions generated as a result of landlord consumption in the common parts of our buildings, shows absolute consumption in the portfolio over the data period (which has grown by 11% net after allowing for sales and the transfer of the joint venture property to Longmartin).

We have an objective for the current year to change to suppliers of green electricity in our villages if such supplies are available and economically justifiable. In Berwick Street, the electricity supplier to a number of properties was changed during the year to a company which supplies green electricity generated from sustainable sources. This will continue in Berwick Street during the current year.

### Staff

We employ eighteen staff including executive Directors. Our employment policies have been reviewed and updated during the year to reflect changes in legislation. In a small team, every member of staff is important and their experience and contribution to the business play a key part in the delivery of our strategy. Training and development of our staff is essential and staff development plans continue to be developed.

### Health and safety

The Board has overall responsibility for health and safety. Our responsibility for health and safety is identified within all pre-tender documentation and is monitored by site and project managers. Our managing agents oversee day to day health and safety matters throughout the portfolio.

There have been no reportable health and safety incidents during the year.

### Community engagement

During the year we joined the London Benchmarking Group. Our community investment has been measured in line with their guidelines which seek to ensure that companies report their community investment in a comparative and systematic way. We have this year evaluated our investment as £345,000 (equivalent to 1.5% of adjusted profit before tax) in community activities.

During the year we have supported in an advisory capacity or financially a number of activities and organisations including the National Campaign for the Arts, the Art Fund, the Association of British Orchestras, the Royal Shakespeare Company and the Theatres Trust. Local community groups which we continue to support include the Hungerford Drugs Rehabilitation Project, the Soho Family Centre, Chinatown Arts Space, the Chinese Community Centre, the Chinatown Stakeholders Group, the London Chinatown Chinese Association, the Yellow Earth Theatre Company and the Seven Dials Trust.

**Key targets and progress in the year ended 30 September 2010**

Set out below is a summary of progress against targets this year. The full report is available on our website.

| Targets | Progress |
|---|---|
| Continue to engage with key investors and benchmarking agencies as appropriate. | Ongoing. Continued membership of FTSE4Good and DJSI. |
| Ensure all refurbishment schemes above a specified capital value are registered with the considerate constructors scheme and continue to achieve 26/40 (above a "satisfactory" score). | 85% of schemes achieved target of 26/40 on first visit; 100% of schemes achieved target on second visit and overall the average score was 30. |
| Aim to achieve a "Very Good" BREEAM score for the Longmartin Joint Venture. | Ongoing. |
| Continue to invest only in "brownfield" sites. | Ongoing. |
| 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. | 36% of timber against a target of 50% has been confirmed as sustainably sourced and a further 8% is likely be sustainably sourced though full chain of custody was not provided.<br>17% of timber against a target of 10% has been confirmed from FSC source. |
| 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. | Ongoing. |
| Continue to monitor the waste management strategy for Carnaby and Seven Dials in order to encourage recycling by tenants. | 37% of tenants' waste was diverted from landfill in Carnaby and Seven Dials. |
| Investigate options within Berwick Street for a central recycling point. | Under investigation. |
| Improve biodiversity through use of bird nesting boxes at appropriate locations. | Boxes installed in three locations which was our target for the year. |
| Promote initiatives in Chinatown to promote recycling. | Under investigation. |
| Continue to support local community groups and be proactive in mentoring charitable and other organisations and measuring our contributions. | Membership of the London Benchmarking Group and adoption of their methodology for reporting community involvement this year. |
| Achieve zero reportable health and safety accidents/incidents throughout the portfolio. | Zero reportable health and safety accidents/incidents recorded within refurbishment projects and the managed portfolio. |

**Objectives and targets for year ending 30 September 2011**

Set out below is a summary of the key objectives and targets for the year ahead. A full list of objectives is contained within the 2010-2011 Action Plan which is available on the Group's website.

| **Objectives** | **Specific Targets** |
|---|---|
| Engage with stakeholders. | Continue to engage with investors and key benchmarking agencies as appropriate and maintain membership in the FTSE4Good and DJSI. |
| Engage and raise corporate responsibility awareness and engagement with tenants. | Replace Tenants' leaflet with a more detailed Sustainability Guide for commercial tenants and develop a Sustainability Leaflet for residential tenants. |
| Continue to invest only in "brownfield" sites. | Continue to achieve 100% use and regeneration of 'brownfield' sites as our portfolio expands. |
| Monitor and where possible reduce energy consumption and investigate opportunities for the use of renewable energy. | Purchase green electricity where costs are within 5% of brown electricity.<br>Aim for common parts normalised data to not exceed 0.1 tonnes $C0^2/m^2$. |
| Monitor and where possible minimise water consumption. | Continue to monitor water use in Seven Dials and Carnaby and maintain current low usage of $0.05m^3/m^2$. |
| Monitor and reduce waste from our managed properties. | Divert from landfill 80% of tenant generated waste at Carnaby, Seven Dials and Longmartin (70% of the portfolio). |
| Operate in an environmentally sustainable manner throughout our activities. | Maintain BREEAM criteria for reuse of structure and facade in 100% of refurbishment i.e. a minimum of 50% of the facade and 80% of the primary structure reused.<br>Aim for BREEAM "Very Good" for the Longmartin development on completion.<br>Extend the useful life of buildings and improve their sustainability by raising the EPC rating of properties on refurbishment. |
| Timber to be sourced where possible from well managed sources certified by third party certification bodies. | Continue to maximise proportion of timber that is reused. Source a minimum of 50% of all timber from certified sources and ensure all timber is legal. |
| Ensure all refurbishment schemes above a specified capital value are registered in the Considerate Constructors Scheme. | Continue to achieve 26/40 (above a "satisfactory" score). |
| Improve biodiversity appropriate to the Group's urban location. | Design and install where feasible features to encourage appropriate urban wildlife. |
| Minimise adverse impacts on the environment during construction through working with our project managers. | Continue to issue specification questionnaires to our teams. Ensure that a minimum of 80% water based paints are used to minimise air pollution. |
| Fully comply with all requirements of Health & Safety at Work Act 1974 for employees and those that may be affected by these requirements. | Achieve zero reportable accident and incidents throughout 100% of the portfolio. |
| Continue to support local community groups and be proactive in mentoring charitable and other organisations. | Ongoing financial support to key charities and community support for 2010-11.<br>Continue membership of London Benchmarking Group and further develop benchmarking measurements for reporting. |

The Group is measured against its objectives and targets and independently assessed by RPS.

**Jonathan Lane**
Chief Executive

30 November 2010

Laird
23 New Row
Coliseum


Beijing Tong
Ren Tang
Shaftesbury
Avenue


仁 堂

Orla Kiely
Monmouth Street
Seven Dials

**The Directors present their report and the financial statements for the year ended 30 September 2010.**

## 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 are 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 13 to 35 of the Business Review, pages 46 to 48 of the Corporate Responsibility Report and pages 55 to 57 of the Corporate Governance 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 2010 are set out in the Group Statement of Comprehensive Income on page 69.

An interim dividend of 5.00p per Ordinary Share was paid on 2 July 2010 (2009: 7.50p).

The Directors recommend a final dividend in respect of the year ended 30 September 2010 of 5.25p per Ordinary Share (2009: 4.75p), making a total dividend for the year of 10.25p per Ordinary Share (2009: 12.25p). If authorised at the Annual General Meeting, the dividend will be paid on 18 February 2011 to members on the register at the close of business on 28 January 2011. The dividend will be paid as a Property Income Distribution ("PID").

The PID will be paid to most shareholders after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID (i.e. without deduction of withholding tax) if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. A detailed note and relevant forms which must be completed and submitted to Company's registrars for shareholders who are eligible to receive gross PIDs is available in the Investor Relations section of the Company's website.

## Share capital

During the year, 161,072 shares were issued at prices in the range £1.80 to £3.09 on the exercise of employee share options. At 30 September 2010, the Company's issued share capital comprised 227,084,837 Ordinary Shares of 25p each.

The Company has one class of ordinary shares. 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 2010, and their interests in the Ordinary Share capital of the Company, were as follows:

| | Ordinary Shares of 25p each 1.10.2009 | 30.9.2010 |
|---|---|---|
| Beneficial interests: | | |
| J S Lane | 844,119 | 896,737 |
| B Bickell | 623,163 | 670,574 |
| S J Quayle | 606,998 | 656,821 |
| T J C Welton | 451,816 | 494,166 |
| P J Manser | 158,333 | 175,000 |
| J R K Emly | 30,000 | 30,000 |
| W G McQueen | 8,333 | 8,333 |
| O J D Marriott | 5,000 | 5,000 |
| J C Little* (appointed 24.2.2010) | N/A | - |
| H S Riva* (appointed 12.2.2010) | N/A | - |

*H S Riva and J C Little held no shares in the Company at the date of their appointment to the Board.

There have been no changes to Directors' shareholdings between 30 September 2010 and the date of this Report.

The Company has a policy which requires executive Directors to build up and maintain a minimum shareholding in the Company equivalent to the value of one year's salary. Newly appointed executive Directors will be expected to accumulate a shareholding to this value over a period of five years from the date of their appointment. At 30 September 2010, each executive Director held shares with a value of between eight and ten times their annual salary.

Details of options granted to executive Directors under the Group's Share Schemes are set out in the Directors' Remuneration Report on pages 58 to 63.

As required by the Company's Articles of Association, Hilary Riva and Jill Little will offer themselves for election having been appointed to the Board since the last Annual General Meeting. Full biographical details of Hilary Riva and Jill Little are set out on the inside back cover. At the forthcoming Annual General Meeting, and in accordance with the UK Code on Corporate Governance, all members of the Board will offer themselves for re-election.

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 himself/herself 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 the re-election of each of the Directors. The Board also recommends the election of Hilary Riva and Jill Little as Directors of the Company.

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 26 November 2010, 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:

| | % of Issued share capital |
|---|---|
| Co-operative Financial Services Limited | 8.50 |
| BlackRock Inc | 7.75 |
| Lloyds TSB Group Plc | 5.61 |
| F&C Asset Management plc | 5.11 |
| Ameriprise Financial Inc | 4.87 |
| 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 the invoice for goods or services. At 30 September 2010, the Group's creditors in respect of invoiced supplies represented 22 days purchases (2009: 17 days).

## Purchase of own shares

The Company was granted authority at the 2010 Annual General Meeting to make market purchases of its own Ordinary Shares. This authority will expire at the conclusion of the 2011 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 from 1 October 2010 to 26 November 2010.

## 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 of £10 million.

## Charitable and other donations

During the year, the Group made charitable donations in cash amounting to £46,000 (2009: £97,000). The principal charities supported by the Group together with a description of the Group's community investment is set out in the Corporate Responsibility Report on pages 46 to 48.

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 46 to 48 and are also available in full on the Group's website.

The Group employs eighteen staff. In view of the small number of employees, the Group considers that key performance indicators relating to employees would not 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 pages 85 and 86.

## Change of control

Each of the Group's bank facility agreements and the Longmartin Joint Venture arrangements contains 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

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 the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

## Auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2011 Annual General Meeting. The Board, on the advice of the Audit Committee, recommends their reappointment and PricewaterhouseCoopers LLP have consented to act.

## 2011 Annual General Meeting

The 2011 Annual General Meeting will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority to make political donations and the approval of an Amendment to the Shaftesbury Sharesave Scheme. The resolutions are set out in the Notice of 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/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself 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**
Company Secretary

30 November 2010

### Compliance with the Combined Code on Corporate Governance

**The Board of Shaftesbury PLC strives to achieve high standards of corporate governance in pursuing the Group's strategy to invest in the West End of London.**

The Company applied the principles of Section 1 of the Combined Code on Corporate Governance during the year. The Board's application of the principles and compliance with the provisions of the Code are set out below. As described below, the Board did not comply with the provision that at least half the board should comprise independent non-executive Directors and did not comply with the provisions regarding the number of independent non-executive Directors on the Audit and Remuneration Committees. The composition of the Board continues not to comply with this provision, but the composition of the Audit and Remuneration Committees has been compliant since 12 February 2010 and 1 October 2010 respectively.

### Role of the Board

The Board is responsible to shareholders for the strategic direction of the Group and the stewardship of its activities. The individual 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 has been adopted by the Board.

There is a formal schedule of matters reserved for the Board for decision which was updated during the year and is available on the Group's website. The matters include approval of all acquisitions, disposals, major contracts, risk management and other strategic decisions.

### Board composition

At the beginning of the year, the Board comprised the non-executive Chairman, four executive Directors and three non-executive Directors, two of whom were deemed to be independent in accordance with the criteria set out in the Combined Code.

In February 2010, two independent non-executive Directors were appointed to the Board so that, from then until 30 September 2010, the Board comprised the non-executive Chairman, four executive Directors and five non-executive Directors, four of whom are deemed to be independent. 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.

As noted in the 2009 Annual Report, John Emly, ceased to meet the criteria of independence under the Combined Code when he completed nine years service as a non-executive Director on 16 October 2009. His period in office was the sole basis on which he was no longer considered independent. In view of his wide ranging skills and experience and the desire to maintain continuity in its membership, the Board recommended his re-election at the 2010 Annual General Meeting. For these same reasons, the Board recommends his re-election at the 2011 Annual General Meeting.

As a result of John Emly's membership of the Board and the Audit and Remuneration Committees during the year, and with the appointment of two independent non-executive Directors in February 2010:

- Since 16 October 2009, the Board's composition has not complied with the Combined Code's provision that at least half the Board should comprise independent non-executive Directors;
- The Remuneration Committee, which was chaired throughout the year ended 30 September 2010 by John Emly, did not meet the Combined Code's requirement that the Committee should comprise at least three independent non-executive Directors between 16 October 2009 and 30 September 2010; and
- The Audit Committee did not meet the Combined Code's requirement that the Committee should comprise at least three independent non-executive Directors in the period 16 October 2009 to 12 February 2010.

