Shaftesbury

Annual report 2014

Self portrait

Shaftesbury SELF PORTRAIT

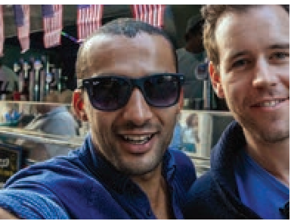
STRATEGIC REPORT

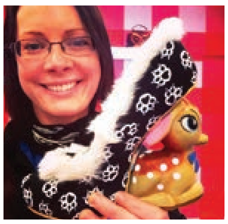
GOVERNANCE

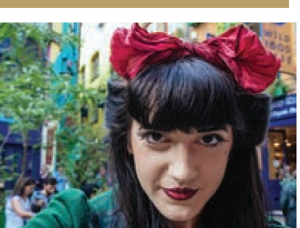
FINANCIAL STATEMENTS

OTHER INFORMATION

♥ see glossary on page 122 for defined terms used throughout this annual report


ABOUT SHAFTESBURY

We own a unique real estate portfolio extending to 14 acres in the heart of London's West End. Our property interests are valued at £2.6 billion*

We exclusively focus on this highly popular, sought-after and prosperous location

see page 8

OUR OBJECTIVE

To deliver long-term outperformance in growth in rental income capital values and shareholder returns

We concentrate on locations and uses which have an exceptional long-term record of delivering rental growth

see page 12

HOW WE CREATE AND DELIVER VALUE

We focus on retail, restaurants, and leisure

With 582 shops, restaurants, cafés and pubs in the liveliest parts of the West End

Proven and proactive management strategy to create and foster distinctive, attractive and prosperous locations

see pages 13 to 17

SUPPORTED BY

An experienced management team with an innovative approach to long-term, sustainable income and value creation

see page 20

Prudent financial management, a strong balance sheet and a focus on shareholder returns

see page 21

* Including our 50% share of property held in joint venture

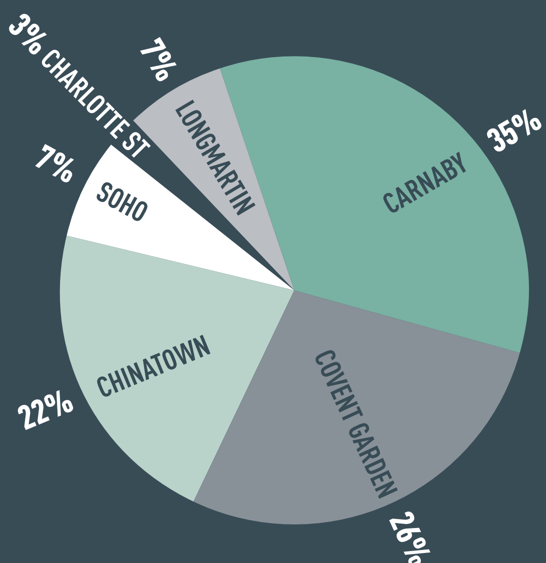
Shaftesbury at a glance

14 acres
owned across London's West End and 1.9 acres owned in joint venture

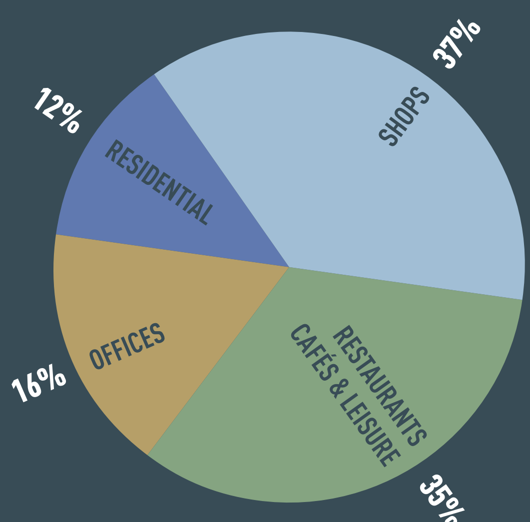
1.7m sq.ft.
commercial and residential accommodation plus 0.3m sq.ft. held in joint venture

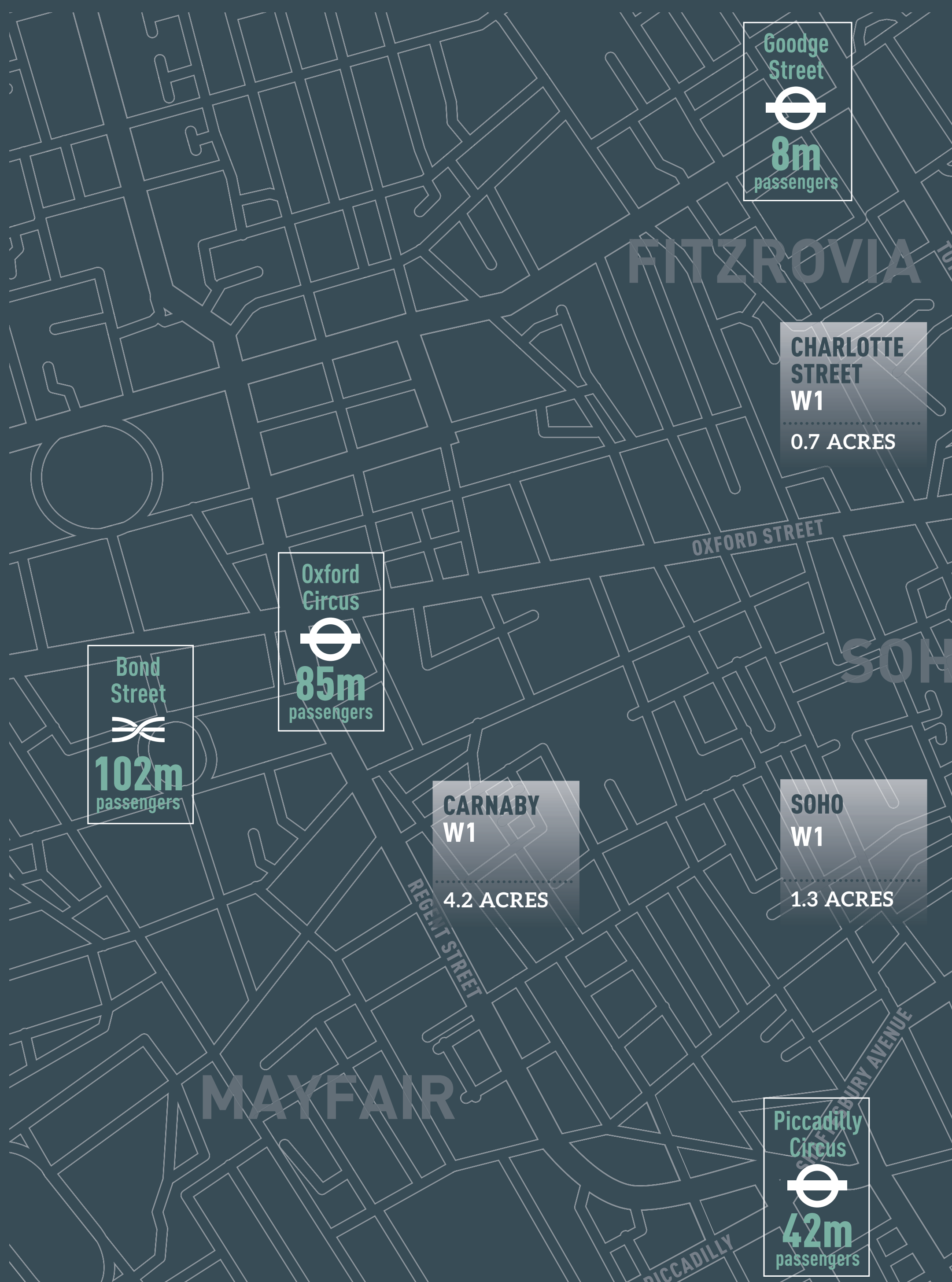
c. 1,500
tenants

VILLAGES BY FAIR VALUE



USES AS % OF CURRENT INCOME (WHOLLY OWNED PORTFOLIO)





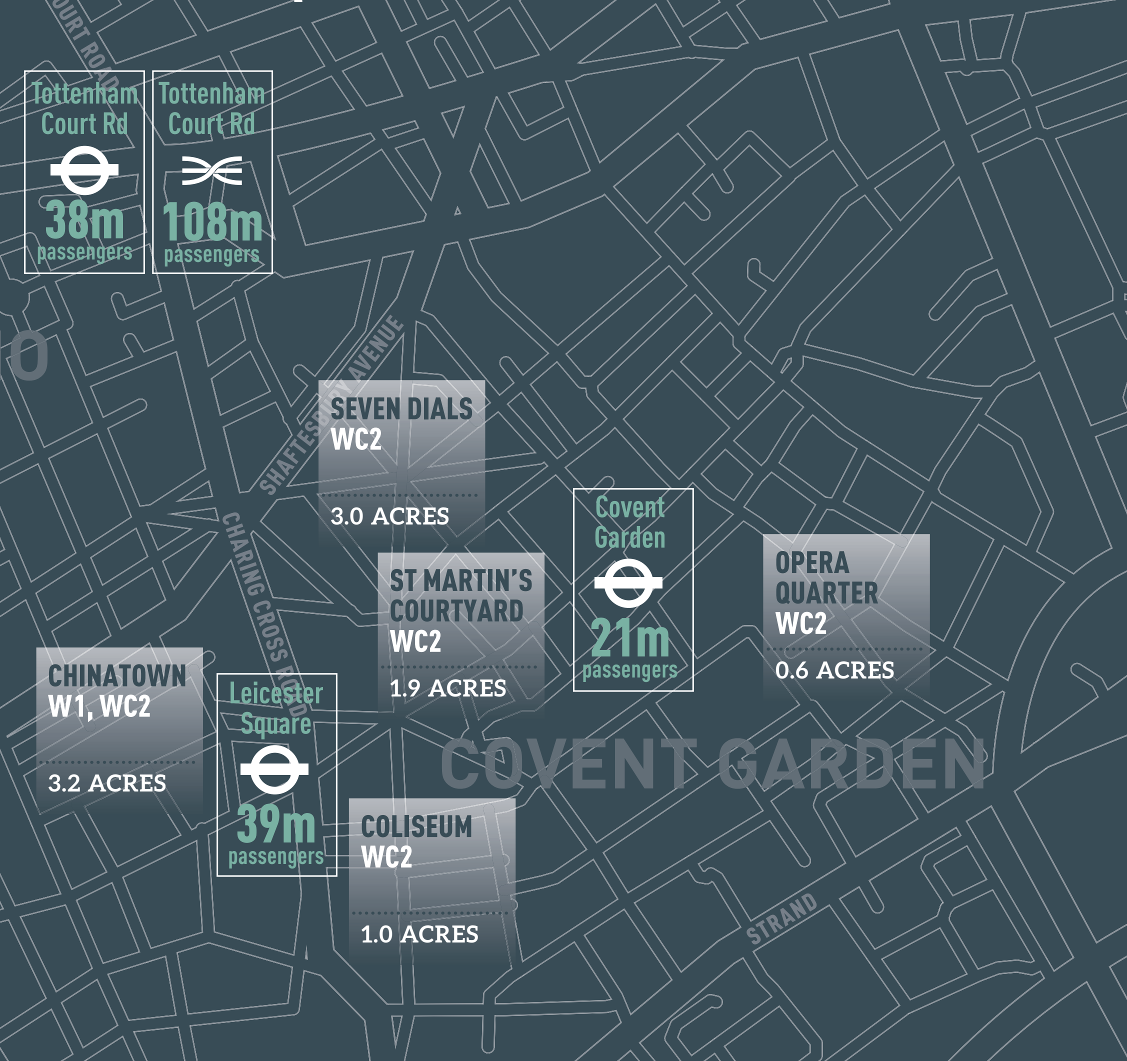
£2.6bn
portfolio valuation

£93.5m
current income

£118.6m
estimated rental value

Our growing portfolio, focused on shops, restaurants and leisure, is clustered into villages in iconic areas, close to the West End's world-class visitor attractions.

The concentration of our ownerships – unique in a UK listed real estate company – allows us to adopt comprehensive management strategies to create and foster distinctive, attractive and prosperous locations. The incremental improvements we make have a compound benefit across our neighbouring ownerships.



233 MILLION
PASSENGERS ANNUALLY
at the six tube stations closest to our villages

100%
of our portfolio is within
5 TO 10 MINUTES' WALK OF A CROSSRAIL STATION

332
SHOPS

250
RESTAURANTS, CAFÉS AND PUBS

415,000
SQ.FT. OFFICE SPACE

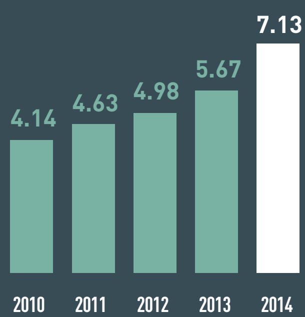
491
APARTMENTS

Financial highlights

EPRA NET ASSET VALUE

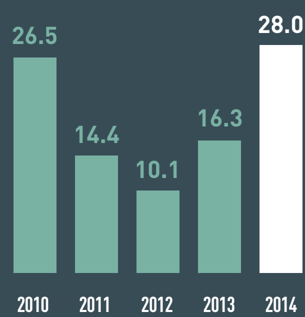
+25.7%

2014 £7.13 per share
2013 £5.67 per share



NET ASSET VALUE RETURN

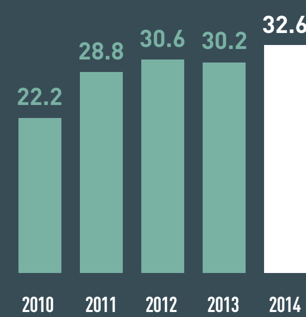
+28.0%



EPRA EARNINGS (£M)

+7.9%

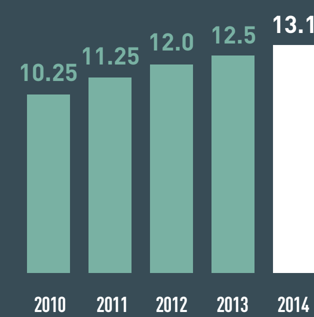
2014 £32.6 million
2013 £30.2 million



DIVIDENDS DECLARED IN RESPECT OF FINANCIAL YEAR

+4.8%

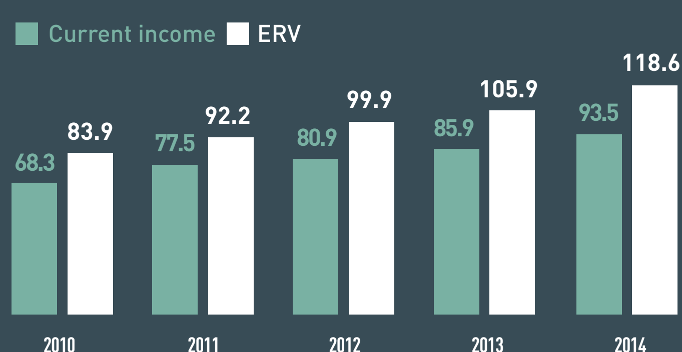
2014 13.1p per share
2013 12.5p per share



REVERSIONARY POTENTIAL (£M)

£25.1m

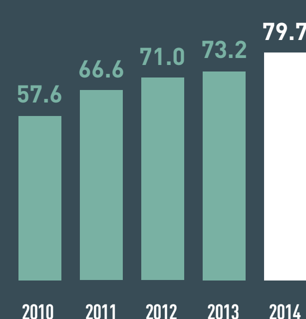
2013 £20.0 million



NET PROPERTY INCOME (£M)

+8.9%

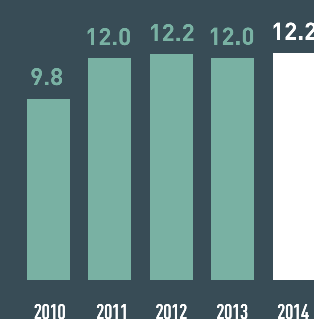
2014 £79.7 million
2013 £73.2 million



EPRA EPS

+1.7%

2014 12.2p per share
2013 12.0p per share



Chairman's statement

EPRA NAV PER SHARE	EPRA EARNINGS	DIVIDEND PER SHARE
£7.13	£32.6m	13.1p
+ 25.7%	+7.9%	+4.8%

I am pleased to report another busy and successful year.

Our proven strategy of creating lively, prosperous and desirable destinations in the West End continues to attract broad-based and growing demand for space across our portfolio. This is reflected in growth in our current and prospective rental income and consequent uplifts in value.

This year we have secured important strategic additions to our portfolio and have added to our financial resources with additional equity and new long-term debt arrangements.

Net asset value and portfolio valuation growth

At 30 September 2014, our portfolio was valued at £2.6 billion. This represents a like-for-like increase in values over the year of 21%, which has increased EPRA net asset value per share by £1.46 from £5.67 to £7.13 at the year end. After adding back dividends received by shareholders, this represents a NAV return of 28% over the year.

The significant uplift in the valuation of our property portfolio this year reflects clear market evidence of the strong and sustained demand for all types of accommodation. Our valuers have reported a noticeable reduction in yields investors pay to acquire assets in Central London, and particularly the West End. This strong investor appetite reflects confidence in the long-term security and growth prospects of assets in locations such as ours, together with expectations that interest rates will remain low for the foreseeable future, and the greater availability of investment finance.

DTZ, independent valuers of our wholly-owned portfolio, continue to advise us that in their view some prospective purchasers, recognising the exceptional features, qualities and prospects of this unique portfolio, may consider a combination of some or all parts of the portfolio to have a greater value than currently reflected in their valuation, which has been prepared in accordance with RICS guidelines.

EPRA earnings and dividends

EPRA earnings for the year ended 30 September 2014 amounted to £32.6 million, compared with £30.2 million in the previous year. Growth in rental income has been the main component of this increase, through a combination of acquisitions, like-for-like increase in rents of 6.3%, and the successful completion and letting of a number of schemes, which last year tempered growth in net property income.

The Board is pleased to recommend a final dividend of 6.6p, bringing the total dividends for the year to 13.1p, an increase in the rate per share of 4.8%.

The total distribution in respect of the year ended 30 September 2014 will amount to £36.4 million. The increase over the total amount distributed in respect of the previous year of £31.6 million reflects the higher dividend per share and the increased number of shares now in issue.

Portfolio activity

Activity across the portfolio continues apace. This year we have worked on a wide variety of refurbishment schemes, extending to around 9% of our floor space, which are improving the quality of accommodation we are able to offer. Over £25 million of leasing and rent review transactions were completed during the year, equating to around 20% of ERV.

Each of our many schemes (50 in 2014) and transactions contribute to the growth in our income, as well as frequently delivering benefits compounded across our adjacent ownerships. We continue to identify and advance further asset management opportunities across our portfolio.

Acquisitions this year, which totalled £107.9 million, included two significant strategic purchases – Newport Sandringham in Chinatown and 57-59 Broadwick Street (formerly known as Jaeger House) in Carnaby. Plans are in hand to carry out major refurbishment and reconfiguration schemes to materially improve their current low net income. Subject to the necessary consents, we expect both schemes will commence in 2016.

Finance

In March 2014, we added to our equity base with a share placing of 9.99% of our issued share capital at £6.20, which raised after expenses £153.2 million. This additional capital is being deployed to fund both acquisitions and our accelerating capital expenditure programme. Also this year we have completed the refinancing of £225 million of bank debt which was due to expire in 2016, securing new long-term debt and terminating long-dated interest rate swaps with a notional principal of £110 million. In the year ahead we expect to refinance the remaining £150 million of debt due to expire in September 2016 in a similar manner.

The steps we are taking ensure our business continues to be supported by robust finances, a strong cash flow and modest gearing.

Corporate Governance and Responsibility

We are committed to the principles of good corporate governance and responsibility throughout our business.

In February 2014 Jill Little became our Senior Independent Director, and Dermot Mathias and Sally Walden took over as chairs of the Audit and Remuneration Committees respectively. This year's externally-facilitated review of the Board's performance concluded that it is working well and cohesively, and is playing an important role in supporting the executive team and the evolution of the business.

We are responding to the challenges of improving environmental performance and sustainability throughout our portfolio and we are increasing our commitments to the many initiatives we support across the community in which we invest and work.

Our team

The continual evolution of our strategy, and our long and consistent record of creating and delivering value to shareholders, owes much to our experienced, innovative and committed team of just 23 staff. They, in turn, are supported by a range of professional advisors, across a variety of disciplines, who share our long-term commitment and passion for our business.

Looking ahead

Increasingly unsettled political and economic sentiment across many parts of the world is highlighting London's unrivalled advantages, stability and prospects. This exceptional global city continues to attract domestic and international investment, businesses and visitors on an unmatched scale, supporting a buoyant and dynamic economy.

Our portfolio, in the heart of the West End, is uniquely well-placed to benefit from London's continuing success and prospects. Our proven strategy continues to adapt and evolve under our management team. Activity levels across the portfolio are accelerating to capitalise on the strong and sustained demand for accommodation in our locations.

Against this background I am confident we shall continue our long record of delivering rising income, dividends and capital returns for our shareholders.