The composition of the Board does not comply with the Combined Code's recommendations on the balance of executive and non-executive directors considered by the Combined Code to be independent. However, the Board considers its composition, in view of the nature and investment focus of the Group's activities, is appropriate for its business. The Nomination Committee keeps the composition of the Board under review as set out in its report on page 63.

The Board has a Senior Independent Director who is available to shareholders if required. He is also a nominated contact for employees under the Group's whistle blowing policy. Gordon McQueen was appointed to this role with effect from 1 October 2009.

### Re-election of Directors

The Board has adopted the provisions of the new UK Corporate Governance Code, which for the Company, came into effect on 1 October 2010. In accordance with the provisions of this Code, the entire Board will stand for re-election annually with effect from the 2011 Annual General Meeting.

Biographies of each member of the Board including other non-executive directorships are set out on the inside back cover. None of the executive Directors has held any non-executive directorship or the chairmanship of a FTSE 100 company during the year.

### Board meetings

The Board met five times during the year ended 30 September 2010. 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 forecasts, and regular reviews of risks and internal controls.

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

### Board Committees

The Board has three committees: Audit, Remuneration and Nomination. The terms of reference of these Committees, which are available on the Group's website, have all been updated to take account of the provisions of the UK Corporate Governance Code which came into effect for the Company on 1 October 2010. 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 58 to 64.

### Directors' skills and knowledge

The Chairman is responsible for ensuring all Directors continually update their skills and knowledge required to fulfil their roles 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. The Chairman reviews each Director's training and development needs as part of the process of the Board performance review.

Following their appointment to the Board, Hilary Riva and Jill Little received a comprehensive induction to the Company, led by the Chairman and co-ordinated and administered by the Company Secretary. This introduced them to all aspects of the Company and their role as Directors of a publicly listed company, following the guidelines issued by the Institute of Chartered Secretaries and Administrators.

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 2010 is set out below:

| | Board | Audit Committee | Remuneration Committee | Nomination Committee | AGM |
|---|---|---|---|---|---|
| **Number of meetings held in the year** | 5 | 3 | 3 | 2 | 1 |
| | **Attended** | **Attended** | **Attended** | **Attended** | **Attended** |
| **Executive Directors** | | | | | |
| J S Lane | 5 | - | - | - | 1 |
| B Bickell | 5 | - | - | - | 1 |
| S J Quayle | 5 | - | - | - | 1 |
| T J C Welton | 5 | - | - | - | 1 |
| **Non-Executive Directors** | | | | | |
| P J Manser | 5 | - | - | 2 | 1 |
| J R K Emly* | 5 | 1(1) | 3 | 2 | 1 |
| J C Little* | 2(3) | 1(2) | 1(2) | 1(1) | 0(0) |
| W G McQueen | 5 | 3 | 3 | 2 | 1 |
| O J D Marriott | 5 | 3 | 3 | 2 | 1 |
| H S Riva* | 4(4) | 2(2) | 2(2) | 1(1) | 1 |

*The numbers in brackets indicate the maximum number of meetings which a Director could have attended during the year. Hilary Riva was appointed to the Board on 12 February 2010 and Jill Little was appointed to the Board on 24 February 2010. John Emly resigned from the Audit and Remuneration Committees on 12 February 2010 and 30 September 2010 respectively.

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

### Board performance

The Board carries out an annual review of its performance and effectiveness. The review was undertaken internally 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 conducted interviews with 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 2010 did not reveal any aspects of performance or effectiveness of the Board or its Committees which were considered to be unsatisfactory.

### Relations with shareholders

The Company's relationship with its shareholders is extremely important. The Board encourages dialogue with all shareholders at the Annual General Meeting and throughout 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 investors 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 visits 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 make 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. The presentations of the annual and half year results are made available on the Group's website in the Investor Relations section. The Board receives regular reports on shareholder meetings.

The Senior Independent Director is available to shareholders as an alternative channel of communication with the Board and all non-executive Directors are available to shareholders.

### 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 controls and their adequacy and effectiveness are monitored through the risk management and audit processes by both the financial and estate management audits and reported to the Board.

Executive Directors and staff meet regularly to review the risks facing the business, the controls established to minimise those risks and their effectiveness in operation. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage including insurance being in place where appropriate. Reports on this review process are submitted during the year to the Audit Committee and the Board 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 questions management on risk identification and management 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 pages 34 to 35.

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:

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

b) Clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision including acquisitions, disposals, major contracts and major refurbishment proposals which require the approval of the Board;

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

d) The Finance Director has overall responsibility for the preparation of the financial information which is submitted to the Audit Committee and the Board. The Audit Committee ensures that the internal controls in the financial reporting process are in place and adequate;

e) 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 to review periodically the operational processes and controls of each of the managing agents; and

f) 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.

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

The Group's business activities, together with the factors affecting performance, position and future development are set out in the Business Review on pages 13 to 35. The financial position of the Group including cash flow, liquidity and borrowing facilities is set out on pages 32 to 34.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

**John Manser**
Chairman

30 November 2010

**Shaftesbury's remuneration policy remains unchanged and is based on a simple, transparent structure aligned with the long term strategy of the Group.**

Jill Little
(appointed 24 February 2010; Chairman of the Committee from 30 September 2010)

John Emly
(Chairman of the Committee throughout the year to 30 September 2010; resigned as Chairman and member 30 September 2010)

Gordon McQueen

Oliver Marriott
(appointed 12 October 2009)

Hilary Riva
(appointed 12 February 2010)

The Committee was chaired throughout the year ended 30 September 2010 by John Emly who resigned from the Committee on that date. As explained in the Corporate Governance Report on page 55, the Committee did not comply with the provision of the Combined Code relating to its composition from 16 October 2009 to 30 September 2010. Since 1 October 2010, the Committee's composition has been compliant.

The Committee met three times during the year ended 30 September 2010 to consider the Group's employment policies and the employment terms and remuneration of executive Directors and staff. 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, other executive Directors do not attend. No Director has any involvement in decisions regarding his own remuneration.

During the year, the Committee has reviewed or recommended:

- The Group's remuneration policy;
- Remuneration of Directors and employees;
- Awards of bonuses for the financial year;
- Awards of options under the Group's 2006 Long Term Incentive Plan;
- Vesting of options granted under the Group's 2006 Long Term Incentive Plan to the extent of achievement of the performance conditions set by the Committee;
- The appropriateness of the Group's share schemes including a recommendation to make an amendment to the Shaftesbury Sharesave Scheme to extend its life by a further ten years, which will be proposed at the Annual General Meeting; and
- The effectiveness of the Committee.

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 Directors' and Company Secretary's remuneration.

**Remuneration policy**

The Group's policy is to provide a remuneration package which will 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. No changes have been made to the Group's policy during the year.

The Committee aims to align its remuneration policy with the Group's long term business strategy with arrangements which are transparent and straightforward. This is achieved by a remuneration package which combines:

- a basic annual salary;
- an annual bonus scheme;
- long term incentives;
- pension contribution; and
- benefits including health insurance, car or car allowance, life insurance and long term disability insurance.

In determining the components of total remuneration, the Committee seeks to incentivise Directors and other staff, placing emphasis on rewards for performance and delivery of shareholder value and recognises that under-performance should not be rewarded. The performance related elements of annual bonus and long term incentives can constitute a substantial proportion of the total remuneration if the challenging 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 to participate in each of the Group's share schemes, subject to any initial qualifying period of service. Accordingly, pay and conditions for all employees are taken into account when determining executive Directors' remuneration.

The components of the remuneration package are explained below. The remuneration of Directors for the year ended 30 September 2010 is set out in tables 1, 2 and 3.

**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 2010 in respect of his directorship of a private company unconnected with the Group's business totalling £4,250 (2009: £4,250). 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 would come to an end if not re-elected at the Annual General Meeting.

**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. Salaries of other employees in the Group are reviewed annually, on the same basis as the executive Directors.

Executive Directors' annual salaries were revised with effect from 1 December 2010. Salary increases were awarded to executive Directors to reflect the performance of the Company and the individuals, cost of living increases and to bring salaries closer to levels the Committee considers to be broadly market median levels based on the independent external data provided by HNBS.

| | **£'000 1.12.2010** | £'000 1.12.2009 | Increase % |
|---|---|---|---|
| J S Lane | **430** | 400 | 7.5 |
| B Bickell | **300** | 285 | 5.0 |
| S J Quayle | **290** | 275 | 5.0 |
| T J C Welton | **285** | 265 | 7.5 |

Staff salaries were also reviewed with effect from 1 December 2010, with general increases awarded of at least 5%.

The benefits provided to each executive Director comprise a fully expensed car or a car allowance in lieu, life assurance, health insurance and long term disability insurance. The Group makes a pension contribution of 25% of 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.

**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 by the Committee at the beginning of the year and assessed at the year end in light of actual performance. The targets are intended to stretch the individual's performance. The Remuneration Committee may consider where appropriate the award of a bonus during the year, but any such bonus would be on account of, and not additional to, any bonus awarded at the end of the year.

The targets, which are set annually, are consistent with the Group's overall strategy and key business objective of long term growth of rental income and net asset value and 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 robust 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 success in achieving its corporate responsibility objectives. In particular, these include:

- 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 (a Group KPI);
- 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 (a Group KPI); and
- Corporate responsibility performance against a target set at the beginning of the year.

An explanation of the Group's key performance indicators is contained within the Business Review. Total shareholder return and net asset value are the measures which are used in the Long Term Incentive Plan and are not used as measures for the Annual Bonus Scheme.

Participants may receive a bonus in shares or cash. To encourage investment in the Group's equity, 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 allows participants to exercise their right to their award after a minimum period of three years (two years in the case of awards granted before 1 October 2009) and no later than seven years following the date of the award. The value of dividends payable on the shares accrue on awards granted after 1 October 2009 and is paid on exercise. This award is not subject to any further performance conditions as it relates to the deferred element of a bonus which has already been earned.

Annual bonuses are not pensionable and are not contractual.

**Long term incentive arrangements**

The Long Term Incentive Plan, which was approved by shareholders at the 2006 Annual General Meeting, seeks to incentivise staff to deliver sustained improvement in financial performance and shareholder returns. No changes have been made to the Plan since it was approved.

All employees are eligible to participate in the plan. Conditional award of shares, in the form of nil cost options, are granted to employees at the discretion of the Committee. Each award is subject to performance conditions set by the Committee each year. Awards to participants are limited to a maximum value of 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 they are capable of influencing corporate performance of the Group.

There are two separate performance conditions for the vesting of awards, independent of each other and 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 adjusted diluted net asset value per share ("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 considers for the awards to be granted in December 2010 that these targets provide a balanced assessment of the long term performance of the Group, with NAV focussing on improvements in financial performance and the TSR elements being based on delivering superior shareholder returns.

Performance against targets is subject to independent calculation and ratification by the Committee prior to vesting. Awards which have vested have to be exercised within six months of the date of vesting.

**Sharesave scheme**

The Group operates an H M Revenue and Customs approved Sharesave Scheme for all staff, subject to a qualifying service period. No offer to staff was made in 2010. The current rules will expire in January 2011 and it is proposed that the Sharesave scheme be extended for a further ten year period. A resolution to approve the new scheme will be proposed to shareholders at the Annual General Meeting and full details are contained within the Notice of Meeting.

**Non-executive Directors' fees**

Fees for non-executive Directors were last reviewed in November 2009 and are reviewed every two years with market data provided by HNBS. Fees are intended to reflect the time commitment and responsibilities of individual non-executive Director's roles and are set at broadly market median levels to ensure individuals of the necessary calibre and experience are recruited and retained. Fees payable to non-executive Directors are determined by the Board. The non-executive Directors take no part in the setting of their own fees. Non-executive Directors receive only their fees and no additional benefits.

**Table 1 – Remuneration (audited)**

Directors' remuneration for the year ended 30 September 2010 was as follows:

| | Salary | | Annual bonus | | Benefits** | | Aggregate emoluments | | Pension contributions | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2010 £'000** | 2009 £'000 | **2010 £'000** | 2009 £'000 | **2010 £'000** | 2009 £'000 | **2010 £'000** | 2009 £'000 | **2010 £'000** | 2009 £'000 |
| **Executive Director and date of appointment** | | | | | | | | | | |
| J S Lane 12.10.1987 | ***461** | *442 | **225** | 192 | **88** | 66 | **774** | 700 | **29** | 29 |
| B Bickell 12.10.1987 | **283** | 273 | **160** | 137 | **46** | 43 | **489** | 453 | **71** | 68 |
| S J Quayle 8.10.1997 | **273** | 263 | **155** | 133 | **50** | 39 | **478** | 435 | **68** | 66 |
| T J C Welton 8.10.1997 | **263** | 253 | **149** | 128 | **41** | 34 | **453** | 415 | **66** | 63 |
| **Total** | **1,280** | 1,231 | **689** | 590 | **225** | 182 | **2,194** | 2,003 | **234** | 226 |
| **Non-executive Directors** | | | | | | | | | | |
| P J Manser (Chairman) | | | | | | | **98** | 85 | | |
| J R K Emly | | | | | | | **49** | 45 | | |
| W G McQueen | | | | | | | **49** | 45 | | |
| O J D Marriott | | | | | | | **49** | - | | |
| H S Riva (appointed 12.2.2010) | | | | | | | **32** | - | | |
| J C Little (appointed 24.2.2010) | | | | | | | **30** | - | | |
| A W MacDonald | | | | | | | **-** | 23 | | |
| P J Wheatcroft | | | | | | | **-** | 45 | | |
| **Total** | | | | | | | **307** | 243 | | |
| **Total - All Directors** | | | | | | | **2,501** | 2,246 | | |

* Includes £62,800 (2009: £59,500) 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 of 62.5% of salary were awarded in respect of the year ended 30 September 2010 to executive Directors (2009: 62.5%). The award was determined by the Committee based on the satisfaction of a number of targets including the Group's KPIs. The Group substantially met targets of letting with minimal delay and generally met or exceeded appropriate ERV targets. This year each of the executive Directors elected to take half their bonus in shares and half their bonus in cash, equating to an effective bonus rate of 56.25% of salary. Last year, each of the executive Directors elected to take their entire bonus in cash which resulted in an effective bonus rate of 50% of salary.