Jonathan Lane
Chairman

27 November 2014

THE WORKING POPULATION WITHIN WESTMINSTER IS

600,000

1 IN 50 WORKERS IN ENGLAND

Unique real estate portfolio totalling 14 acres in the heart of London's West End

- Currently valued at £2.6 billion*
- 1.7m sq. ft. of commercial and residential accommodation (wholly-owned portfolio)
- Holdings clustered in villages in iconic areas, close to the West End's world-class visitor attractions
- Focused on shops, restaurants, cafés and pubs – uses with a long history of demand exceeding supply in the West End
- Concentration of assets allows us to adopt a comprehensive management strategy for each village – our initiatives bring compound benefits to our nearby ownerships
- Exceptional transport links – all holdings close to major underground stations and the new West End Crossrail transport hubs

* Including our 50% share of property held in joint venture

Ownership clusters close to the principal attractions

Covering 14 acres, our wholly-owned portfolio is clustered in villages in iconic areas at the heart of the West End: Carnaby, Covent Garden, Chinatown, Soho and Charlotte Street. The Longmartin joint venture, in which we have a 50% stake, owns a 1.9 acre island site in Covent Garden.

Largely assembled over the past 20 years, our growing portfolio is located close to an unrivalled concentration of world-class heritage and cultural attractions. Together with a wide variety of shops, restaurants, cafés, bars and clubs, these attract large numbers of visitors, businesses and residents, providing the foundation for strong footfall and prosperity for commercial tenants in our villages.

The areas in which we invest are long-established, with street patterns generally laid out between 1680 and 1720. They are mostly designated as conservation areas, and some 20% of the buildings we own are listed. As a consequence, the opportunity for large-scale redevelopment to increase the supply of new accommodation materially, particularly at lower-floor levels, is limited.

see London and the West End on page 9

Long history of demand exceeding supply of retail, restaurant and leisure space

Shopping and leisure are important elements of the local economy. In the West End, there is a long history of occupier demand exceeding the availability of these uses, which is often restricted by planning policies.

The wholly-owned portfolio extends to 1.7 million sq. ft. of commercial and residential space. Typically, the lower floors of our buildings contain retail, restaurants, cafés and pubs; these are our most valuable uses and provide 72% of our current income. Upper floors are either offices, residential or a combination of both.

The Longmartin joint venture owns 269,000 sq. ft. of mixed-use accomodation. Retail, restaurants, cafés and bars provide 51% of its current income.

see focus on retail, restaurants and leisure on page 14

Proven management strategies produce cumulative and compound benefits

The concentration of our ownership in the West End is unique in a UK listed real estate company. It allows us to adopt comprehensive management strategies to create and foster distinctive, attractive and prosperous locations, where incremental improvements give compound benefits across our adjacent ownerships. These benefits include improving the quality of tenant mix, attracting higher footfall, and creating and maintaining strong occupational demand, which, together, establish higher rental tones.

see pages 16 to 17 for more information on our proven, comprehensive management strategy

Exceptional transport links

Our villages have exceptional transport links, essential for accessibility to the West End. The six major underground stations closest to our villages handle some 233 million passengers each year. Also, all our properties are situated within five to ten minutes' walk of the new Tottenham Court Road and Bond Street Crossrail transport hubs, which alone are expected to handle 220 million passengers by 2026.

see page 9 for more information on the impact of Crossrail

London and the West End: prosperity underpinned by economic, population and visitor number growth

London

London is the largest city in Western Europe. Currently, it has a population of 8.4 million, which is expected to grow to over 10 million by 2036[1]. Importantly, beyond the boundary of Greater London, there are even more people who can easily commute or visit for a day.

The West End

The West End has 38 world-famous theatres, 30 museums, galleries, live entertainment events, public spaces and parks. Together with an unrivalled variety of shops, restaurants, cafés, pubs, clubs and a lively night-time economy, the West End attracts an estimated 315 million domestic and international visits annually[2]. With its global appeal, it has a broad economic base which is not reliant on the fortunes of the UK economy alone.

The West End is also a key business centre with one of the most dense employment concentrations in the world. The local working population is an important element of the prosperity of the West End and our villages and, with a number of large office developments nearby, we expect further growth in the coming years.

Resilient consumer spending

With the large numbers of visitors, workers and residents, footfall and consumer spending have shown long-term resilience in our locations. In 2013, retail spending in the West End was estimated at £8.5 billion, higher than any city in Europe[3]. Together with a constrained supply of commercial space, tight planning regulations and demand from a wide variety of occupiers, these factors underpin our portfolio's rental prospects and capital value, both of which have shown significantly greater long-term growth and stability through the property cycles than the wider real estate market.

Considerable investment in transport network and infrastructure

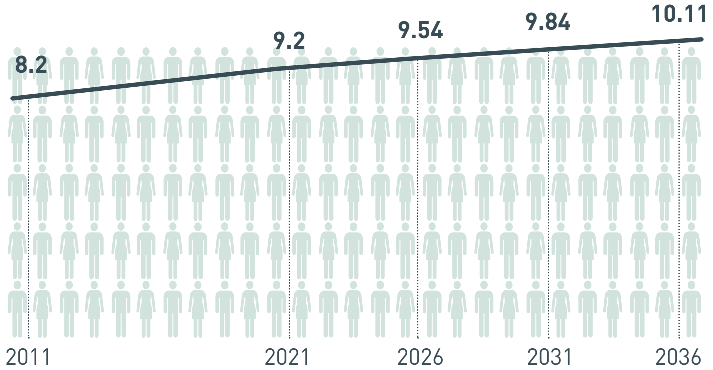
The West End is at the centre of the capital's underground, mainline rail and bus network. With further growth in passenger numbers forecast, there is currently considerable investment in upgrading and expanding the transport network. Improvements to signalling and rolling stock have already increased underground train frequencies by around 20% and planned upgrades will add further capacity. From September 2015, the Underground will run trains throughout the night, at weekends, on certain lines.

Opening in late 2018, Crossrail will increase network capacity by around 10%[4], improving accessibility to the West End, providing more comfortable travelling conditions and easing pressure at nearby underground stations. It is estimated that passenger numbers will treble at the Tottenham Court Road and Bond Street transport hubs by the mid 2020s[5]. This is expected to change footfall patterns materially in the vicinity.

Crossrail is a catalyst for regeneration around its stations and in nearby streets, including the east end of Oxford Street and its immediate surrounds. To manage the expected substantial increase in pedestrians, a number of improvements to the public realm are planned to help ease pavement congestion and provide stronger connections between retail, cultural and leisure attractions.

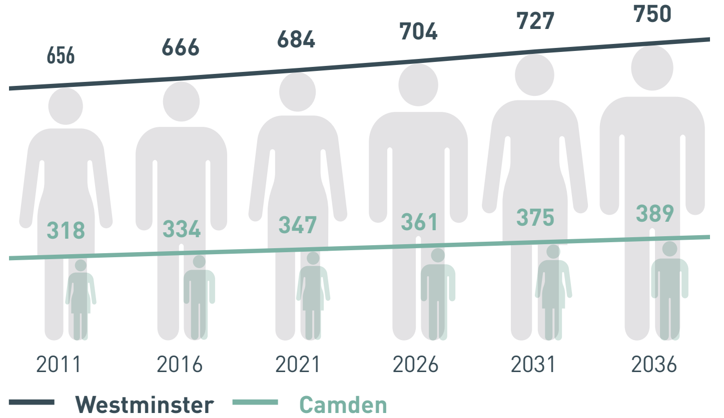
1 Draft further alterations to the London Plan, January 2014
2 Jones Lang LaSalle – London's West End Review and Outlook, February 2014
3 Harper Dennis Hobbs and ICSC report, November 2014
4 Crossrail
5 Arup, The Impact of Crossrail on Visitor Numbers in the West End, January 2014

LONDON'S POPULATION (MILLIONS)

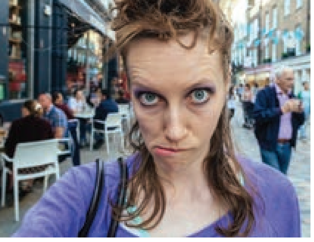
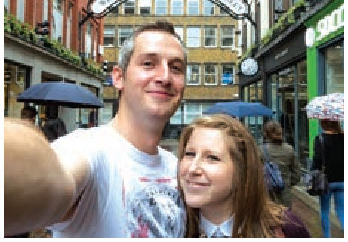
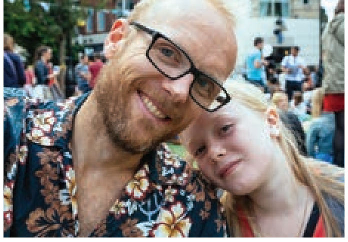


Source: Draft further alterations to the London Plan, January 2014

EMPLOYMENT PROJECTION (THOUSANDS)



Source: Draft further alterations to the London Plan, January 2014






315 MILLION

DOMESTIC AND OVERSEAS VISITORS ARE ATTRACTED TO THE WEST END ANNUALLY





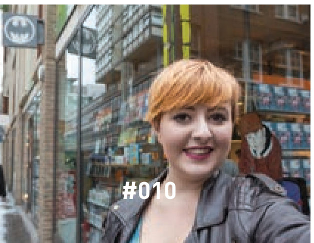


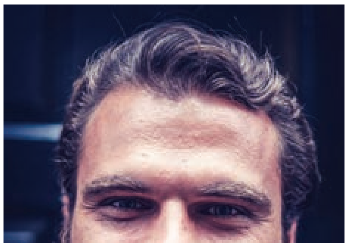












'EASILY THE STANDOUT MUSICAL OF THE DECADE'
CHINESE RESTAURANT
SEVEN DIALS
LONDO
#011

Objective to deliver long-term outperformance in growth in rental income, capital values and shareholder returns

Sustainable rental growth

Sustainable rental growth is fundamental to long-term growth in earnings and capital values, which are delivered to shareholders through dividends and increases in the value of their investment in the business. We achieve this through:

- Investing in locations and properties which have an exceptional long-term record of delivering growth.
- Focusing on retail and leisure uses which, in the West End, have demonstrated sustained demand and rental growth for many years, and which have limited obsolescence.
- Improving our buildings and villages to create and foster distinctive, attractive and prosperous locations.