In recognition of the importance to the Group of the completion and letting of the St Martin's Courtyard scheme, the Committee had originally decided to consider the award of part of the annual bonus upon completion and satisfactory letting of the project in respect of the year ended 30 September 2010. Although good progress was made during the year ended 30 September 2010, the Committee has deferred consideration of this aspect of the Company's performance until early 2011, so that the letting of the remaining vacant accommodation can be considered in the determination of the overall success of the project. This will ensure a robust link between performance and reward. Accordingly, this aspect of the Company's performance will fall within the consideration of the annual bonus for the year ended 30 September 2011.

## Table 2 - Share Options (audited)

### Summary of Directors' share options

Directors' share options held and exercised during the year ended 30 September 2010 in the Group's schemes are as follows:

| | Options and nil cost options held at 1.10.2009 | Granted | Exercised | Lapsed | Options and nil cost options held at 30.9.2010 | | | Grant Price | Latest exercise date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total | Vested | Not Vested | | |
| **J S Lane** | | | | | | | | | |
| 2001 Scheme | | | | | | | | | |
| 18.12.2003 | 197,884 | - | - | - | 197,884 | 197,884 | - | £1.80 | 12.2013 |
| 15.12.2004 | 241,524 | - | 11,317 | - | 230,207 | 230,207 | - | £2.65 | 12.2014 |
| 2006 LTIP | | | | | | | | | |
| 20.12.2006 | 61,460 | - | 30,730 | 30,730 | - | - | - | - | - |
| 18.12.2007 | 88,791 | - | - | - | *88,791 | - | 88,791 | Nil | 6.2011 |
| 16.12.2008 | 150,713 | - | - | - | 150,713 | - | 150,713 | Nil | 6.2012 |
| 8.12.2009 | - | 98,200 | - | - | 98,200 | - | 98,200 | Nil | 6.2013 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 5,202 | - | - | - | 5,202 | - | 5,202 | £3.09 | 1.2012 |
| **B Bickell** | | | | | | | | | |
| 2001 Scheme | | | | | | | | | |
| 18.12.2003 | 116,647 | - | 8,330 | - | 108,317 | 108,317 | - | £1.80 | 12.2013 |
| 15.12.2004 | 169,825 | | - | - | 169,825 | 169,825 | - | £2.65 | 12.2014 |
| 2006 LTIP | | - | | | | | | | |
| 20.12.2006 | 43,369 | - | 21,685 | 21,684 | - | - | - | - | - |
| 18.12.2007 | 62,532 | - | - | - | *62,532 | - | 62,532 | Nil | 6.2011 |
| 16.12.2008 | 105,907 | - | - | - | 105,907 | - | 105,907 | Nil | 6.2012 |
| 8.12.2009 | - | 70,150 | - | - | 70,150 | - | 70,150 | Nil | 6.2013 |
| Sharesave | | - | - | | | | | | |
| 3.7.2006 | 5,202 | | | - | 5,202 | - | 5,202 | £3.09 | 1.2012 |
| **S J Quayle** | | | | | | | | | |
| 2001 Scheme | | | | | | | | | |
| 18.12.2003 | 97,204 | - | 8,330 | - | 88,874 | 88,874 | - | £1.80 | 12.2013 |
| 15.12.2004 | 143,406 | - | - | - | 143,406 | 143,406 | - | £2.65 | 12.2014 |
| 2006 LTIP | | | | | | | | | |
| 20.12.2006 | 41,572 | - | 20,786 | 20,786 | - | - | - | - | - |
| 18.12.2007 | 60,030 | - | - | - | *60,030 | - | 60,030 | Nil | 6.2011 |
| 16.12.2008 | 103,867 | - | - | - | 103,867 | - | 103,867 | Nil | 6.2012 |
| 8.12.2009 | - | 67,600 | - | - | 67,600 | - | 67,600 | Nil | 6.2013 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 5,202 | - | - | - | 5,202 | - | 5,202 | £3.09 | 1.2012 |
| **T J C Welton** | | | | | | | | | |
| 2001 Scheme | | | | | | | | | |
| 18.12.2003 | 88,875 | - | 2,307 | - | 86,568 | 86,568 | - | £1.80 | 12.2013 |
| 15.12.2004 | 132,089 | - | 8,180 | - | 123,909 | 123,909 | - | £2.65 | 12.2014 |
| 2006 LTIP | | | | | | | | | |
| 20.12.2006 | 38,878 | - | 19,439 | 19,439 | - | - | - | - | - |
| 18.12.2007 | 56,277 | - | - | - | *56,277 | - | 56,277 | Nil | 6.2011 |
| 16.12.2008 | 99,800 | - | - | - | 99,800 | - | 99,800 | Nil | 6.2012 |
| 8.12.2009 | - | 65,050 | - | - | 65,050 | - | 65,050 | Nil | 6.2013 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 5,202 | - | - | - | 5,202 | - | 5,202 | £3.09 | 1.2012 |

*50% will vest on 18 December 2010 - see note 6.

**Notes to Table 2:**

1 There have been no changes in options outstanding in the period from 1 October 2010 to 26 November 2010.

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

3 The mid-market price of the shares at 30 September 2010 was £4.33 and during the year then ended was quoted in the range £3.51 to £4.52.

4 Under the terms of the 2001 Discretionary Share Option Scheme, performance was measured in terms of growth in unadjusted 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. Participants have seven years from the date of vesting in which to exercise options.

5 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.

6 The respective performance periods and vesting outcome for the two most recent performance periods is shown below:

| Date of Award | Performance Period | TSR (% of award - maximum 50%) | NAV (% of award - maximum 50%) |
|---|---|---|---|
| 20.12.2006 | 1.10.2006 – 30.9.2009 | 50% | 0% |
| 18.12.2007 | 1.10.2007 – 30.09.2010 | 50% | 0% |

The TSR performance calculations were prepared by HNBS.

### Gains made by Directors on the exercise of share options during the year

Directors exercised certain share options during the year and, in each case, sold sufficient shares to meet the subscription cost (where appropriate), 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) after deducting the cost of exercising the option where relevant. Exercises were made on 21 December 2009 and 28 May 2010 when the mid market closing share price on each of those dates was £3.74.

| | Gain on exercise | |
|---|---|---|
| | **2010** | 2009 |
| | **£'000** | £'000 |
| J S Lane | **127** | 800 |
| B Bickell | **97** | 528 |
| S J Quayle | **93** | 472 |
| T J C Welton | **86** | 409 |
| | **403** | 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 2010 and at 26 November 2010, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 164,983 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 1.10.2009 | Awarded in Year* | Delivered in Year | Entitlement to Ordinary Shares at 30.9.2010 |
|---|---|---|---|---|
| **J S Lane** | | | | |
| 6.12.2007 | 83,425 | - | 83,425 | **-** |
| 17.12.2008 | 50,413 | - | - | **50,413** |
| | 133,838 | - | 83,425 | **50,413** |
| **B Bickell** | | | | |
| 6.12.2007 | 51,406 | - | 51,406 | **-** |
| 17.12.2008 | 35,426 | - | - | **35,426** |
| | 86,832 | - | 51,406 | **35,426** |
| **S J Quayle** | | | | |
| 6.12.2007 | 56,399 | - | 56,399 | **-** |
| 17.12.2008 | 34,744 | - | - | **34,744** |
| | 91,143 | - | 56,399 | **34,744** |
| **T J C Welton** | | | | |
| 6.12.2007 | 46,265 | - | 46,265 | **-** |
| 17.12.2008 | 33,382 | - | - | **33,382** |
| | 79,647 | - | 46,265 | **33,382** |

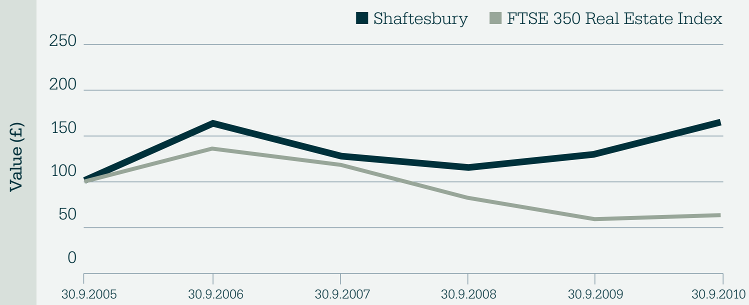
*In respect of annual bonus for the year ended 30 September 2009

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. The minimum holding period for awards granted after 1 October 2009 is three years. 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. No amendments to the scheme were made during the year.

### Total Shareholder Return

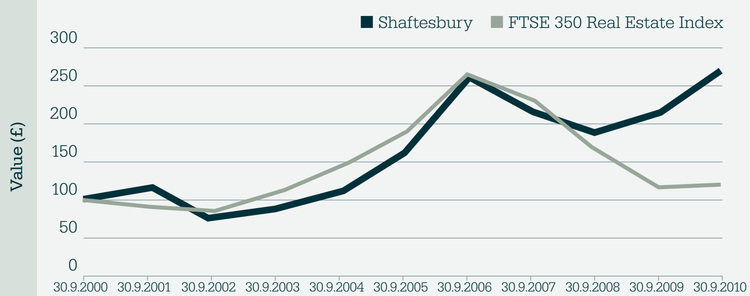
The graphs below show the Total Shareholder Return for the Company compared with the FTSE 350 Real Estate Index. As the Company is a constituent of the FTSE 350 Real Estate Index and the Committee uses this index as one measure of performance for awards of shares under the 2006 Long Term Incentive Plan, 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.

**Total Shareholder Return – 5 years**




This graph shows the value, by 30.9.2010, of £100 invested in Shaftesbury PLC on 30.9.2005 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 Reuters

**Total Shareholder Return - 10 years**




This graph shows the value, by 30.9.2010, of £100 invested in Shaftesbury PLC on 30.9.2000 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 Reuters

The Board considers that the Group has complied throughout the year with the requirements of the Combined Code in relation to Directors' remuneration.

A resolution to approve this Report will be proposed at the 2011 Annual General Meeting.

On behalf of the Board

**Jill Little**
Remuneration Committee Chairman

30 November 2010

# nomination committee report

**John Manser**
(Chairman of the Committee)

**John Emly**

**Jill Little**
(appointed 24 February 2010)

**Gordon McQueen**

**Oliver Marriott**
(appointed 13 October 2009)

**Hilary Riva**
(appointed 12 February 2010)

The Committee comprises the Chairman of the Company, four independent non-executive Directors and one non-executive Director, John Emly, deemed not to be independent in accordance with the Combined Code.

The Committee met twice during the year ended 30 September 2010. It monitors the balance and composition of the Board and is responsible for the selection and nomination to the Board of candidates for directorship. The Committee recognises that succession planning is important to the future performance of the Group. It considers succession planning for the Board as a whole and senior management on a regular basis.

During the year, the Committee has undertaken:

- The monitoring of the composition of the Board;
- Board succession planning and in particular, establishing the process to appoint a successor to Jonathan Lane, the Chief Executive, on his retirement during 2011;
- The recommendation to the Board for the appointment of two independent non-executive Directors;
- Nomination of Directors to the Board and recommendation of Directors for re-election; and
- A review of the annual Board and Committee performance evaluations together with recommendations to the Board.

The services of an external consultancy firm were engaged in the recruitment of non-executive Directors during the year. Candidates selected by the Committee were given a detailed insight into the Group's business by members of the management team as part of the selection process. Interviews were conducted by the Committee, following which recommendations for appointment were made to the Board. Two independent non-executive Directors were appointed in February 2010.

On behalf of the Board

**John Manser**
Nomination Committee Chairman

30 November 2010

**Gordon McQueen**
(Chairman of the Committee)

**John Emly**
(resigned 12 February 2010)

**Jill Little**
(appointed 24 February 2010)

**Oliver Marriott**
(appointed 12 October 2009)

**Hilary Riva**
(appointed 12 February 2010)

As explained on page 55 in the Corporate Governance Report, the Committee did not comply with the provisions of the Combined Code relating to its composition until 12 February 2010. The Committee is now 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.

The Committee met three times during the year ended 30 September 2010 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. 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.

During the year, the Committee has reviewed and where appropriate recommended:

- Published annual and half year financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- Interim Management Statements;
- Management's reports to the Board on risk and internal controls and the Group's public statements on these matters;
- The documentation of the key business processes and related controls across the whole of the Group's business;
- 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 of the external auditors;
- Independence of the auditors. The auditors provide annually a letter to the Committee confirming their independence and stating the methods they employ to safeguard their independence;
- Non-audit assignments awarded to the external auditors; and
- A competitive tender for the provision of audit services for the Group concluding in October 2010 in a recommendation to the Board that shareholders be asked to reappoint PricewaterhouseCoopers LLP at the Annual General Meeting.

As part of the monitoring of the preparation of the annual and half year financial information, the Audit 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 prior approval of the Committee.

**Audit fees**

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 £119,000 (2009: £110,000). During the year, the external auditors, PricewaterhouseCoopers LLP undertook non-audit work for the Group totalling £168,000 (2009: £656,000). Of this amount, £63,000 (2009: £42,000) related to taxation compliance and associated matters, £19,000 (2009: £36,000) related to the review of the half year financial statements and £86,000 (2009: £113,000) related to other services. Note 7 to the financial statements sets out the fees paid to the Group's auditors.

Non-audit fees payable to the external audit firm have reverted to more normal levels this year following higher levels seen in recent years which resulted from particular corporate transactions.

**Tenure of auditors and tender for audit services**

PricewaterhouseCoopers LLP (or its predecessor firms) has been the Company's auditor since it listed on the London Stock Exchange in October 1987. Senior Statutory Auditors are only permitted to serve for five years. In view of the impending rotation of the Senior Statutory Auditor, the Committee considered it an appropriate time to tender the provision of the Group's audit services for the forthcoming financial year.

The audit tender process involved the comparison of PricewaterhouseCoopers LLP against the audit approach and service proposed by three other leading audit firms. This process included a detailed explanation of the Group's business to each of the three firms and an interrogation by the Committee of the proposals they and PricewaterhouseCoopers LLP each put forward for the conduct of the Group's audit should they be appointed or reappointed as the Group's auditors, and the fees they envisaged charging. Having completed an evaluation of each firm's proposal, the Committee resolved to recommend to the Board that PricewaterhouseCoopers LLP be proposed to shareholders for re-appointment as the Group's auditors.

As the current Senior Statutory Auditor from has been in place for five years, he will be replaced for the Group audit for the year ending 30 September 2011.

**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

30 November 2010

**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 2010 (the "date of valuation") held by Shaftesbury Carnaby Limited, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown Limited, Shaftesbury Charlotte Street Limited and Covent Garden Central Portfolio 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 2010 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2010 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 sufficient current knowledge of the relevant markets, and the skills and understanding to undertake these valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of PS 1.5.4 of the Red Book have been satisfied. Finally, we confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation.

In accordance with PS 1.8 and UKPS 5.3, 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 previous fee-earning relationships between DTZ Debenham Tie Leung and certain of the Subsidiary Companies or the Company itself. These relate to our previous appointment as property and asset managers in respect of the properties known as Wellington House (6-9 Upper St Martin's Lane, 6-8 Shelton Street & 7-13 Mercer Street), 10/11, 12, 13/14, 16-19 & 20 Upper St Martin's Lane, 124, 125/126, 127/130 (inc 1-3 Slingsby Place), 132/135, 136/137, 138 (Beckett House), 140-142 & 143 Long Acre, 1, 3-5 & 15/17 Mercer Street, London WC2 (all of which are owned by Longmartin Properties Limited, a joint venture company owned in equal shares by the Company and the Mercers' Company); to our previous involvement in advising the Company and Longmartin Properties Limited in respect of landlord and tenant and other matters; to our previous involvement in advising the Company or some of the Subsidiary Companies in connection with the acquisition or disposal of certain properties and to our previous involvement on behalf of the Company, or certain of the Subsidiary Companies, in acting as letting agents in respect of certain of the office accommodation.

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2010, 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 2010, 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 tenants. We have reflected these costs in our valuations. The total amount of such costs is £3,172,000 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 2010, 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 2010, were as follows:-

| | |
|---|---|
| Freehold properties | £1,285,700,000 (One billion, two hundred and eighty-five million, seven hundred thousand pounds) |
| Long leasehold properties | £89,250,000 (Eighty-nine million, two hundred and fifty thousand pounds) |
| **Total** | **£1,374,950,000 (One billion, three hundred and seventy-four million, nine hundred and fifty 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, Shaftesbury Charlotte Street Limited and Covent Garden Central Portfolio 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 the inside back cover 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 profit 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 54.

**To the members of Shaftesbury PLC**

We have audited the financial statements of Shaftesbury PLC for the year ended 30 September 2010 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in 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 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 67, 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 Chapter 3 of Part 16 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 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 2010 and of the Group's profit and 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 lAS 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 55 to 57 with respect to internal control and risk management systems and about share capital structures 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 57, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Bowker Andrews**
**(Senior Statutory Auditor)**
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

30 November 2010

# group statement of comprehensive income

## for the year ended 30 September 2010

| | Note | 2010 £m | 2009 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from properties | 3 | **71.2** | 67.8 |
| Property charges | 5 | **(13.6)** | (13.3) |
| **Net property income** | 6 | **57.6** | 54.5 |
| Administration expenses | 7 | **(5.3)** | (5.0) |
| Charge for employee bonuses | | **(1.2)** | (1.1) |
| Charge in respect of equity settled remuneration | 8 | **(1.7)** | (0.7) |
| **Total administration expenses** | | **(8.2)** | (6.8) |
| **Operating profit before investment property disposals and valuation movements** | | **49.4** | 47.7 |
| Profit on disposal of investment properties | 9 | **0.4** | 0.3 |
| Investment property valuation movements | 14 | **183.6** | (48.1) |
| **Operating profit/(loss)** | | **233.4** | (0.1) |
| Finance income | | **0.1** | 0.2 |
| Finance costs | 10 | **(27.2)** | (26.6) |
| Change in fair value of financial derivatives | 21 | **(34.4)** | (31.6) |
| **Total finance costs** | | **(61.5)** | (58.0) |
| **Profit/(loss) before tax** | | **171.9** | (58.1) |
| Current tax | 11 | **(0.7)** | (0.2) |
| Deferred tax | 11 | **(4.1)** | (0.1) |
| **Tax charge for the year** | | **(4.8)** | (0.3) |
| **Profit/(loss) after tax** | | **167.1** | (58.4) |
| **Other comprehensive income** | | **-** | - |
| **Total comprehensive income/(expense) for the year** | | **167.1** | (58.4) |
| **Earnings/(loss) per share:** | 12 | | |
| Basic | | **73.6p** | (31.3)p |
| Diluted | | **73.0p** | (31.3)p |
| Adjusted diluted | | **9.7p** | 11.2p |

The notes on pages 73 to 92 form an integral part of this Group financial information.

# balance sheets
## as at 30 September 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2010 £m** | 2009 £m | **2010 £m** | 2009 £m |
| **Non-current assets** | | | | | |
| Investment properties | 14 | **1,480.7** | 1,209.9 | **-** | - |
| Office assets and vehicles | 15 | **0.5** | 0.3 | **0.5** | 0.3 |
| Investment in subsidiary undertakings | 29 | **-** | - | **606.1** | 483.6 |
| Investment in joint venture | 31 | **-** | - | **79.0** | 79.0 |
| | | **1,481.2** | 1,210.2 | **685.6** | 562.9 |
| **Current assets** | | | | | |
| Trade and other receivables | 16 | **18.7** | 17.3 | **446.1** | 478.8 |
| Cash and cash equivalents | 17 | **1.9** | 2.9 | **-** | - |
| **Total assets** | | **1,501.8** | 1,230.4 | **1,131.7** | 1041.7 |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | **31.2** | 35.6 | **9.9** | 11.4 |
| **Non-current liabilities** | | | | | |
| Taxation payable | 19 | **-** | 3.8 | **-** | 3.8 |
| Borrowings | 20 | **522.2** | 427.5 | **522.3** | 428.6 |
| Financial derivatives | 21 | **80.5** | 46.1 | **80.5** | 46.1 |
| Deferred tax liabilities | 23 | **4.2** | 0.1 | **-** | - |
| **Total liabilities** | | **638.1** | 513.1 | **612.7** | 489.9 |
| **Net assets** | | **863.7** | 717.3 | **519.0** | 551.8 |
| **Equity** | | | | | |
| Ordinary shares | 24 | **56.8** | 56.7 | **56.8** | 56.7 |
| Other reserves | | **124.8** | 124.0 | **124.8** | 124.0 |
| Retained earnings | | **682.1** | 536.6 | **337.4** | 371.1 |
| **Total equity** | | **863.7** | 717.3 | **519.0** | 551.8 |
| **Net assets per share:** | 26 | | | | |
| Diluted | | **£3.78** | £3.15 | | |
| Adjusted diluted | | **£4.14** | £3.35 | | |

The notes on pages 73 to 92 form an integral part of this Group financial information.

On behalf of the Board who approved the financial statements on pages 69 to 92 on 30 November 2010.

**Jonathan S Lane**
Chief Executive

**Brian Bickell**
Finance Director

# cash flow statements

**for the year ended 30 September 2010**

| | Note | Group 2010 £m | Group 2009 £m | Company 2010 £m | Company 2009 Restated* £m |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash generated from operating activities | 27 | **53.0** | 44.9 | **(4.7)** | (6.3) |
| Interest received | | **0.1** | 0.2 | **0.2** | - |
| Interest paid | | **(26.7)** | (24.5) | **(26.7)** | (24.7) |
| Tax payments in respect of operating activities | | **(7.4)** | (7.2) | **(7.5)** | (6.8) |
| **Cash inflows/(outflows) from operating activities** | | **19.0** | 13.4 | **(38.7)** | (37.8) |
| **Investing activities** | | | | | |
| Property acquisitions | | **(70.2)** | (24.9) | **-** | - |
| Capital expenditure on properties | | **(22.7)** | (21.3) | **-** | - |
| Capital receipts from disposal of interests in properties | | **0.1** | 0.2 | **-** | - |
| Proceeds from sales of properties | | **1.0** | - | **-** | |
| Purchase of office assets and vehicles | | **(0.3)** | (0.1) | **(0.3)** | (0.1) |
| Purchase of shares in subsidiary undertaking | | **-** | - | **(12.4)** | - |
| Dividends received from joint venture | | **-** | - | **0.3** | 0.3 |
| **Cash (outflows)/inflows from investing activities** | | **(92.1)** | (46.1) | **(12.4)** | 0.2 |
| **Financing activities** | | | | | |
| Issue of shares for cash | | **0.2** | 151.2 | **0.2** | 151.2 |
| Increase/(decrease) in borrowings | 28 | **94.5** | (95.2) | **93.5** | (95.0) |
| Facility arrangement costs | 28 | **(0.1)** | (2.0) | **(0.1)** | (2.0) |
| Payment of finance lease liabilities | | **(0.3)** | (0.3) | **-** | - |
| Equity dividends paid | 13 | **(22.2)** | (18.3) | **(22.2)** | (18.3) |
| Net loans to subsidiary undertakings | | **-** | - | **(7.3)** | 15.1 |
| Loans to joint venture | | **-** | - | **(13.0)** | - |
| Repayment of loan from joint venture | | **-** | - | **-** | (13.4) |
| **Cash inflows from financing activities** | | **72.1** | 35.4 | **51.1** | 37.6 |
| **Net change in cash and cash equivalents** | | **(1.0)** | 2.7 | **-** | - |

* Restated – see note 27.

The notes on pages 73 to 92 form an integral part of this Group financial information.

# statements of changes in shareholders' equity

**for the year ended 30 September 2010**

| | Ordinary shares £m | Merger reserve £m | Share premium £m | Share based payments £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| At 1 October 2008 | 33.8 | - | 129.2 | 2.8 | 476.5 | 642.3 |
| Total comprehensive income: | | | | | | |
| Loss for the year | - | - | - | - | (58.4) | (58.4) |
| Transactions with owners: | | | | | | |
| Dividends paid during the year | - | - | - | - | (18.3) | (18.3) |
| Shares issued | 22.9 | - | 1.8 | - | - | 24.7 |
| 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) |
| Fair value of share based payments | - | - | - | 0.5 | - | 0.5 |
| Transfer in respect of options exercised | - | - | - | (1.3) | 1.3 | - |
| **At 30 September 2009** | **56.7** | **-** | **122.0** | **2.0** | **536.6** | **717.3** |
| **Total comprehensive income:** | | | | | | |
| **Profit for the year** | **-** | **-** | **-** | **-** | **167.1** | **167.1** |
| **Transactions with owners:** | | | | | | |
| **Dividends paid during the year** | **-** | **-** | **-** | **-** | **(22.2)** | **(22.2)** |
| **Shares issued** | **0.1** | **-** | **0.1** | **-** | **-** | **0.2** |
| **Fair value of share based payments** | **-** | **-** | **-** | **1.3** | **-** | **1.3** |
| **Transfer in respect of options exercised** | **-** | **-** | **-** | **(0.6)** | **0.6** | **-** |
| **At 30 September 2010** | **56.8** | **-** | **122.1** | **2.7** | **682.1** | **863.7** |
| **Company** | | | | | | |
| At 1 October 2008 | 33.8 | - | 129.2 | 2.8 | 276.9 | 442.7 |
| Total comprehensive income: | | | | | | |
| Loss for the year | - | - | - | - | (24.3) | (24.3) |
| Transactions with owners: | | | | | | |
| Dividends paid during the year | - | - | - | - | (18.3) | (18.3) |
| Shares issued | 22.9 | - | 1.8 | - | - | 24.7 |
| 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) |
| Fair value of share based payments | - | - | - | 0.5 | - | 0.5 |
| Transfer in respect of options exercised | - | - | - | (1.3) | 1.3 | - |
| **At 30 September 2009** | **56.7** | **-** | **122.0** | **2.0** | **371.1** | **551.8** |
| **Total comprehensive income:** | | | | | | |
| **Loss for the year** | **-** | **-** | **-** | **-** | **(12.1)** | **(12.1)** |
| **Transactions with owners:** | | | | | | |
| **Dividends paid during the year** | **-** | **-** | **-** | **-** | **(22.2)** | **(22.2)** |
| **Shares issued** | **0.1** | **-** | **0.1** | **-** | **-** | **0.2** |
| **Fair value of share based payments** | **-** | **-** | **-** | **1.3** | **-** | **1.3** |
| **Transfer in respect of options exercised** | **-** | **-** | **-** | **(0.6)** | **0.6** | **-** |
| **At 30 September 2010** | **56.8** | **-** | **122.1** | **2.7** | **337.4** | **519.0** |

The notes on pages 73 to 92 form an integral part of this Group financial information.

### 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.

**Significant judgements, assumptions and estimates**

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 Statement of Comprehensive Income 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 a significant estimate 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.

### 2. Accounting policies

**New accounting standards and interpretations**

a) *New standards and amendments to standards mandatory for the first time for the financial year beginning 1 October 2009:*

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  In addition, under this revised standard, entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present a single statement of comprehensive income.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Further information on the effects of this new standard is included in note 4.
- IAS 40, 'Investment property' amended. The amendments are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.
- Amendment to IFRS 7, 'Financial instruments: Disclosures'. This amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure of liquidity risk.

Overall no material changes to accounting policies arose as a result of these new standards or amendments.

In addition, the following standards, amendments and interpretations are mandatory for the first time for the current accounting period and are relevant to the Group's operations but do not have an impact on the Group's financial reporting:

- 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.
- IFRS 3 (Revised) Business combinations. This standard includes comprehensive revisions on applying the acquisition method. As the Group has not acquired any businesses during the course of the year, this revision has not had any effect on these financial statements.
- IAS 27 (revised) Consolidated and separate financial statements - consequential amendment arising from amendments to IFRS 3.
- IAS 31 Investments in joint ventures - consequential amendment.
- IFRS 2 (Amendment) Share based payments - amendment to vesting conditions and cancellations.
- IFRIC 15 Construction of real estate.