see pages 13 to 17 for more information on how we create and deliver value

Growth in rents through the cycles

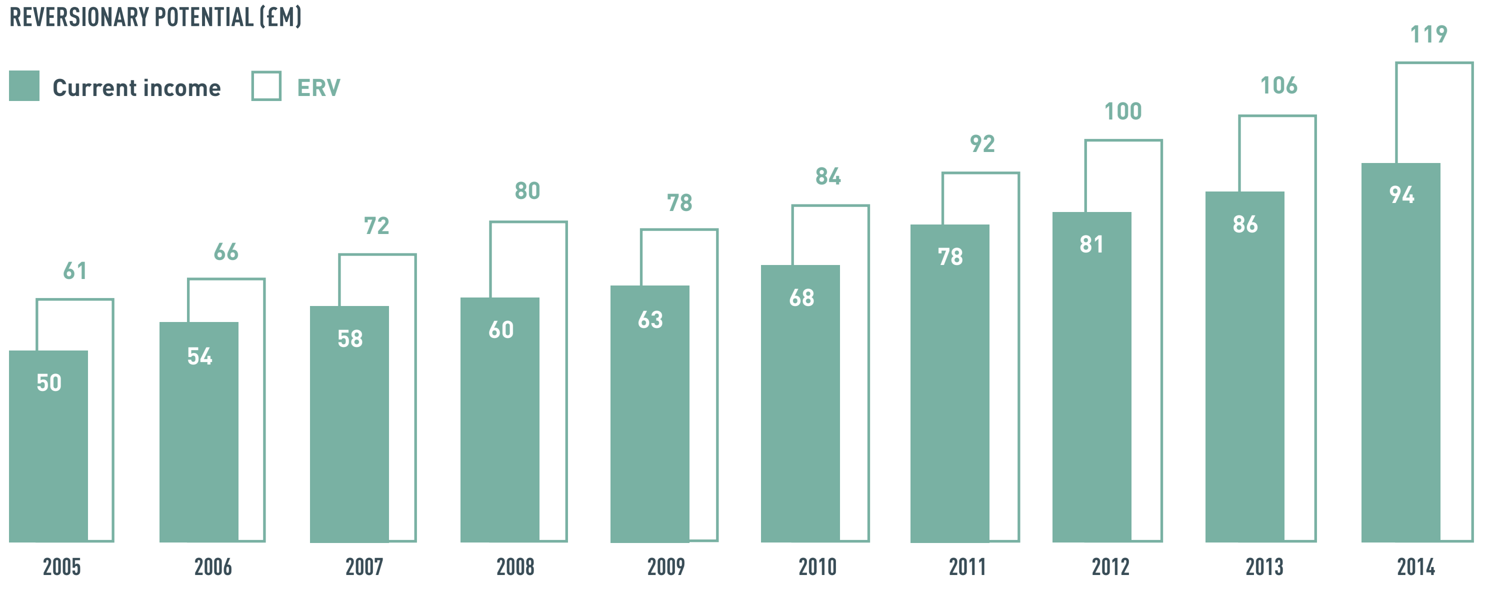
The success of our long-term proactive and innovative management strategy is reflected in our portfolio's consistent growth in current income and rental values. Over the past decade, the ERV of the portfolio has been, on average, 23% above current rents each year; it is this rental potential which delivers tomorrow's income and capital growth.

In measuring our success, achieving rents above ERV is a Key Performance Indicator ("KPI"). With every letting, lease renewal and rent review we aim to exceed ERV assessed by our external valuers so that we not only convert the rental potential into actual income but also improve future rental prospects across our neighbouring properties.

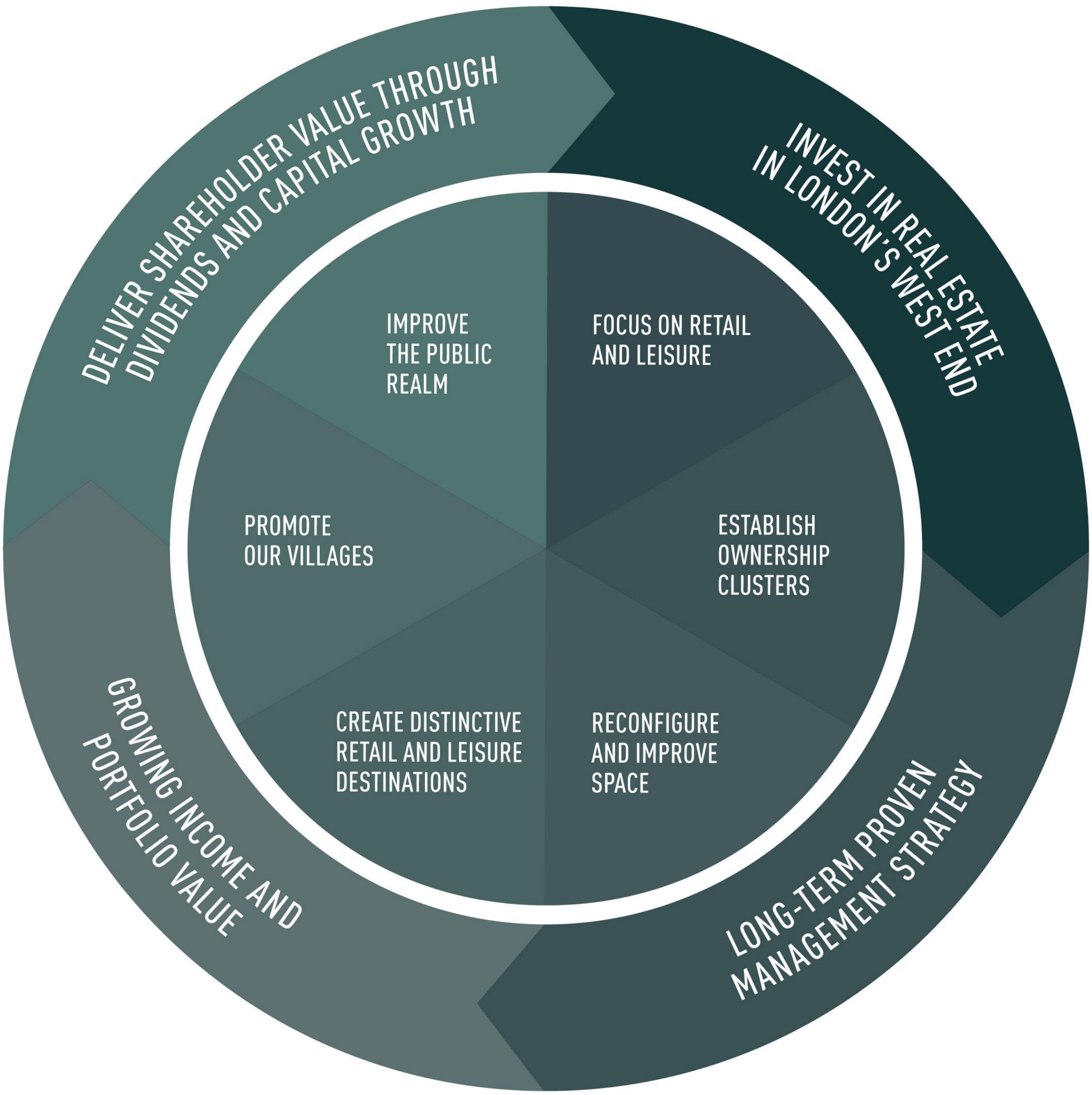
Including the impact of acquisitions, the 10-year cumulative annual growth in our current income and the ERV of our portfolio has been 7.1% p.a. and 8.2% p.a. respectively, with growth in current income every year. The reversion currently is £25.1 million, 26.8% above current income.

see delivering and measuring long-term outperformance on page 22

REVERSIONARY POTENTIAL (£M)



How we create and deliver value



Focus on retail, restaurants and leisure

- 582 shops, restaurants, cafés and pubs, generate 72% of current income
- Restaurants and leisure are a growing proportion of our portfolio
- Demand and rental levels are not cyclical in the West End and our villages; low long-term vacancy
- Space provided in shell form so our obsolescence costs are limited
- Upper floors: offices (16%), residential (12%)

The wide variety of shopping, dining and leisure choices is a key attraction of the West End. We have 582 shops, restaurants, cafés, pubs and clubs in the West End's liveliest districts, which generate 72% of our current income.

Strong demand, restricted supply and low vacancy

With a long history of occupier demand exceeding availability of space for these uses, retail, restaurant and leisure rental levels are not cyclical in our areas and vacancy levels are traditionally low, both of which are important for sustainable rental growth.

In our portfolio, ready to let vacancy, excluding units under offer, has averaged 2.1% for retail and 0.8% for restaurants, cafés, bars and leisure over the past ten years.

Lease lengths

Over recent years we have kept our retail leases shorter and more flexible, giving us the opportunity to refresh tenant mix, an important aspect of maintaining our villages' appeal. Typical retail lease terms are:

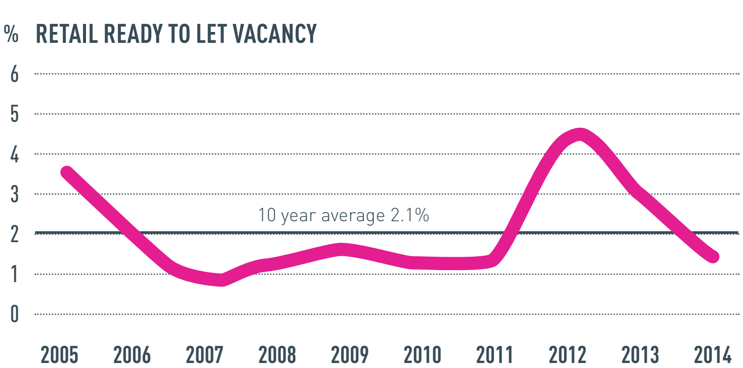
- Smaller shops: 3-5 years
- Larger shops: 5-10 years
- Short rent-free period to help cover the tenants' fitting out period.

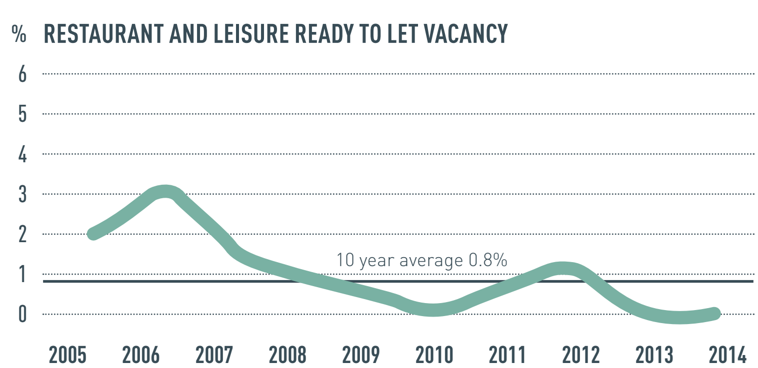
For restaurants, tenants invest considerable sums fitting out their units, sometimes costing the equivalent of 3-5 years' rent and, therefore, longer leases give them an extended period over which to amortise this cost. Typical restaurant lease terms are:

- Historic leases (approximately 75%, by rent, of our leases): 25 years, 5 yearly upward-only rent reviews and security of tenure on expiry. Often granted over whole buildings.
- New leases: 15 years, 5 yearly upward-only rent reviews. There is no security of tenure on expiry and we include a turnover-related rental top-up. Leases extend only to operational space ie not upper floors.