## 2. Accounting policies (continued)

*b) Interpretations and amendments to standards becoming effective in the year ending 30 September 2010 but not relevant to the Group*

| Standard or interpretation | Content | Applicable for financial years beginning on or after |
|---|---|---|
| IAS 32 and IAS 1 | Puttable financial instruments and obligations arising on liquidation | 1 January 2009 |
| IFRS 1 and IAS 27 (amendment) | Cost of an investment in a subsidiary, jointly-controlled entity or associate | 1 January 2009 |
| IFRIC 14 | IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction | 1 January 2008 (EU endorsed 1 January 2009) |
| IFRS 1 (revised) | First-time adoption of International Financial Reporting Standards | 1 July 2009 |
| IAS 39 (amendment) | Financial instruments: Recognition and measurement – Eligible hedged items | 1 July 2009 |
| IFRIC 16 | Hedges of a net investment in a foreign operation | 1 October 2008 (EU endorsed 1 July 2009) |
| IFRIC 17 | Distribution of non-cash assets to owners | 1 July 2009 |
| IFRIC 18 | Transfers of assets from customers | 1 July 2009 |

*c) Standards, amendments and interpretations that are not yet effective and not expected to have significant impact on the Group's financial statements*

| Standard or interpretation | Content | Applicable for financial years beginning on or after |
|---|---|---|
| IFRS 9* | Financial instruments: Classification and measurement | 1 January 2013 |
| IAS 24 (revised) | Related party disclosures | 1 January 2011 |
| IAS 32* | Classification of rights issues | 1 February 2010 |
| Amendment: IFRS 1* | Additional exemptions for first-time adopters | 1 January 2010 |
| Amendment: IFRS 2* | Group cash-settled share-based payment transactions | 1 January 2010 |

* These standards are not expected to be relevant to the Group.

### 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 Statement of Comprehensive Income 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 (other than investment property) and liabilities, and without a business being acquired, 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.

**2. Accounting policies (continued)**

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income 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 Statement of Comprehensive Income as incurred.

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 Statement of Comprehensive Income.

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 cost | - 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 Statement of Comprehensive Income within total finance costs. Amounts payable or receivable under such arrangements are included within interest payable or receivable, 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

### Trade receivables and payables

Trade receivables and trade payables are recognised and carried at the original transaction value. In the case of trade receivables, provision is made for impairment where recovery is uncertain.

### 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.

### Ordinary shares

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 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 Statement of Comprehensive Income based on the fair value at the date of grant. Fair value is calculated using an option pricing model and charged over the relevant vesting period.

The amount charged in the Statement of Comprehensive Income is credited to the Share Based Payments Reserve. Following the exercise of share options, the charges previously recognised in respect of these options are released from the Share Based Payments 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 Statement of Comprehensive Income on a straight line 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 Statement of Comprehensive Income 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. Deferred tax assets are recognised when recoverability is considered probable.

### 3. Revenue from properties

| | 2010 £m | 2009 £m |
|---|---|---|
| Rents receivable (adjusted for lease incentives): | | |
| Wholly owned Group | **63.5** | 60.2 |
| Group's share of Longmartin Joint Venture | **2.2** | 1.5 |
| **Rents receivable** | **65.7** | 61.7 |
| Recoverable property expenses | **5.5** | 6.1 |
| | **71.2** | 67.8 |

Rents receivable includes lease incentives recognised of £1.1 million (2009: £0.4 million).

### 4. Segmental information

The chief operating decision maker has been identified as the Board, which is responsible for reviewing the Group's internal reporting in order to assess performance and the allocation of resources.

The Group's properties, which are all located in London's West End, are managed as a single portfolio. Its properties, which are of similar type, are combined into villages. All of the villages are geographically close to each other and have similar economic features and risks.

For the purposes of IFRS 8, each Village is considered to be a separate operating segment. However, in view of the similar characteristics of each Village, and the reporting of all investment, income and expenditure to the Board at an overall Group level, the aggregation criteria set out in IFRS 8 have been applied to give one reportable operating segment.

The Board assesses the performance of the reportable operating segment using measures of net property income and investment property valuation. All financial information provided to the Board is prepared on a basis consistent with these financial statements and, as the Group has only one reportable segment, the reconciliation of the measures used in assessing the business to the reported results are set out in the Group Statement of Comprehensive Income.

### 5. Property charges

| | 2010 £m | 2009 £m |
|---|---|---|
| Property operating costs | **3.7** | 3.3 |
| Fees payable to managing agents | **1.5** | 1.4 |
| Letting, rent review and lease renewal costs | **2.0** | 1.8 |
| Village promotion costs | **0.9** | 0.7 |
| **Property outgoings** | **8.1** | 7.2 |
| Recoverable property expenses | **5.5** | 6.1 |
| | **13.6** | 13.3 |

### 6. Net property income

| | 2010 £m | 2009 £m |
|---|---|---|
| Wholly owned Group | **56.0** | 53.5 |
| Group's share of Longmartin Joint Venture | **1.6** | 1.0 |
| | **57.6** | 54.5 |

### 7. Administration expenses

| | 2010 £m | 2009 £m |
|---|---|---|
| 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 - 2010: £22,000; 2009: £20,000) | **40** | 33 |
| The audit of the financial statements of subsidiary and joint venture undertakings pursuant to legislation | **88** | 77 |
| | **128** | 110 |
| Non-audit services | | |
| Services in connection with the Rights Issue (charged to equity) | **-** | 417 |
| Review of half year financial statements | **18** | 36 |
| Taxation advice - compliance | **67** | 42 |
| Taxation advice - acquisition of subsidiary undertaking (charged to cost of investment) | **49** | 23 |
| Taxation advice - REIT conversion | **-** | 48 |
| Other services | **37** | 90 |
| | **299** | 766 |

| | **£m** | **£m** |
|---|---|---|
| **Employee costs (Group and Company)** | | |
| Salaries | **2.2** | 2.1 |
| Annual bonuses | **1.1** | 1.0 |
| Social security costs | **0.4** | 0.4 |
| Pension contributions | **0.4** | 0.4 |
| Equity settled remuneration (see note 8) | **1.7** | 0.7 |
| | **5.8** | 4.6 |

The Group operates a defined contribution pension arrangement for executive Directors and staff. The amount charged in the Statement of Comprehensive Income is equal to the contributions payable during the year.

| | **Number** | **Number** |
|---|---|---|
| Executive Directors | **4** | 4 |
| Administration | **12** | 14 |
| Estate management | **2** | 1 |
| | **18** | 19 |

A summary of Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report on pages 58 to 63.

### 8. Charge in respect of equity settled remuneration

| | 2010 £m | 2009 £m |
|---|---|---|
| Charge for share based remuneration | **1.3** | 0.5 |
| Employer's National Insurance in respect of share awards and share options vested or expected to vest | **0.4** | 0.2 |
| | **1.7** | 0.7 |

A summary of the principal assumptions made in the calculation of the charge for share based remuneration is set out in note 34.

## 9. Profit on disposal of investment properties

| | 2010 £m | 2009 £m |
|---|---|---|
| Net sale proceeds | **1.0** | - |
| Capital receipts from disposal of interests in properties | **-** | 0.3 |
| Book value at date of sale | **(0.6)** | - |
| | **0.4** | 0.3 |

## 10. Finance costs

| | 2010 £m | 2009 £m |
|---|---|---|
| Debenture stock interest and amortisation | **5.1** | 5.1 |
| Bank and other interest | **6.7** | 13.6 |
| Amounts payable under financial derivative contracts | **15.1** | 7.6 |
| Amounts payable under finance leases | **0.3** | 0.3 |
| | **27.2** | 26.6 |

## 11. Taxation

| | 2010 £m | 2009 £m |
|---|---|---|
| **Current tax** | | |
| UK Corporation tax at 28% (2009: 28%) on the profit for the year | **0.1** | 0.1 |
| REIT conversion charge in respect of company acquired during the year | **0.6** | 0.1 |
| | **0.7** | 0.2 |
| **Deferred tax** | | |
| Provided in respect of investment property revaluation gain | **4.0** | - |
| Provided in respect of capital allowances | **0.1** | 0.1 |
| | **4.1** | 0.1 |
| **Tax charge for the year** | **4.8** | 0.3 |
| **Factors affecting the tax charge:** | | |
| Profit/(loss) before tax | **171.9** | (58.1) |
| UK Corporation tax at 28% (2009: 28%) | **48.1** | (16.3) |
| Taxable profit not liable to UK Corporation tax due to REIT status | **(6.5)** | (5.7) |
| Deferred tax not provided in respect of property and financial derivative movements and capital allowances due to REIT status | **(33.6)** | 22.0 |
| Current year property valuation movement in relation to non-REIT business for which no deferred tax has been previously recognised | **(3.8)** | - |
| Difference between expenses and deductions for taxation purposes and amounts charged in the financial statements | **-** | 0.2 |
| REIT conversion charge in respect of company acquired during the year | **0.6** | 0.1 |
| **Tax charge for the year** | **4.8** | 0.3 |

## 12. Earnings/(loss) per share

| | 2010 £m | 2009 £m |
|---|---|---|
| **Profit/(loss) after tax used for calculation of basic and diluted earnings per share** | **167.1** | (58.4) |
| **Adjusted for:** | | |
| Gain on sale of investment properties | **(0.4)** | (0.3) |
| Investment property valuation movements | **(183.6)** | 48.1 |
| Movement in fair value of financial derivatives | **34.4** | 31.6 |
| Current tax in respect of REIT conversion charge | **0.6** | 0.1 |
| Deferred tax in respect of investment property revaluation gain | **4.0** | - |
| **Profit after tax used for adjusted earnings per share** | **22.1** | 21.1 |

| | | |
|---|---|---|
| Weighted average number of shares in issue – million | **227.0** | 186.7 |
| Weighted average number of shares in issue for calculation of diluted earnings per share – million | **228.8** | 188.2 |
| **Earnings/(loss) per share:** | **Pence** | Pence |
| Basic | **73.6** | (31.3) |
| Diluted | **73.0** | (31.3) |
| Adjusted basic | **9.8** | 11.3 |
| Adjusted diluted | **9.7** | 11.2 |

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, calculated in accordance with the guidance issued by the European Public Real Estate Association, 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.

## 13. Dividends paid

| | 2010 £m | 2009 £m |
|---|---|---|
| Final dividend paid in respect of: | | |
| Year ended 30 September 2009 at 4.75p per share | **10.8** | - |
| Year ended 30 September 2008 at 6.00p per share | **-** | 8.1 |
| Interim dividend paid in respect of: | | |
| Six months ended 31 March 2010 at 5.00p per share | **11.4** | - |
| Six months ended 31 March 2009 at 7.50p per share | **-** | 10.2 |
| | **22.2** | 18.3 |

A final dividend in respect of the year ended 30 September 2010 of 5.25p per Ordinary share amounting to £11.9 million will be proposed at the 2011 Annual General Meeting. If approved, this dividend will be paid on 18 February 2011 to shareholders on the register at 28 January 2011. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2011.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 164,983 (2009: 314,835) Ordinary shares during the year.

## 14. Investment properties

| | 2010 £m | 2009 £m |
|---|---|---|
| At 1 October | **1,204.5** | 1,202.2 |
| Acquisitions | **35.8** | 24.6 |
| Acquisition on purchase of subsidiary undertaking | **29.5** | 5.2 |
| Refurbishment and other capital expenditure | **22.5** | 20.6 |
| Disposals | **(0.6)** | - |
| Net gain on revaluation | **183.6** | (48.1) |
| | **1,475.3** | 1,204.5 |
| Add: Head lease liabilities | **5.4** | 5.4 |
| **Book value at 30 September** | **1,480.7** | 1,209.9 |
| **Market value at 30 September:** | | |
| Properties valued by DTZ Debenham Tie Leung | **1,375.0** | 1,146.2 |
| Properties valued by Knight Frank LLP | **106.9** | 63.8 |
| | **1,481.9** | 1,210.0 |
| Add: Head lease liabilities | **5.4** | 5.4 |
| Less: Lease incentives recognised to date | **(6.6)** | (5.5) |
| **Book value at 30 September** | **1,480.7** | 1,209.9 |
| Historic cost of properties carried at valuation | **885.2** | 798.0 |

Investment properties were subject to external valuation as at 30 September 2010 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).

Fees payable to the valuers totalled in respect of their valuations for purposes of statutory reporting totalled £0.3 million (2009: £0.3 million). Fees were agreed at fixed amounts in advance of the valuations being carried out. Neither firm was engaged by the Group in any capacity other than as valuers during the year. The fees payable by the Group to each valuer do not constitute a significant part of their respective turnover.

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 65 to 66.

Investment properties include freehold properties valued at £1,285.8 million (2009: £1,069.0 million), leasehold properties with an unexpired term of over 50 years valued at £116.5 million (2009: £74.4 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 £79.6 million (2009: £66.6 million).

**Capital commitments**

| | Wholly owned Group | | Group's share of Longmartin Joint Venture | |
|---|---|---|---|---|
| | 2010 £m | 2009 £m | 2010 £m | 2009 £m |
| Authorised and contracted | **3.2** | 1.8 | **3.9** | 14.9 |
| Authorised but not contracted | **4.0** | 1.2 | **0.3** | - |

The Company had no capital commitments at 30 September 2010 (2009: £Nil).