Limited obsolescence risk

An important aspect of our retail and leisure space is that we only provide this accommodation in shell form. Tenants are responsible for fit out, with no capital contribution from us. At the end of the lease, we re-let the shell of space without incurring significant refurbishment costs so we have limited obsolescence risk.





Growing importance of restaurants and leisure

With growing visitor numbers, a large and expanding local working population and the rising trend for eating out, the importance of the West End's unrivalled restaurant and leisure choices has grown markedly over recent years. Together with the rapid improvement in the variety and quality of operators and formats, they have become an attraction and footfall driver in their own right. This is reflected in our portfolio where the contribution from these uses has grown from 28% to 35% of our current income over the past five years. Over the same period the share of our income generated from retail has decreased from 42% to 37%.

To preserve the balance of commercial uses, planning policies in the West End generally restrict the creation of new restaurant space, limiting the available supply. We are one of the largest owners of restaurants, cafés and bars in the West End.

see retail and restaurants, cafés and leisure on pages 24 and 26

Upper floors – generally offices and residential

The space above our shops and restaurants is generally in office or residential use. These are important elements in our mix of uses, bringing added life and vibrancy and providing our villages with another source of customers for our shops, restaurants, cafés, pubs and bars.

Our offices are typically occupied by smaller West End companies in the media, fashion, creative and IT sectors. They are generally small with an average size of 1,400 sq. ft. and modest average rental levels of £41 per sq. ft. Our larger, more modern offices attract rents of £60 – £70 per sq. ft. Lease lengths are typically five years.

Our apartments typically are let on three year tenancies with annual RPI rent reviews and mutual breaks on a rolling two-month basis after the first six months.

Whilst a resident community is an important part of life and activity in our villages, most of the value of our buildings is in the commercial uses on the lower floors. We prefer to retain control over whole buildings in order not to compromise the management flexibility needed to realise the long-term potential in those valuable lower floors. Therefore, generally, we choose not to sell our apartments.

see offices and residential on pages 28 and 29

SEVEN DIALS ANNUAL FOOTFALL IS OVER

30 MILLION

Proven and comprehensive management strategy to create and foster distinctive, attractive and prosperous locations

- Creating distinctive retail and leisure destinations which appeal both to consumers and tenants
- Ownership clusters allow us to invest in, and holistically manage areas over the long-term
- Active refurbishment and reconfiguration programme to improve our buildings, unlock value and grow rents
- Promoting our villages as destinations with a wide variety of interesting, innovative and ever-changing shopping, dining and leisure choices
- Investing in the public realm to create safe and welcoming areas

Our proven and comprehensive management strategy is designed to create long-term prosperity by establishing and fostering distinctive and busy destinations which appeal to visitors, commercial tenants and residents.

Establish ownership clusters

We identify well-located areas where the footfall potential is good but rents are initially low, often because they have suffered from fragmented ownership, lack of investment and the absence of a coherent strategy for uses and tenant mix.

By establishing and growing clusters of ownerships, we can initiate long-term investment and management strategies for the areas to unlock their potential, whilst creating and fostering attractive locations to generate sustainable growth in rents and long-term improvement in values.

Create distinctive retail and leisure destinations

Providing our retail and leisure tenants with an environment within which they can prosper is critical to long-term sustainable rental growth. We foster and nurture the unique character of our villages to enhance their appeal to current and prospective tenants, and their customers. We achieve this through:

- Creating distinctive retail and leisure destinations.
- Managing the long-term tenant mix strategy for these dominant uses, including clustering similar uses, concepts and brands.
- Encouraging new retail, restaurant and leisure formats to ensure our villages respond to ever-changing tastes and expectations.
- Managing planning uses and licences to maximise rental and capital values.

The West End's unique attractions and variety of shops, restaurants, cafés and pubs provide visitors with an experience unmatched by other destinations. Together with the choice of interesting and unusual retail concepts in our villages, our areas are not materially affected by online shopping.

see focus on retail, restaurants and leisure on page 14

Reconfigure and improve space

We estimate that the average age of our buildings is around 150 years. In our experience, these, often terraced, buildings offer much greater flexibility than more modern buildings. We have an active refurbishment and reconfiguration programme to improve our buildings, enhance their rental potential and values, extend their useful lives and improve sustainability. This often involves:

- Maximising retail, restaurant and leisure space.
- Reconfiguring buildings to provide occupiers with more efficient trading space.
- Converting under-utilised space on upper floors to introduce more valuable uses.

see pages 34 and 35 for redevelopment and refurbishment activity

Promote our villages

Whilst the West End attracts large numbers of visitors, we recognise that they have a choice of where to spend their time. As part of creating distinctive destinations, we work with our tenants to promote their businesses and our villages as places where visitors can find a wide variety of interesting, innovative and ever-changing shopping, dining and leisure choices. Our multi-channel marketing includes:

- Widely publicised events, which this year included shopping, music and street food events.
- Dressing our areas eg at Christmas and for Chinese New Year.
- Domestic and international press engagement.
- An active digital strategy, including dedicated websites for our villages and an extensive social media presence.

The sourcing and selection of new brands and concepts are a fundamental part of our strategy and so we invest considerable resources in promoting our areas to potential operators. We also build on relationships with our existing tenants who are a great source of new ideas from their experiences elsewhere.

Improve the public realm

Where possible, we promote and contribute to public realm improvements in our villages to create a safe and welcoming environment for tenants and their customers. In our experience, this is an important catalyst for increasing footfall and bringing greater prosperity.

see page 35 for improving the public realm

Current and future focus

- Continue to seek out new concepts and ideas.
- Reconfigure space to create bigger and more efficient units for today's occupiers, including the planned schemes at 57-59 Broadwick Street, Carnaby, Newport Sandringham, Chinatown, and the Thomas Neal's Warehouse, Seven Dials.
- Unlock value from under-utilised upper floors.
- Encourage further public realm improvements across our villages.
- Completion of our scheme in Foubert's Place and Kingly Street.

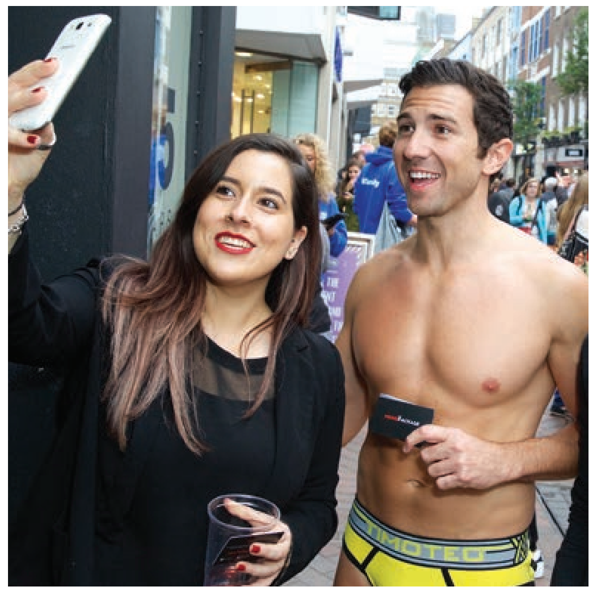
for further details on these schemes see pages 32 and 34

VALUE DRIVERS	ASSOCIATED RISKS
• Sustainable rental growth • High occupancy • Low obsolescence	• Sustained fall in visitor numbers to the West End and our villages • Regulation risk • Change in planning policies • Economic risk

see pages 47 to 49 for information on risk management

see page 22 for details on how we deliver and measure long-term outperformance

15 MAJOR PROMOTIONAL EVENTS ACROSS OUR VILLAGES IN 2014



An experienced management team with an innovative approach to long-term, sustainable income and value creation

- Forensic knowledge of our local market and management through different property cycles
- Track record of long-term outperformance against the wider real estate market
- Relationships with key stakeholders
- All assets within 15 minutes' walk of our office

Forensic knowledge

Our management team has a forensic knowledge of the West End. We are innovative and have a track record of long-term outperformance against the wider real estate market. Our senior management team has an average length of service with the Group of 12 years.

see pages 56 to 57 for director biographies

Relationships with key stakeholders

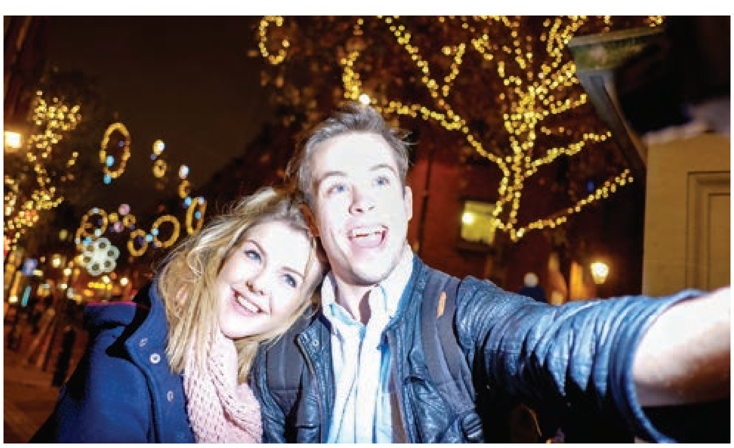
Our office is within fifteen minutes' walk of all our assets, enabling us to maintain regular contact with tenants, community groups, neighbouring owners and other stakeholders. This proximity means we are able to respond quickly to opportunities and problems as they arise.

We also work closely with Westminster City Council and the London Borough of Camden to:

- Achieve our shared goal of a safe, lively and prosperous West End.
- Assist with the challenges of managing areas which attract huge numbers of visitors throughout the day and late into the night, every day of the week, whilst balancing the needs of local businesses and residents.

THE EVENING POPULATION IN WESTMINSTER IS ESTIMATED AT

400,000



Prudent financial management, a strong balance sheet and a focus on shareholder returns

- Prudent approach to gearing
- Diversity of loans, lenders and maturities
- Loan-to-value: 23.6%; weighted average maturity of debt: 7.1 years
- Tax-efficient REIT structure

Sources of capital

Our business is funded with debt and equity. Equity provides the permanent capital to support our long-term strategy. The importance of our ownership clusters in long-term value creation means that opportunities to recycle capital in our portfolio are limited. Furthermore, under REIT rules, we are required to distribute the majority of our recurring earnings. Therefore, from time-to-time, we raise further equity funding.

Debt is an important source of capital, allowing us to invest in the business and enhance shareholder returns. We adopt a prudent approach to gearing, ensuring we have healthy interest cover and a low loan-to-value ratio.

see details of our equity placing on page 43

Low risk debt structure

Consistent with the long-term nature of our portfolio, our core debt-finance is provided by long-term arrangements with covenant structures which do not restrict the active management of our assets. We have a diversified set of lenders and a spread of maturities. Shorter-term revolving facilities provide us with flexibility to act swiftly when acquiring properties as well as capacity to invest further in our existing portfolio.