## 15. Office assets and vehicles

| | 2010 | | | |
|---|---|---|---|---|
| | **Short leasehold office premises £m** | **Equipment and vehicles £m** | **Total £m** | 2009 £m |
| **Group and Company** | | | | |
| Cost | | | | |
| At 1 October | 0.1 | 0.8 | **0.9** | 0.9 |
| Additions | - | 0.3 | **0.3** | 0.1 |
| Disposals | - | (0.2) | **(0.2)** | (0.1) |
| At 30 September | **0.1** | **0.9** | **1.0** | 0.9 |
| Accumulated depreciation | | | | |
| At 1 October | 0.1 | 0.5 | **0.6** | 0.6 |
| Charge for the year | - | 0.1 | **0.1** | 0.1 |
| Eliminated on disposals | - | (0.2) | **(0.2)** | (0.1) |
| At 30 September | **0.1** | **0.4** | **0.5** | 0.6 |
| **Net book value at 30 September 2010** | **-** | **0.5** | **0.5** | |
| Net book value at 30 September 2009 | - | 0.3 | | 0.3 |

## 16. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 £m** | 2009 £m | **2010 £m** | 2009 £m |
| Amounts due from tenants | **9.3** | 9.4 | **-** | - |
| Provision for doubtful debts (see below) | **(0.3)** | (0.3) | **-** | - |
| | **9.0** | 9.1 | **-** | - |
| Lease incentives recognised in the Statement of Comprehensive Income | **6.6** | 5.5 | **-** | - |
| Amount due from Joint Venture | **-** | - | **13.0** | - |
| Amounts due from subsidiary undertakings | **-** | - | **432.6** | 478.4 |
| Other receivables and prepayments | **3.1** | 2.7 | **0.5** | 0.4 |
| | **18.7** | 17.3 | **446.1** | 478.8 |
| **Movement in provision for doubtful debts:** | | | | |
| At 1 October | **0.3** | 0.2 | **-** | - |
| Amounts written off during the year | **(0.5)** | (0.4) | **-** | - |
| Charge in the Statement of Comprehensive Income | **0.5** | 0.5 | **-** | - |
| **At 30 September** | **0.3** | 0.3 | **-** | - |

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 2010, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2010, totalled £1.2 million (2009: £1.2 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.3 million (2009: £0.3 million).

At 30 September 2010, cash deposits totalling £9.1 million were held in escrow against tenants' rent payment obligations (2009: £8.9 million).

## 17. Cash and cash equivalents

Cash balances at 30 September 2010 included an amount of £1.2 million (2009: £2.5 million), 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 full on completion of the building contract.

## 18. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£m** | £m | **£m** | £m |
| Rents and service charges invoiced in advance | **15.4** | 14.1 | **-** | - |
| Corporation tax and REIT conversion charge payable (note 19) | **4.5** | 7.4 | **4.3** | 7.4 |
| Amounts due in respect of property acquisitions | **-** | 4.9 | **-** | - |
| Trade payables in respect of accrued capital expenditure | **2.1** | 2.4 | **-** | |
| Other trade payables and accruals* | **9.2** | 6.8 | **5.6** | 4.0 |
| | **31.2** | 35.6 | **9.9** | 11.4 |
| * Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's wholly owned assets | **2.2** | 2.3 | **2.2** | 2.3 |

## 19. Taxation payable (non-current)

| | **2010** | 2009 |
|---|---|---|
| | **£m** | £m |
| **Group and Company** | | |
| 2007 REIT conversion charge outstanding at year end | **3.8** | 11.1 |
| Less: Payable within one year included in trade and other payables (note 18) | **(3.8)** | (7.3) |
| | **-** | 3.8 |

## 20. Borrowings

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **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 | 2.9 | **63.9** | 61.0 | 3.0 | 64.0 |
| Secured bank loans | 455.7 | (2.8) | **452.9** | 361.2 | (3.1) | 358.1 |
| **Debenture and bank borrowings** | **516.7** | **0.1** | **516.8** | 422.2 | (0.1) | 422.1 |
| Finance lease obligations | 5.4 | - | **5.4** | 5.4 | - | 5.4 |
| | **522.1** | **0.1** | **522.2** | 427.6 | (0.1) | 427.5 |
| **Company** | | | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | 61.0 | 2.9 | **63.9** | 61.0 | 3.0 | 64.0 |
| Secured bank loans | 461.2 | (2.8) | **458.4** | 367.7 | (3.1) | 364.6 |
| **Debenture and bank borrowings** | **522.2** | **0.1** | **522.3** | 428.7 | (0.1) | 428.6 |

The Group's finance lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 170 years held by Longmartin Properties Limited.

Debenture and bank borrowings are secured by fixed charges over certain investment properties held by subsidiary undertakings and by floating charges over the assets of the Company and certain subsidiary undertakings. Cash balances in subsidiary undertakings are available for set-off against certain bank indebtedness owing by the parent undertaking.

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 2010, Group and Company bank loans included overdrafts of £0.9 million (2009: £1.7 million).

## 21. Financial instruments

| Categories of financial instruments (Group) | 2010 | | 2009 | |
|---|---|---|---|---|
| | Book value £m | Income/ (expense) recognised in the Income Statement £m | Book value £m | Income/ (expense) recognised in the Income Statement £m |
| **Financial instruments at fair value through the Statement of Comprehensive Income** | | | | |
| Interest rate swaps | **(80.5)** | **(15.1)** | (46.1) | (7.6) |
| **Financial assets: loans and receivables** | | | | |
| Trade and other receivables (note 16) | **9.0** | **-** | 9.1 | - |
| Cash and cash equivalents | **1.9** | **0.1** | 2.9 | 0.2 |
| | **10.9** | **0.1** | 12.0 | 0.2 |
| **Financial liabilities at amortised cost** | | | | |
| Trade and other payables (due within one year) (note 18) | **(9.2)** | **-** | (6.8) | - |
| Interest bearing borrowings (note 20) | **(516.8)** | **(11.8)** | (422.1) | (18.7) |
| Finance leases (note 20) | **(5.4)** | **(0.3)** | (5.4) | (0.3) |
| | **(531.4)** | **(12.1)** | (434.3) | (19.0) |
| **Total financial instruments** | **(601.0)** | **(27.1)** | (468.4) | (26.4) |

There were no gains or losses in respect of financial instruments recognised in equity during the year (2009: £Nil).

| Fair values of financial instruments (Group and Company) | 2010 £m | 2009 £m |
|---|---|---|
| **Interest rate swaps** | | |
| At 1 October - Deficit | **(46.1)** | (14.5) |
| Increase in fair value deficit in year charged in the Statement of Comprehensive Income | **(34.4)** | (31.6) |
| **At 30 September - Deficit** | **(80.5)** | (46.1) |

Interest rate swaps are the only financial instruments which are carried at fair value. They have been valued by J. C. Rathbone Associates Limited using a Level 2 methodology as defined in IFRS 7, namely by reference to observable market data.

Changes in the fair value of the Group's interest rate swaps, which are not held for speculative purposes, are reflected in the Statement of Comprehensive Income as none of the Group's hedging arrangements qualify for hedge accounting under the provisions of IAS 39 (Financial Instruments: Recognition and Measurement). 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 22.4 years (2009: 23.4 years) at the balance sheet date.

| 8.5% Mortgage Debenture Stock 2024 | 2010 £m | 2009 £m |
|---|---|---|
| Fair value of liability in excess of book value not recognised in the reported results for the year: | | |
| **At 30 September - Deficit** | **(13.6)** | (10.8) |

The fair value of the outstanding Debenture Stock has been calculated by J.C. Rathbone Associates Limited at 217 basis points (2009: 217 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 the £61.0 million (nominal) of Stock 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 and Company's cash and cash equivalents, trade and other receivables, interest bearing borrowings (other than the 8.5% Mortgage Debenture Stock 2024), finance leases and trade and other payables are not materially different from the values at which they are carried in the financial statements.

## 21. Financial instruments (continued)

### Cash outflows attributable to financial instruments and interest-bearing borrowings (Group)

The tables below summarise the Group's undiscounted contractual cash flows arising on financial instruments and financial liabilities based on conditions existing at the balance sheet date.

| **30 September 2010** | **Book value 2010 £m** | **Contractual cash flows £m** | **Within 1 year £m** | **2 to 5 years £m** | **5 to 10 years £m** | **Over 10 years £m** |
|---|---|---|---|---|---|---|
| **Financial instruments** | | | | | | |
| Interest rate swaps | 80.5 | 331.4 | 14.9 | 59.8 | 74.7 | 182.0 |
| **Financial liabilities** | | | | | | |
| Interest bearing borrowings: | | | | | | |
| Principal | 516.8 | 516.7 | - | - | 380.7 | 136.0 |
| Interest | - | 113.7 | 11.5 | 46.1 | 37.4 | 18.7 |
| Finance lease obligations | 5.4 | 43.8 | 0.3 | 1.0 | 1.3 | 41.2 |
| **Total** | **602.7** | **1,005.6** | **26.7** | **106.9** | **494.1** | **377.9** |

| 30 September 2009 | Book value 2009 £m | Contractual cash flows £m | Within 1 year £m | 2 to 5 years £m | 5 to 10 years £m | Over 10 years £m |
|---|---|---|---|---|---|---|
| Financial instruments | | | | | | |
| Interest rate swaps | 46.1 | 335.6 | 14.5 | 58.0 | 72.5 | 190.6 |
| Financial liabilities | | | | | | |
| Interest bearing borrowings: | | | | | | |
| Principal | 422.1 | 422.2 | - | - | 286.2 | 136.0 |
| Interest | - | 117.0 | 10.3 | 41.3 | 40.2 | 25.2 |
| Finance lease obligations | 5.4 | 44.1 | 0.3 | 1.0 | 1.3 | 41.5 |
| Total | 473.6 | 918.9 | 25.1 | 100.3 | 400.2 | 393.3 |

## 22. 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 16. 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 listed on the inside back cover. 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, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing commitments and to 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.

## 22. Management of financial risk (continued)

### Availability and maturity of Group borrowings

| | 2010 Facilities Committed £m | 2010 Facilities Undrawn £m | 2009 Facilities Committed £m | 2009 Facilities Undrawn £m |
|---|---|---|---|---|
| Repayable between 10 and 15 years: | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | **61.0** | **-** | 61.0 | - |
| Bank facilities | **75.0** | **-** | 75.0 | - |
| Repayable between 5 and 10 years: | | | | |
| Bank facilities | **500.0** | **119.3** | 500.0 | 213.8 |
| | **636.0** | **119.3** | 636.0 | 213.8 |
| Finance lease obligations – leases expiring in 170 years | **5.4** | **-** | 5.4 | - |
| | **641.4** | **119.3** | 641.4 | 213.8 |

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 2010, the actual average credit margin on the amounts drawn under those facilities was 0.76% (2009: 0.71%). If those facilities had been fully drawn at that date, the average credit margin payable would have been 0.81% (2009: 0.81%).

The Group has in place interest rate swaps to hedge £360 million of floating rate bank debt, at fixed rates in the range 4.59% to 5.15%, with a weighted average rate at 30 September 2010 of 4.87%. The swaps, which are settled against three month LIBOR, expire between December 2027 and November 2038 (weighted average term 22.4 years).

### Interest rate profile of interest bearing borrowings (Group)

| | 2010 Debt £m | 2010 Weighted Average Interest Rate % | 2009 Debt £m | 2009 Weighted Average Interest Rate % |
|---|---|---|---|---|
| Floating rate borrowings: | | | | |
| LIBOR-linked loans – interest rates fixed until December 2010 at latest (including margin) | **95.7** | **1.39** | 1.2 | 1.42 |
| Hedged borrowings: | | | | |
| Interest rate swaps at year end (including margin) | **360.0** | **5.63** | 360.0 | 5.42 |
| **Bank borrowings** | **455.7** | **4.74** | 361.2 | 5.30 |
| Fixed rate borrowing: | | | | |
| 8.5% First Mortgage Debenture Stock – book value (interest rate fixed for 13.5 years until 31 March 2024) | | **7.93** | | 7.93 |
| **Weighted average cost of borrowings** | | **5.13** | | 5.78 |

### 22. Management of financial risk (continued)

**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 | (0.5) | 0.5 |
| Decrease/(increase) in fair value deficit of interest rate swaps | 28.5 | (28.5) |
| Increase/(decrease) in profit and shareholders' equity | 28.0 | (28.0) |

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

**Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders and to maintain an appropriate capital structure to minimise the cost of capital. The current capital structure of the Group comprises a mix of equity and debt. Equity comprises issued share capital, reserves and retained earnings, as disclosed in the Group Balance Sheet. Debt comprises long-term secured bank loans and Debenture stock.

### 23. Deferred tax liabilities

| | 2010 £m | 2009 £m |
|---|---|---|
| **Group** | | |
| At 1 October | **0.1** | - |
| Provided in the Statement of Comprehensive Income | **4.1** | 0.1 |
| **At 30 September** | **4.2** | 0.1 |
| Comprising: | | |
| Provision in respect of revaluation gains | **4.0** | - |
| Provision in respect of accelerated capital allowances | **0.2** | 0.1 |
| | **4.2** | 0.1 |

### 24. Ordinary shares

| | 2010 Number Million | 2009 Number Million | 2010 £m | 2009 £m |
|---|---|---|---|---|
| Issued, called up and fully paid | | | | |
| At 1 October | **226.9** | 135.4 | **56.7** | 33.8 |
| Issued in connection with the exercise of share options | **0.2** | 1.2 | **0.1** | 0.3 |
| Issued in connection with the Rights Issue | **-** | 90.3 | **-** | 22.6 |
| **At 30 September** | **227.1** | 226.9 | **56.8** | 56.7 |

### 24. Ordinary shares (continued)

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 2010:

| | Ordinary Shares of 25p each | | | |
|---|---|---|---|---|
| Date of Grant | Exercisable | Not yet vested | Option Exercise Price | Exercise Period |
| 2001 Discretionary Share Option Schemes | | | | |
| 18 December 2003 | 504,799 | - | £1.80 | 2006-2013 |
| 15 December 2004 | 667,347 | - | £2.65 | 2007-2014 |
| 2001 Sharesave Scheme | | | | |
| 3 July 2006 | 20,808 | - | £3.09 | 2011 |
| 30 June 2008 | 7,090 | - | £2.91 | 2011 |
| 14 July 2009 | 45,283 | - | £2.37 | 2012-2014 |
| 2006 Long Term Incentive Plan | | | | |
| 18 December 2007* | - | 362,549 | Nil cost | 2010 |
| 16 December 2008 | - | 788,485 | Nil cost | 2011 |
| 8 December 2009 | - | 509,975 | Nil cost | 2012 |
| **Number of shares under option at 30 September 2010** | **1,245,327** | **1,661,009** | | |

The rules of the Schemes referred, which apply on the same basis to options granted to Directors and other employees, are described on pages 59 to 61 of the Directors' Remuneration Report.