Exposure to adverse movements in long-term interest rates is limited through fixed-interest facilities and hedging. At 30 September 2014, our loan-to-value ratio was 23.6% and our interest cover for the current year was 2.0 times. Interest cover has averaged 1.98 times over the past five years.

To minimise refinancing risk, we prefer to refinance facilities well in advance of their contractual maturities. Our weighted average maturity of debt is 7.1 years and our earliest debt maturity is in September 2016.

see finance on pages 43 to 44

Tax-efficient structure

As a REIT, we are a tax-efficient vehicle for many investors. We do not pay tax in respect of rental profits and chargeable gains relating to our property rental business. However, we are required to distribute at least 90% of the qualifying REIT income as a PID. This is treated as income for the investor, and is taxed according to its own tax status. PIDs are subject to a withholding tax at basic rate income tax, except for certain classes of investors who can register to receive gross rather than net payments.

see page 57 for further information on our REIT status

Delivering and measuring long-term outperformance

Value drivers

The fundamental value drivers for long-term growth in rental income, capital values and shareholder returns are:

- Sustainable rental growth: Fundamental driver of long-term growth in income and capital values
- Minimise vacancy: To maximise income generated by the portfolio
- Low obsolescence: Limits the investment needed to maintain the portfolio
- Cost control: Maximises earnings potential

The key measures of our success, and how they link to remuneration, are set out below.

KPIs for the year ended 30 September 2014

SPECIFIC MEASURE	RESULT
Commercial lettings/renewals to exceed ERVs assessed by our valuers in the previous year end valuation	**+5.5% above September 2013 ERV**
Let vacant space quickly	**1 month average letting time**

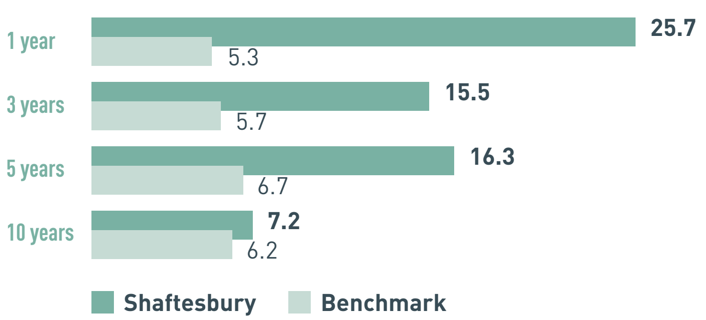
These KPIs, along with other targets covering occupancy, ERV growth, operating costs, CSR and delivering projects and transactions are used to determine the executive and senior management annual bonus.

see page 71 for annual bonus achievements for year ended 30 September 2014

Long-term performance measures

Our performance against the long-term measures used in the LTIP is set out below.

EPRA NAV (COMPOUND ANNUAL GROWTH RATE %)

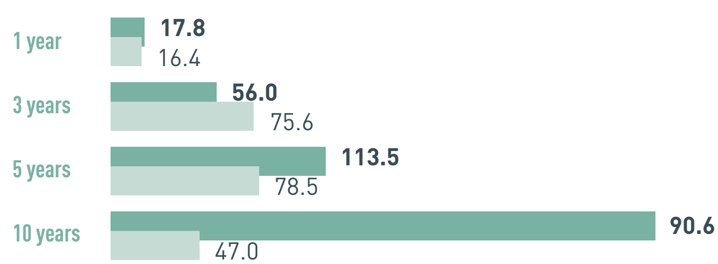


This is a measure of value creation. For the LTIP we compare EPRA NAV growth with the increase in the retail price index (RPI) plus minimum and maximum hurdles of 3% -7% over three years. The benchmark above is based on RPI + 3%.

Sources: Our audited accounts and the published RPI index.

see page 74 for more information on the LTIP

TOTAL SHAREHOLDER RETURN (%)



This measures the returns to shareholders, taking into account dividends and share price movements in the period. For the LTIP we benchmark against the TSR of the FTSE 350 Real Estate Index over three years.

Source: Datastream

IN 2013 RETAIL SPENDING IN THE WEST END ESTIMATED AT

£8.5BN

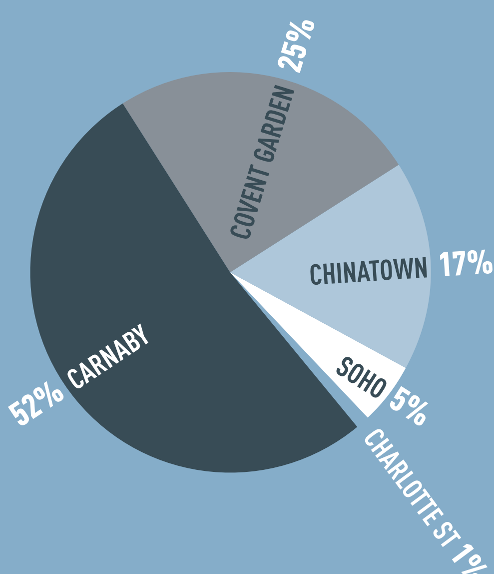
HIGHER THAN ANY OTHER CITY IN EUROPE

Shops

NUMBER (WHOLLY-OWNED)	AREA (SQ.FT.)	WEIGHTED AVERAGE UNEXPIRED LEASE
332	463,000	4 years
NUMBER (LONGMARTIN)	**AREA (SQ.FT.)**	**WEIGHTED AVERAGE UNEXPIRED LEASE**
22	67,000	4 years

% OF CURRENT INCOME

CURRENT RETAIL INCOME BY VILLAGE



The majority of our shops are let to fashion and lifestyle retailers. Across our wholly-owned portfolio, 96 larger shops (rent greater than £100,000 p.a.) generate 65% of current retail income. Our 236 smaller shops, providing 35% of current retail income, are an important element of the character and retail mix in our villages, and offer great flexibility for retailers to grow or open new concepts within our areas. The Longmartin joint venture has 16 large and 6 small shops, principally occupied by fashion retailers.

Demand has remained good throughout the year, particularly for our larger shops. During the year, we completed leasing and rent review transactions with a combined rental value of £8.5 million, equivalent to 25.1% of our current retail income. This included 29 new shop lettings and sixteen lease renewals. Vacancy levels remain low, with EPRA retail vacancy in the wholly-owned portfolio of 4.0% at year end, of which 2.3% was under offer.

see demand and occupancy on page 36

The strong appetite for larger units is noticeable, not only from overseas retailers looking to open flagships or their first store in the UK, but also from current tenants looking to upsize within our villages. Responding to this demand, we continue to identify opportunities to reconfigure space within our generally older buildings to provide more efficient and larger accommodation for these occupiers.

Examples include:

- 7,500 sq. ft. of new retail space at our current scheme on Foubert's Place, Carnaby, where we are already seeing good interest ahead of anticipated completion in early 2015.

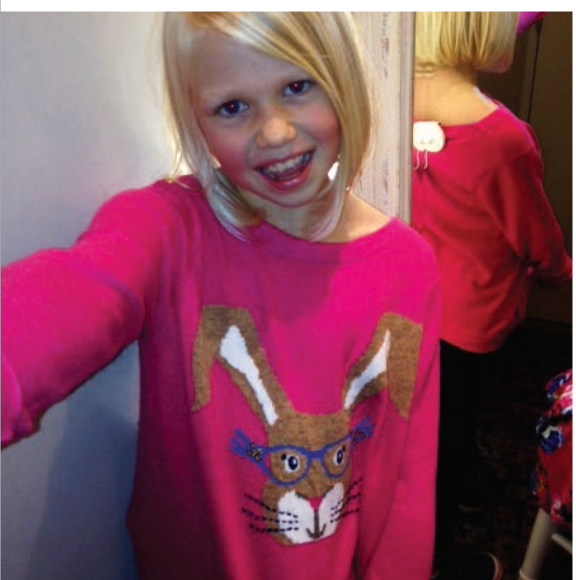
see page 34 for further information on this scheme

- A plan to reconfigure 21,000 sq. ft. of retail space in the Thomas Neal's Warehouse, Seven Dials, to reduce the current sixteen units to fewer larger units, or potentially a single unit. We have secured the necessary planning and listed building consents for this project and currently are marketing the space before finalising the plans. Works to prepare the space for occupation are expected to commence in 2016.

Currently, we are also advancing our plans for 57-59 Broadwick Street and Newport Sandringham.

see page 32 for further details on these two schemes

see pages 14 to 15 for why we focus on retail, restaurants and leisure



23

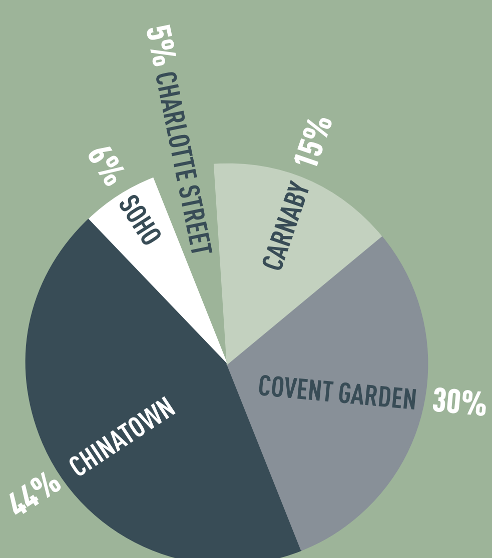
BRANDS HAVE CHOSEN TO OPEN THEIR FLAGSHIP STORE IN OUR VILLAGES OVER THE PAST YEAR

Restaurants, cafés and leisure

NUMBER (WHOLLY-OWNED)	AREA (SQ.FT.)	WEIGHTED AVERAGE UNEXPIRED LEASE
250	552,000	11 years
NUMBER (LONGMARTIN)	AREA (SQ.FT.)	WEIGHTED AVERAGE UNEXPIRED LEASE
10	45,000	13 years

% OF CURRENT INCOME

CURRENT RESTAURANT, CAFÉ AND LEISURE INCOME BY VILLAGE



The wide variety of restaurants, cafés and pubs across our portfolio is an important part of our overall tenant-mix strategy, drawing footfall to our villages. Where possible, we are bringing in more food and beverage operators to our villages, improving the quality of the offer and seeking further planning consents. We have 124 larger restaurants and bars (rental value over £100,000 p.a.) which provide 85% of our current income from restaurants, cafés and leisure. The remaining 15% comes from 126 smaller units. The Longmartin joint venture has ten restaurant and leisure units, of which seven have rental values greater than £100,000 p.a.

We continue to experience extremely strong demand for our restaurants, cafés and leisure space and, consequently, our vacancy levels remain minimal. We have completed lettings, renewals and rent reviews with a rental value of £7.2 million in the year, representing 23.1% of our current restaurant and leisure income. This included the introduction of eleven new concepts to our villages. EPRA restaurant vacancy in the wholly-owned portfolio was 3.1% at 30 September 2014, all of which was under offer.

see demand and occupancy on page 36

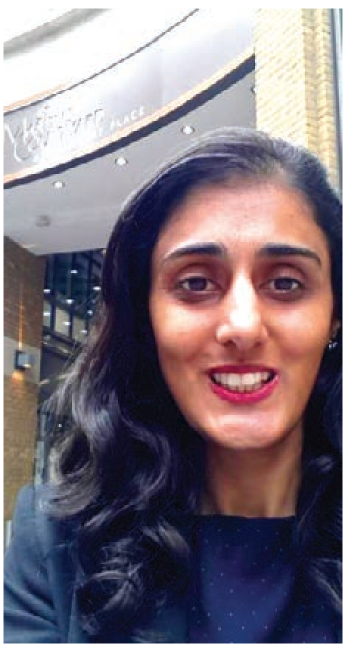
The improvements we have made to Kingly Street since its pedestrianisation in 2010 have already turned Carnaby into a dining destination. During the year we completed the transformation of Kingly Court, Carnaby, into a lively restaurant and leisure hub, which now boasts eighteen restaurants and cafés offering a diverse variety of cuisines with al-fresco dining, four bars and clubs and a large yoga studio. Extending to 43,000 sq. ft., this new dining destination provides 1,000 covers and complements the restaurants and bars on Kingly Street and Ganton Street. It is already attracting additional footfall, from neighbouring streets, to Carnaby and increasing dwell times.

Our development scheme on Kingly Street, where we are creating a new 6,500 sq. ft. flagship restaurant over the ground floor and basement is due to complete early in 2015. We have commenced marketing and interest is strong. This scheme has also unlocked an opportunity to improve the adjacent 1,800 sq. ft. restaurant. Anchoring the food and beverage offer at the north end of Kingly Street, we expect these restaurants will bring further footfall to the area.

see page 34 for further information on this scheme

To capitalise on the level of occupier demand for restaurants, cafés and leisure space in the West End, we are identifying opportunities to secure vacant possession of buildings where we can improve the space we offer, accelerate rental growth, and, in some cases, unlock further value by introducing new uses to currently under-utilised upper floors. Since October 2013, we have secured possession of 46,000 sq. ft. of space where we have introduced exciting new concepts or currently are improving the accommodation available.

see pages 14 to 15 for why we focus on retail, restaurants and leisure



19 NEW HIGH PROFILE RESTAURANT AND CAFÉ LETTINGS COMPLETED ACROSS OUR PORTFOLIO IN 2014

Offices

AREA (SQ.FT.) (WHOLLY-OWNED)

415,000

AREA (SQ.FT.) (LONGMARTIN)

102,000

WEIGHTED AVERAGE UNEXPIRED LEASE

4 years

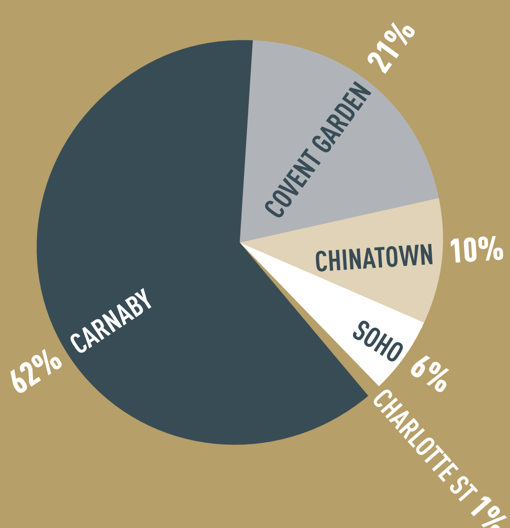
WEIGHTED AVERAGE UNEXPIRED LEASE

5 years

% OF CURRENT INCOME

16%

CURRENT OFFICE INCOME BY VILLAGE



Supply of office space in our areas is constrained, yet with the buoyancy of London's economy, confidence is stimulating demand, particularly from SME media, creative, fashion and IT businesses, whose natural home is in our areas, and for whom our range of suite sizes provides an excellent match for their requirements. We are also seeing interest for our larger floorplates from businesses currently based in more expensive locations who like the vibrancy of our villages and see relative value in our rents.

With demand outstripping supply, we have seen good rental growth and a reduction in tenant incentives. During the period, we completed new lettings, lease renewals and rent reviews totalling £4.5 million, equivalent to 28.5% of our current office income. At year end we had just three office suites, totalling 1,400 sq. ft., available to let.

see demand and occupancy on page 36

We have a rolling programme to upgrade our office space to improve its rental prospects and environmental performance.

In Ganton Street, we completed an 18,500 sq. ft. refurbishment scheme at one of our largest office buildings during the year. We relocated our office into two floors and the remaining three floors let quickly.

We are already receiving expressions of interest in the 10,500 sq. ft. of new office space being developed in our mixed-use scheme on Kingly Street, expected to be available in early 2015.

see page 34 for further information on this scheme

Our ideas for the recently purchased 57-59 Broadwick Street are set out on page 32.

Residential

NUMBER (WHOLLY-OWNED)
491

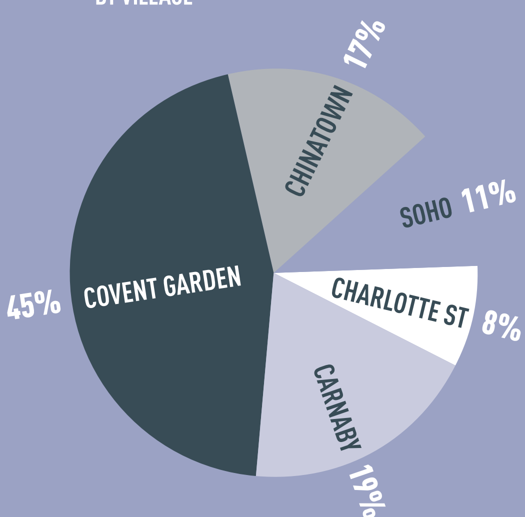
AREA (SQ.FT.)
292,000

NUMBER (LONGMARTIN)
75

AREA (SQ.FT.)
55,000

% OF CURRENT INCOME

CURRENT RESIDENTIAL INCOME BY VILLAGE



The West End has become more popular as a place to live over recent years, which has led to sustained demand for reasonably-priced apartments to rent. This has allowed us to convert smaller offices, which are no longer able to meet the requirements of modern occupiers, to residential use. Consequently, residential has become an increasing part of our business, now representing 12% of our current income, having been just 4% ten years ago.

Occupancy levels in our apartments, which are generally positioned as mid-market, are high and, with rising demand and rents, they produce a growing and reliable income stream.

During the year, the number of apartments we own has increased by 21 to 491, largely as a result of conversions of smaller, poor-quality offices. We continue to identify opportunities to create further apartments. We are also now reconfiguring and upgrading some of our existing flats to improve their rental prospects.

With good demand throughout the year, we completed lettings and renewals totalling £4.9m, representing 45.8% of our current residential income. At year end we had just two apartments available to let in the wholly-owned portfolio and one in the Longmartin joint venture.

see demand and occupancy on page 36

Portfolio valuation

This has been another year of strong capital value growth in our portfolio. Rents, both actual and prospective, have continued to increase and investor demand for real estate, particularly in the West End, has remained high.

- Portfolio valued at £2.6 billion
- Capital value growth: +21.0% (like-for-like)
- Like-for-like ERV growth: +6.6%
- Equivalent yields: 4.0% (wholly-owned portfolio), 4.1% (Longmartin)

Strong valuation performance

Our portfolio was valued at £2.6 billion at 30 September 2014, producing a valuation surplus of £426.4 million over the year which equates to an ungeared like-for-like capital return of 21.0%.

The valuation uplift reported by our valuers this year reflects clear market evidence of:

- The strong and sustained demand for all types of accommodation in our locations, which is delivering growth in current income and rental values across our portfolio, as well as maintaining high levels of occupancy. The ERV of our portfolio, based on currently established rental tones, now stands at £118.6 million, £25.1 million above current income.
- A reduction in the yields investors are prepared to pay to acquire assets in Central London, and particularly the West End. The equivalent yield attributed by our valuers to our wholly-owned portfolio is now 4.0%, a reduction of 0.55% over the year. In the Longmartin joint venture, the reduction was 0.48%, bringing the equivalent yield to 4.1%.

This strong investor appetite reflects confidence in the long-term security and growth prospects of assets in locations such as ours, which is underpinned by a buoyant and dynamic economy. The attraction of investments which offer safety and growing returns is particularly appealing against a background of continuing and historically low interest rates, and the greater availability of investment finance.

In their report to the Board, DTZ, independent valuers of our wholly-owned portfolio, note:

- the unusual concentration of our holdings in sought-after West End locations;
- the predominance of retail, restaurant, café and leisure uses, for which occupier demand has a long history, and continuing prospect, of exceeding availability in the West End; and
- the extent to which, under RICS Valuation Professional Standards, they are permitted to combine or "lot" parts of our portfolio.

DTZ continue to advise us that, in their view, with its unusual confluence of ownership and use characteristics, some prospective purchasers may consider a wider combination of some parts of the portfolio, or the entire wholly-owned portfolio itself, to have a greater value than currently reflected in their valuation, prepared in accordance with RICS valuation standards.

see pages 120 to 121 for the summary report by the valuer

	FAIR VALUE £M	% OF PORTFOLIO	CURRENT INCOME £M	ERV £M	TOPPED UP INITIAL YIELD %	EQUIVALENT YIELD %
Wholly-owned portfolio						
Carnaby	906.2	35%	31.0	41.7	3.53%	4.07%
Covent Garden	695.6	26%	23.8	30.9	3.25%	3.87%
Chinatown	584.0	22%	21.8	26.3	3.36%	4.04%
Soho	181.0	7%	7.0	8.1	3.49%	4.02%
Charlotte Street	67.8	3%	2.7	3.1	3.50%	3.90%
	2,434.6	93%	86.3	110.1	3.40%	4.00%
Longmartin joint venture[1]	177.9	7%	7.2	8.5	3.54%	4.10%
Total portfolio	**2,612.5**	**100%**	**93.5**	**118.6**		

1 Group's 50% share

see pages 118 to 119 for the portfolio analysis and the key assumptions used by the valuers in their valuations

Continued rental growth

Our innovative management strategy has delivered sustained growth in both actual and potential income over many years, and this year is no exception. Our annualised current income has grown by £7.6 million over the past twelve months from £85.9 million to £93.5 million. The like-for-like increase was £4.3 million (+5.0%) and acquisitions contributed £3.3 million.

Importantly, the rental value of our portfolio, estimated by our valuers, has increased by £12.7 million to £118.6 million. Excluding the impact of acquisitions, which contributed £5.8 million to the total, the like-for-like increase was 6.6% with good rental growth across all uses.