*Options over 181,275 Ordinary Shares will vest in December 2010 following satisfaction of performance targets in respect of the three years ended 30 September 2010. The remainder of the options will lapse.

### 25. Reserves

The Company's retained earnings at 30 September 2010 include amounts distributable of £157.9 million (2009: £156.4 million). As permitted by Section 408 of the Companies Act 2006, no Statement of Comprehensive Income has been presented for the Company.

### 26. Net assets per share

| | 2010 £m | 2009 £m |
|---|---|---|
| **Net assets used for calculation of basic net assets per share** | **863.7** | 717.3 |
| Adjusted for: | | |
| Cumulative fair value adjustment in respect of financial derivatives | **80.5** | 46.1 |
| Deferred tax provided in respect of investment property revaluation gains | **4.0** | - |
| **Adjusted net assets** | **948.2** | 763.4 |
| Additional equity if all vested share options exercised | **2.8** | 3.0 |
| Net assets used for adjusted diluted net asset calculations | **951.0** | 766.4 |
| Ordinary shares in issue – million | **227.1** | 226.9 |
| Diluted Ordinary shares – million | **229.7** | 228.9 |
| Net assets per share: | | |
| Basic | **£3.80** | £3.16 |
| Diluted | **£3.78** | £3.15 |
| Adjusted basic | **£4.18** | £3.36 |
| Adjusted diluted | **£4.14** | £3.35 |

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.

The calculations of adjusted net asset value per share are in accordance with the guidance issued by the European Public Real Estate Association.

### 27. Cash flows from operating activities

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 Restated* |
| **Operating activities** | **£m** | £m | **£m** | £m |
| Operating profit/(loss) | **233.4** | (0.1) | **(1.4)** | (1.3) |
| Adjustment for non-cash items: | | | | |
| Lease incentives recognised | **(1.1)** | (0.4) | **-** | - |
| Charge for share based remuneration | **1.3** | 0.5 | **1.3** | 0.5 |
| Depreciation and losses on disposals | **0.1** | 0.1 | **0.1** | 0.1 |
| Profit on sale of investment properties | **(0.4)** | (0.3) | **-** | - |
| Investment property valuation movements | **(183.6)** | 48.1 | **-** | - |
| Administration charges to subsidiary undertakings settled through inter-company indebtedness | **-** | - | **(6.3)** | (5.2) |
| **Cash flows from operations before changes in working capital** | **49.7** | 47.9 | **(6.3)** | (5.9) |
| Change in trade and other receivables | **(0.4)** | (2.2) | **(0.1)** | - |
| Change in trade and other payables | **3.7** | (0.8) | **1.7** | (0.4) |
| **Cash flows from operating activities** | **53.0** | 44.9 | **4.7** | (6.3) |

* The operating loss of the Company for the year ended 30 September 2009 has been reduced by £0.3 million as a result of the reclassification of dividends received from the Longmartin Joint Venture to "Investing Activities" in the Cash Flow Statement. In addition, the Company's non-cash income from subsidiary undertakings for the year ended 30 September 2009 is now shown as an adjustment against its operating loss for that year rather than included within the operating loss amount disclosed previously.

### 28. Movement in borrowings

| | 1.10.2009 | Cash Flows | Non-cash Items | 30.9.2010 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Group** | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | (64.0) | - | 0.1 | **(63.9)** |
| Secured bank loans | (361.2) | (94.5) | - | **(455.7)** |
| Facility arrangement costs | 3.1 | 0.1 | (0.4) | **2.8** |
| Finance lease obligations | (5.4) | - | - | **(5.4)** |
| | **(427.5)** | **(94.4)** | **(0.3)** | **(522.2)** |
| Year ended 30 September 2009 | (524.5) | 97.2 | (0.2) | (427.5) |
| **Company** | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | (64.0) | - | 0.1 | **(63.9)** |
| Secured bank loans | (367.7) | (93.5) | - | **(461.2)** |
| Facility arrangement costs | 3.1 | 0.1 | (0.4) | **2.8** |
| | **(428.6)** | **(93.4)** | **(0.3)** | **(522.3)** |
| Year ended 30 September 2009 | (525.3) | 97.0 | (0.3) | (428.6) |

### 29. Investment in subsidiary undertakings

| | **2010** | 2009 |
|---|---|---|
| | **£m** | £m |
| Shares at cost | | |
| At 1 October | **483.6** | 483.6 |
| Shares acquired during the year: | | |
| Acquisition of City & Central Properties Limited for cash (see note 30) | **12.4** | - |
| Purchase settled by intra group debt | **115.0** | - |
| Dividend received paid out of pre-acquisition reserves | **(4.9)** | - |
| **At 30 September** | **606.1** | 483.6 |

**29. Investment in subsidiary undertakings (continued)**

At 30 September 2010 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
Covent Garden Central Portfolio 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.

**30. Acquisition of City & Central Properties Limited**

In July 2010 the Company acquired the entire issued share capital of City & Central Properties Limited, a property investment company incorporated in Great Britain and registered in England and Wales. The consideration amounted to £11.9 million, subject to an adjustment to reflect the company's net assets as at the date of completion, which has not yet been finalised.

At the date of acquisition, the assets and liabilities of City & Central Properties Limited comprised:

| | £m |
|---|---|
| Investment properties at agreed valuation | 29.0 |
| Bank indebtedness | (17.0) |
| Cash | 0.1 |
| Net current liabilities | (0.2) |
| Net assets at date of acquisition | 11.9 |

The bank indebtedness was repaid at completion of the acquisition.

Expenses incurred in connection with the acquisition amounted to £0.5 million.

In accordance with the Group's accounting policy regarding acquisition of companies whose principal assets comprise investment properties (see note 2) the acquisition has been accounted for as an acquisition of assets and liabilities, rather than as a business combination, as defined in IFRS 3: 'Business combinations'. As a result, all assets and liabilities have been incorporated into the Group financial statements at their relative fair values at the date of acquisition. No goodwill arose on the transaction. The fair values have been recognised as follows:

| | **Group £m** | **Company £m** |
|---|---|---|
| Investment properties acquired | 29.0 | - |
| Acquisition of shares for cash | - | 11.9 |
| Expenses incurred in connection with the acquisition | 0.5 | 0.5 |
| | 29.5 | 12.4 |

Subsequently, the company's name was changed to Covent Garden Central Portfolio Limited and investment properties totalling £27.0 million were transferred to Shaftesbury Covent Garden Limited.

**31. Investment in joint venture**

| | **2010 £m** | 2009 £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 in London.

Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

### 31. Investment in joint venture (continued)

The Group's share of the results of Longmartin Properties Limited for the year ended 30 September 2010, and its assets and liabilities at that date, which have been consolidated in the Group's Statement of Comprehensive Income and Balance Sheet, are as follows:

| | 2010 £m | 2009 £m |
|---|---|---|
| **Statement of Comprehensive Income** | | |
| Rents receivable (adjusted for lease incentives) | **2.2** | 1.5 |
| Recoverable property expenses | **-** | 0.1 |
| **Revenue from properties** | **2.2** | 1.6 |
| Property outgoings | **(0.6)** | (0.5) |
| Recoverable property expenses | **-** | (0.1) |
| **Property charges** | **(0.6)** | (0.6) |
| **Net property income** | **1.6** | 1.0 |
| Administration expenses | **(0.4)** | (0.4) |
| **Operating profit before investment property disposals and revaluation** | **1.2** | 0.6 |
| Investment property revaluation movement | **29.4** | (14.7) |
| **Operating profit/(loss)** | **30.6** | (14.1) |
| Interest receivable | **-** | 0.1 |
| Interest payable | **(0.4)** | (0.3) |
| **Total finance income** | **(0.4)** | (0.2) |
| **Profit/(loss) before tax** | **30.2** | (14.3) |
| Current tax | **(0.1)** | - |
| Deferred tax | **(4.1)** | 0.3 |
| **Tax (charge)/credit for the year** | **(4.2)** | 0.3 |
| **Comprehensive income/(expense) for the year** | **26.0** | (14.0) |
| **Transactions with owners:** | | |
| Dividends paid | **(0.3)** | (0.3) |
| **Movement in retained earnings** | **25.7** | (14.3) |
| | | |
| **Balance Sheet** | | |
| **Non-current assets** | | |
| Investment properties at market value | **106.9** | 63.8 |
| Lease incentives recognised | **(1.1)** | (0.3) |
| Head lease liability grossed up | **5.4** | 5.4 |
| | **111.2** | 68.9 |
| **Current assets** | | |
| Trade and other receivables | **2.0** | 1.1 |
| Cash and cash equivalents | **1.9** | 2.9 |
| **Total assets** | **115.1** | 72.9 |
| | | |
| **Current liabilities** | | |
| Trade and other payables | **1.7** | 2.2 |
| Amounts due to shareholders | **13.0** | - |
| **Non-current liabilities** | | |
| Deferred tax | **4.2** | 0.1 |
| Head lease liability | **5.4** | 5.4 |
| **Total liabilities** | **24.3** | 7.7 |
| **Net assets attributable to the Shaftesbury Group** | **90.8** | 65.2 |

## 32. Operating leases

### The Group as lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases:

| | 2010 £m | 2009 £m |
|---|---|---|
| Not later than one year | **60.8** | 54.6 |
| Later than one year but not later than five years | **148.3** | 161.7 |
| Later than five years but not later than ten years | **103.7** | 112.3 |
| Later than ten years | **115.2** | 134.4 |
| | **428.0** | 463.0 |

### The Group as lessee

Future aggregate minimum payments in respect of non-cancellable operating leases:

| | 2010 £m | 2009 £m |
|---|---|---|
| Not later than one year | **0.5** | 0.5 |
| Later than one year but not later than five years | **1.6** | 1.8 |
| Later than five years but not later than ten years | **1.4** | 1.4 |
| Later than ten years | **41.2** | 41.5 |
| | **44.7** | 45.2 |

Under the terms of headleases held by Longmartin Properties Limited, which expire in 2180, 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).

## 33. Related party transactions

During the year, the Company received from its wholly owned operating subsidiaries administration fees totalling £6.3 million (2009: £5.2 million), interest in respect of inter-company debt totalling £26.9 million (2009: £25.6 million) and dividends totalling £28.6 million (2009: £9.3 million).

The Company provides funding to its wholly owned operating subsidiaries as required. Surplus cash held by the operating subsidiaries is loaned to the Company. The net amount owing to the Company by subsidiary undertakings at the year end totalled £432.6 million (2009: £478.4 million).

During the year the Company received from Longmartin Properties Limited, a 50% owned joint venture, administration fees totalling £0.7 million (2009: £0.7 million), received interest on a loan to that company of £0.1 million (2009: £Nil) and paid interest in respect of a loan from that company totalling £Nil (2009: £0.1 million).  In addtition, The Company received dividends totalling £0.3 million (2009: £0.3million) during the year. The amount owing to the Company by Longmartin Properties Limited at the year end was £13.0 million (2009: £Nil).

### 34. 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:

| | 2006 Long Term Incentive Plan |
|---|---|
| Grant date | 8 December 2009 |
| Share price at date of grant | £3.885 |
| Exercise price | £Nil |
| Expected life – years | 3 |
| Performance condition | NAV and TSR |
| Assumed return volatility per annum | 46% |
| Assumed dividend yield per annum | 2.7% |
| Risk free discount rate per annum | 1.8% |
| Assumed return volatility of FTSE 350 Real Estate Index per annum: | |
| TSR performance condition | 41% |
| Assumed statistical correlation between the total return on the Company's shares and those in the FTSE 350 Real Estate Index: | |
| TSR performance condition | 72% |
| Basis of option pricing: | |
| NAV performance condition | Modified binomial |
| TSR performance condition | Monte Carlo simulation |
| Fair values: | |
| NAV | £3.58 |
| TSR | £2.24 |

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 58 to 63.

## Net Assets

| | 2010 £m | 2009 £m | 2008 £m | 2007 £m | 2006 £m |
|---|---|---|---|---|---|
| **Investment properties** | | | | | |
| At 1 October | **1,204.5** | 1,202.2 | 1,388.2 | 1,249.2 | 987.5 |
| Acquisitions | **65.3** | 29.8 | 24.4 | 32.1 | 107.7 |
| Refurbishment expenditure | **22.5** | 20.6 | 16.6 | 9.9 | 8.9 |
| Disposals | **(0.6)** | - | (4.4) | (6.0) | (45.8) |
| Net revaluation gain/(deficit) | **183.6** | (48.1) | (222.6) | 103.0 | 190.9 |
| | **1,475.3** | 1,204.5 | 1,202.2 | 1,388.2 | 1,249.2 |
| Head lease liabilities | **5.4** | 5.4 | 5.5 | 5.5 | 5.6 |
| **At 30 September – book value** | **1,480.7** | 1,209.9 | 1,207.7 | 1,393.7 | 1,254.8 |
| Deferred tax assets | **-** | - | - | - | 6.2 |
| Other assets | **0.5** | 0.3 | 0.3 | 0.4 | 0.4 |
| | **1,481.2** | 1,210.2 | 1,208.0 | 1,394.1 | 1,261.4 |
| Net current (liabilities)/assets | **(10.6)** | (15.4) | (15.6) | (8.8) | 2.9 |
| | **1,470.6** | 1,194.8 | 1,192.4 | 1,385.3 | 1,264.3 |
| Taxation payable | **-** | (3.8) | (11.1) | (17.9) | - |
| Borrowings | **(522.2)** | (427.5) | (524.5) | (494.7) | (468.3) |
| Financial derivatives | **(80.5)** | (46.1) | (14.5) | (0.6) | (9.3) |
| Deferred taxation | **(4.2)** | (0.1) | - | (5.3) | (179.8) |
| **Net Assets** | **863.7** | 717.3 | 642.3 | 866.8 | 606.9 |
| Add: | | | | | |
| Fair value deficit in respect of financial derivatives | **80.5** | 46.1 | 14.6 | 0.6 | 9.3 |
| Deferred tax provisions in respect of property revaluations (2006: and financial derivatives) | **4.0** | - | - | 5.3 | 172.5 |
| **Adjusted Net Assets** | **948.2** | 763.4 | 656.9 | 872.7 | 788.7 |
| **Diluted Net Asset Value per Ordinary Share*** | **£3.78** | £3.15 | £3.67 | £5.00 | £3.54 |
| **Adjusted Diluted Net Asset Value per Ordinary share*** | **£4.14** | £3.35 | £3.76 | £5.03 | £4.60 |
| **Mid market price of an Ordinary share at 30 September** | | | | | |
| **Actual** | **£4.33** | £3.57 | £4.22 | £4.95 | £6.00 |
| **Restated**** | **-** | - | £3.29 | £3.86 | £4.68 |

* Years ended 30 September 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 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 approved by shareholders on 5 June 2009 been in existence at those dates.

## Income Statements

| | 2010 £m | 2009 £m | 2008 £m | 2007 £m | 2006 £m |
|---|---|---|---|---|---|
| **Rents receivable** | **65.7** | 61.7 | 57.8 | 55.6 | 52.2 |
| Recoverable property expenses | **5.5** | 6.1 | 7.5 | 6.8 | 6.6 |
| | **71.2** | 67.8 | 65.3 | 62.4 | 58.8 |
| Property outgoings | **(13.6)** | (13.3) | (14.0) | (12.8) | (11.8) |
| **Net property income** | **57.6** | 54.5 | 51.3 | 49.6 | 47.0 |
| Administrative expenses | **(8.2)** | (6.8) | (5.5) | (6.8) | (7.4) |
| | **49.4** | 47.7 | 45.8 | 42.8 | 39.6 |
| Surplus on disposal of properties | **0.4** | 0.3 | 0.3 | 2.2 | 0.7 |
| Property valuation movements | **183.6** | (48.1) | (222.6) | 103.0 | 190.9 |
| **Operating profit/(loss)** | **233.4** | (0.1) | (176.5) | 148.0 | 231.2 |
| Net interest payable | **(27.1)** | (26.4) | (30.5) | (30.0) | (26.0) |
| Change in fair value of financial derivatives | **(34.4)** | (31.6) | (13.9) | 8.7 | 2.4 |
| Loss on purchase of debenture stock | **-** | - | - | (2.5) | (20.0) |
| **Profit/(loss) before taxation** | **171.9** | (58.1) | (220.9) | 124.2 | 187.6 |
| Taxation (charge)/credit | **(4.8)** | (0.3) | 4.8 | 140.6 | (50.1) |
| **Profit/(loss) after taxation** | **167.1** | (58.4) | (216.1) | 264.8 | 137.5 |
| Adjust for: | | | | | |
| Property disposal surpluses | **(0.4)** | (0.3) | (0.3) | (2.2) | (0.7) |
| Property valuation movements | **(183.6)** | 48.1 | 222.6 | (103.0) | (190.9) |
| Change in fair value of financial derivatives | **34.4** | 31.6 | 13.9 | (8.7) | (2.4) |
| Loss on purchase of debenture stock | **-** | - | - | 2.5 | 20.0 |
| Taxation movements relating to the above | **4.0** | - | (5.3) | 2.0 | 46.1 |
| Effect of REIT conversion | **0.6** | 0.1 | 0.1 | (143.9) | - |
| **Adjusted profit after taxation** | **22.1** | 21.1 | 14.9 | 11.5 | 9.6 |
| **Diluted earnings/(loss) after tax per Ordinary Share*** | **73.2p** | (31.3)p | (124.6)p | 153.4p | 80.5p |
| **Adjusted diluted earnings after tax per Ordinary Share*** | **9.7p** | 11.2p | 8.5p | 6.7p | 5.6p |
| **Total dividends per Ordinary Share declared in respect of the financial year:** | | | | | |
| **Actual** | **10.25p** | 12.25p | 11.00p | 7.66p | 5.65p |
| **Restated**** | **-** | 10.60p | 8.57p | 5.97p | 4.40p |

* Years ended 30 September 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 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 2010

| | Number of accounts | Number of shares held '000 | % |
|---|---|---|---|
| Banks | 1 | 268 | 0.1 |
| Nominees | 557 | 218,493 | 96.2 |
| Limited and PLC | 38 | 815 | 0.4 |
| Other organisations | 26 | 1,883 | 0.8 |
| Individuals | 259 | 5,626 | 2.5 |
| | 881 | 227,085 | 100.0 |

| Number of shares: | Number of shareholders | % of shareholders | Number of shares held '000 |
|---|---|---|---|
| 1 – 100,000 | 676 | 76.7 | 8,040 |
| 100,001 – 500,000 | 116 | 13.2 | 27,228 |
| 500,001 – 1,000,000 | 38 | 4.3 | 27,373 |
| Over 1,000,001 | 51 | 5.8 | 164,444 |
| | 881 | 100.0 | 227,085 |

# corporate timetable

**Financial calendar**

| | |
|---|---|
| Annual Results announced | 30 November 2010 |
| Annual Report posted to shareholders | 23 December 2010 |
| Annual General Meeting | 11 February 2011 |
| Interim Management Statement (first half) | 11 February 2011 |
| 2011 Half Year Results to be announced | May 2011 |
| Interim Management Statement (second half) | July/August 2011 |

**Dividends and Debenture interest**

| | |
|---|---|
| Proposed 2010 Final Dividend: | |
| Ex-Dividend | 26 January 2011 |
| Record date | 28 January 2011 |
| Payment date | 18 February 2011 |
| 2011 Interim Dividend to be paid | July 2011 |
| Debenture Stock interest to be paid | 31 March 2011 and 30 September 2011 |

# 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 2010 final dividend is 28 January 2011.

**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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1 Jonathan S Lane
2 Brian Bickell
3 Simon J Quayle
4 Thomas J C Welton
5 P John Manser
6 John R K Emly
7 W Gordon McQueen
8 Hilary S Riva
9 Jill C Little
10 Oliver J D Marriott

# directors, officers and advisors

**Jonathan S Lane,** MA, FRICS
**Chief Executive**
Joined in 1986 as managing director and appointed to the Board on 3.11.1986. Overall responsibility for the Group's strategy and day-to-day operations.

**Brian Bickell,** FCA
**Finance Director**
Joined in 1986 and appointed a Director on 20.7.1987. Responsible for financial strategy and all aspects of accounting and taxation.

**Simon J Quayle,** BSc, MRICS
**Director**
Joined in 1987 and appointed a Director on 1.10.1997. Responsible for strategy and management of the Carnaby Village and the Longmartin Joint Venture.

**Thomas J C Welton,** MRICS
**Director**
Joined in 1989 and appointed a Director on 1.10.1997. Responsible for strategy and management of the Covent Garden and Chinatown Villages and the Group's holdings in Charlotte Street and Berwick Street.

**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. Non-executive director of SABMiller plc.

**W Gordon McQueen** BSc, CA, FCIBS*
**Non-executive Director**
**Senior Independent Director from 1.10.2009 and Chairman of the Audit Committee.**

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.

**John R K Emly,** FCIS
**Non-executive Director**
Appointed to the Board on 16.10.2000 and Chairman of the Renumeration Committee until 30.9.2010. 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 committee of the P&O Pension Fund.

**Jill C Little***
**Non-executive Director**
**Chairman of the Remuneration Committee from 30.9.2010**
Appointed to the Board on 24.2.2010. Jill Little has spent the majority of her career in the retail industry first at Simpsons of Piccadilly and since 1975 at the John Lewis Partnership. She is a member of the John Lewis management board and was the Merchandise Director for eight years. Since August 2010, she has been the Strategy and International Director for John Lewis responsible for developing the long term strategy and international expansion of John Lewis.

**Oliver J D Marriott***
**Non-executive Director**
Appointed to the Board on 23.9.2009. Previously a journalist and non-executive director of P&O. Former chairman of Ilex Limited.

**Hilary S Riva** OBE*
**Non-executive Director**
Appointed to the Board on 12.2.2010. Hilary Riva spent her career in the fashion industry starting at the Burton Group (latterly Arcadia Group) and has been Managing Director of numerous high street brands including Top Shop, Dorothy Perkins and Evans. In 2001, she jointly led the management buyout of several Arcadia brands (including Principles and Warehouse), establishing a new company, Rubicon Retail Limited which was sold to Shoe Studio Group in 2005. From December 2005 until April 2009, Hilary was Chief Executive Officer of the British Fashion Council and remained in a non-executive capacity until November 2010. She was awarded an OBE in 2009 for services to the fashion industry.

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

**Secretary and Registered Office**
Penny Thomas LLB (Hons), FCIS
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e-mail: shaftesbury@shaftesbury.co.uk
Registered Number: 1999238

**Stockbrokers**
J. P. Morgan Cazenove
Bank of America Merrill Lynch
Execution Noble & Company

**Debenture Stock Trustee**
Prudential Trustee Company Limited

**Registered Auditors**
PricewaterhouseCoopers LLP

**Principal Bankers**
Bank of Scotland
Clydesdale Bank PLC
GE Real Estate Finance Limited
Lloyds TSB Bank plc
Nationwide Building Society

**Solicitors**
Hogan Lovells International LLP
Eversheds LLP
Forsters LLP

**Valuers**
DTZ Debenham Tie Leung Limited
(wholly owned portfolio)
Knight Frank LLP
(Longmartin joint venture)

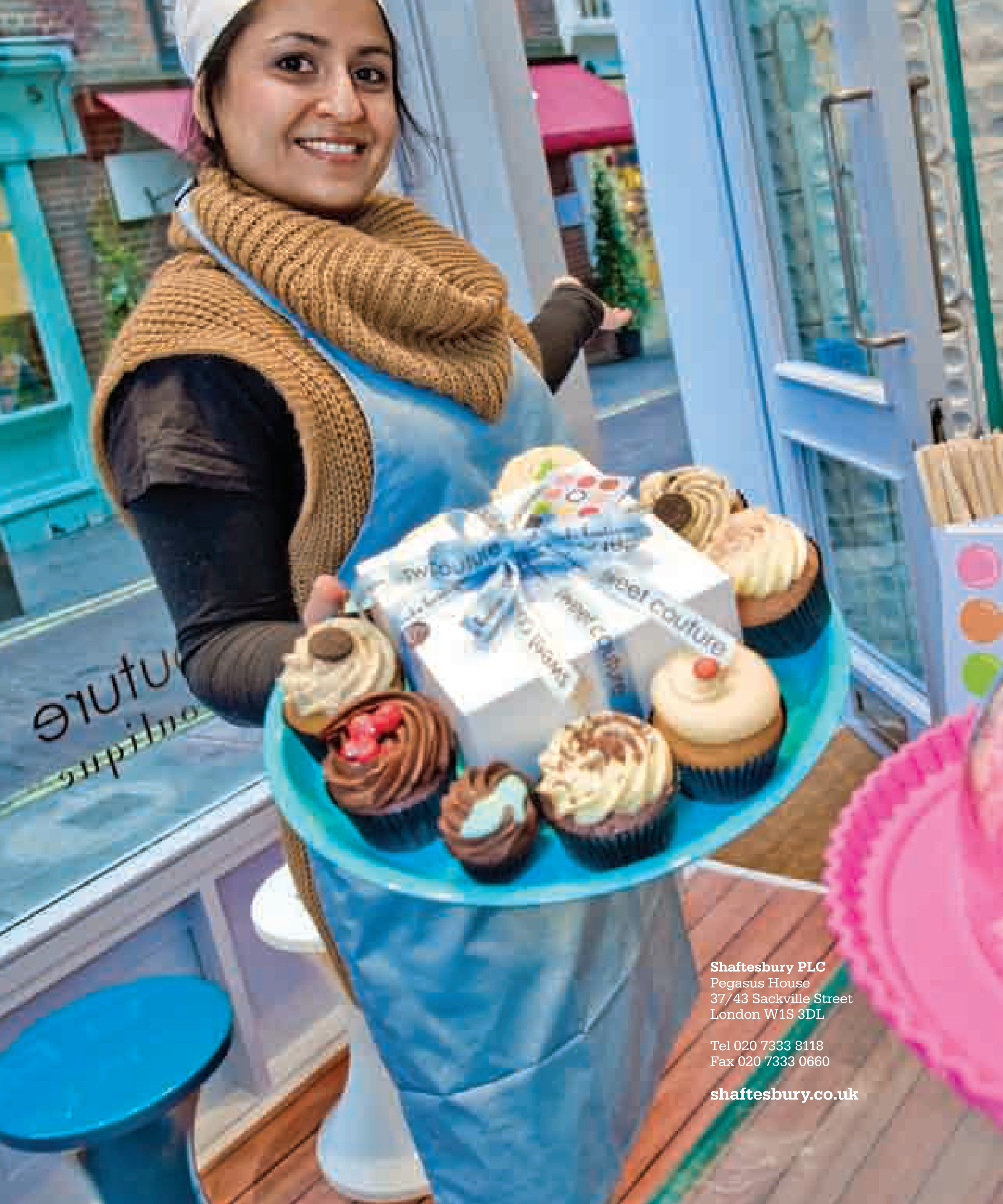
**Websites**
**Corporate:**
**www.shaftesbury.co.uk**

Includes Annual and Interim Reports Library from 2002 and recent corporate announcements.

News alert service allows registered users to receive announcements by e-mail.

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

design: **SG Design** - sg-design.co.uk photographer: **Simon Harvey** - blitzimages.co.uk print: **beacon press**

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