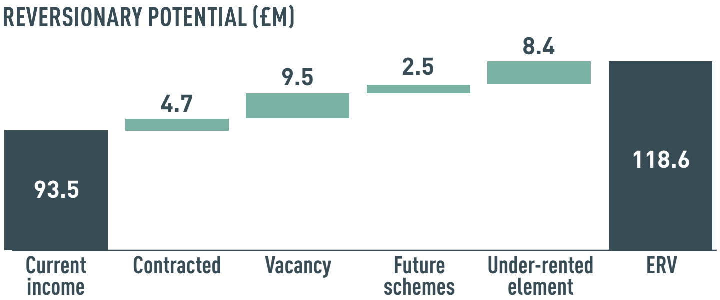
With their patterns of high and growing footfall and spending, rental levels in our location are competitive in relation to the prime streets in other parts of the West End.

see page 12 for more details on our history of rental growth through the cycles

The total reversion now stands at £25.1 million, 26.8% above current income and comprises:

- £4.7 million which will be added to current income on the expiry of rent free periods and pre-agreed increases in rents.
- £9.5 million in respect of vacant space, which includes schemes currently in hand.
- £2.5 million estimated by our valuers to be income from future schemes, principally 57-59 Broadwick Street and Newport Sandringham. This estimate does not fully reflect the additional income which could be generated from the more extensive schemes we are now investigating.
- £8.4 million which should be realised through the normal cycle of rent reviews, lease renewals and lettings. Where possible, we seek to secure early vacant possession of under-rented accommodation to accelerate the conversion of this potential income.

REVERSIONARY POTENTIAL (£M)



Shops, restaurants, bars, cafés and residential uses account for 80% of the ERV and 73% of the un-contracted reversion. In our experience, demand for these uses in our locations is not cyclical and has shown sustained growth over many years. This, together with our long-term management skills, gives us confidence that we shall continue to deliver further rental growth.

Capital increases across each village

All villages benefited from rental growth and yield compression during the year. Overall, the portfolio delivered like-for-like capital growth of 21.0% and the like-for-like portfolio cumulative annual growth rate over three and five years has been 11.8% and 11.3% respectively.

INCREASE IN CAPITAL VALUES

	% OF PORTFOLIO	CAPITAL GROWTH DURING YEAR	THREE YEAR CAGR	FIVE YEAR CAGR
Carnaby	35%	25.8%	14.3%	13.0%
Covent Garden	26%	19.3%	10.6%	10.4%
Chinatown	22%	17.8%	10.1%	9.6%
Soho	7%	16.2%	10.2%	10.2%
Charlotte St	3%	15.8%	9.4%	9.5%
Longmartin	7%	22.2%	12.4%	N/A
Total	**100%**	**21.0%**	**11.8%**	**11.3%**

Acquisitions

- Acquisitions in the year: £107.9 million
- Newport Sandringham and 57-59 Broadwick Street: 83% of the total
- Average initial yield: 2.6% – potential to grow rents and values
- Further acquisitions since year end

Two major acquisitions with significant reconfiguration potential

The acquisitions of Newport Sandringham, Chinatown, and 57-59 Broadwick Street, Carnaby, cost £89.4 million and produced an average initial yield of 2.58%. Both have the potential for major reconfiguration schemes.

In March 2014 we acquired a long leasehold interest in 49,700 sq. ft. of shops, restaurants and bars in the Newport Sandringham building at the eastern gateway to Chinatown, fronting Charing Cross Road, Newport Court and Newport Place, with total frontage of c. 550 ft. Costing £57.1 million, this acquisition, alone, increased our retail, restaurant and leisure floor space in Chinatown by around 18%. Currently the space is poorly configured and under-utilised and so provides opportunities to increase the income from, and value of, the building. In addition, we believe the changes we are considering, together with public realm improvements, will materially benefit Chinatown and our existing holdings over the longer term.

We are currently preparing our proposals to be submitted to Westminster City Council. Broadly, these include:

- Reconfiguring and improving the existing space to create more efficient and valuable accommodation.
- Moving the restaurant and leisure planning uses to face Chinatown, complementing our existing restaurant holdings.
- Creating double-height glazed shop fronts along its 330 ft. retail frontage on Charing Cross Road, next to Leicester Square Underground Station, and just 5 minutes' walk from the new Tottenham Court Road transport hub.

In addition, we plan to support Westminster City Council's public realm improvements in Newport Court and Newport Place, which will considerably improve the eastern end of Chinatown and might provide the potential for al-fresco dining.

Currently there are only short-term occupational leases and licences in place, which provide flexibility for us to take vacant possession of the space at reasonably short notice. The current net income from these flexible arrangements is low and has decreased since acquisition as we have already taken back space for our proposed scheme. The timing of the scheme will depend upon planning and other consents, but we expect works to be underway in mid-2016. The capital cost is not expected to exceed £10 million and the improved space will be let on standard commercial leases, which should substantially eliminate non-recoverable property costs.

Also in March 2014, we acquired 57-59 Broadwick Street, a prominent building on an increasingly important and busy east-west pedestrian route, which links Carnaby and Berwick Street and is close to the Dean Street exit to Tottenham Court Road Crossrail Station. Extending to 24,900 sq. ft. of mainly office space, it cost £32.3 million.

We are currently advancing our plans to create large retail units over the lower floors, whilst extending and reconfiguring the remaining office space and creating new residential units. The scheme timing will depend upon the planning process, but we hope to make our application in the Spring next year, with a view to commencing works in 2016. The current leases expire in June 2015 and we are in discussion with the tenants to extend their occupation. The cost will depend upon the consented scheme, but currently we expect it to be in the region of £12 million.

Other acquisitions with potential to grow rental income

Other acquisitions in the wholly-owned portfolio were in Chinatown, Charlotte Street and Soho, and included two shops, four restaurants, one bar, 2,100 sq. ft. of office space and nine apartments. In addition, our Longmartin joint venture bought in a long leasehold interest on 7,500 sq. ft. of office space within its existing ownership. These acquisitions, totalling £18.5 million and with an average initial yield of 2.86%, offer potential for future rental growth, through lettings, rent reviews and refurbishment or reconfiguration schemes.

The West End provides excellent security and long-term prospects for investors, and existing owners remain reluctant to sell assets which they will find difficult to replace. We continue to seek out new acquisitions, but remain disciplined and patient, focused on buildings which are in and around our villages, have a predominance of, or potential for, retail, restaurant, café and leisure uses, and provide potential for future rental growth, either individually or through combination with our existing ownerships.

Since the year end, we have acquired, or contracted to buy, a restaurant and a pub at a total cost of £6.8 million. Furthermore, in Autumn 2015, we expect to complete the forward-purchase of 6,500 sq. ft. of retail and restaurant space on the ground floor and basement, on the site formerly occupied by Trenchard House on Broadwick Street.

Redevelopment and refurbishment activity

This has been another year of considerable activity across our holdings. We continue to identify new projects and seek planning consents for schemes which will improve our buildings, add to our income, increase rental tones and further unlock value.

- Schemes undertaken during the year: 154,000 sq. ft. (8.9% of total floor area in the wholly-owned portfolio)
- Capital expenditure: £24.2 million
- Planning applications approved in the year: 132

Good initial returns and compound benefits

Our schemes produce good initial returns – over the past three years, they have delivered an average rental yield on cost of nearly 9%. By virtue of the concentration of our ownerships, our schemes also provide longer-term benefits, such as improved tenant quality and establishing higher rental tones, which are often compounded across our nearby holdings. Generally the costs of our schemes are modest and their duration is short.

Continued high level of activity

We have carried out 50 schemes during the year, extending to 154,000 sq. ft., representing 8.9% of the total floor area in the wholly-owned portfolio. Capital expenditure was £24.2m, equivalent to 1.2% of the portfolio value.

This included £6.1 million in respect of our mixed-use new-build project fronting Foubert's Place and Kingly Street. Completing in phases from early 2015, the scheme is increasing the lettable area on the site from 14,500 sq. ft. to 32,500 sq. ft. and will comprise 7,500 sq. ft. of retail space, a 6,500 sq. ft. restaurant, 10,500 sq. ft. of office accommodation and twelve apartments. The ERV of the new accommodation is £2.1 million, £1.7 million above pre-scheme levels. The estimated scheme cost is £13.5 million, of which £9.0 million has been incurred to date.

Other larger projects during the year included:

- The transformation of Kingly Court, Carnaby, into a dining and leisure hub.
- A scheme over 18,400 sq. ft. to improve two restaurants whilst converting and reconfiguring upper floors to create ten new apartments and upgrading five existing flats in Wardour Street and Rupert Street, Chinatown.
- The refurbishment of 18,500 sq. ft. of office space in Ganton Street, Carnaby.
- Numerous residential conversions across our villages.

Schemes currently on-site include the reconfiguration of 18,000 sq. ft. of shops, restaurants and cafés, and the refurbishment of 23,000 sq. ft. of offices. In addition, we are creating 27 new residential units as well as upgrading 26 apartments.

Adding further to the pipeline of opportunities

At any one time we have a number of schemes at various stages from initial ideas, seeking planning approval, awaiting vacant possession or under construction. As part of this continuing activity, during the year we submitted 132 planning applications which were approved, allowing us to progress a number of our plans. Larger schemes currently in the pipeline include a retail conversion and office extension/refurbishment at 57-59 Broadwick Street, Carnaby, extension and reconfiguration of retail and restaurant space at Newport Sandringham, Chinatown and the rearrangement of space in the Thomas Neal's Warehouse, Seven Dials. Currently we envisage capital expenditure in the region of £70 million to £75 million over the next three years, which includes these larger schemes.

see pages 24 and 32 for more details on these larger schemes

Improving the public realm

A key element of our management strategy and skill is to encourage investment in the public realm in our villages – an important catalyst for improving footfall. Examples include:

- Extension of the pedestrianisation in Kingly Street, which now applies up to the junction with Great Marlborough Street and operates from 11 am to 7 am, significantly increasing the opportunity for al-fresco dining.
- Relaying the surface along the length of Carnaby Street, now being planned, in conjunction with Westminster City Council, for 2015.
- Improvements to the streetscape along Upper St Martin's Lane, outside St Martin's Courtyard and at the entrance to Seven Dials, now agreed with Westminster City Council and planned for 2015.
- Following our purchase of Newport Sandringham, we are in discussion with Westminster City Council and other stakeholders over proposals to pedestrianise and improve Newport Place.

Whilst some progress has been made in the year, our ideas for improvements in Earlham Street, Seven Dials and Rupert Street, Chinatown, have not advanced as quickly as we would have liked. Now that the Earlham Street traffic management scheme has been made permanent, we are now working on designs for further improvements with the London Borough of Camden. We are also in discussion with Westminster City Council to advance improvements to Rupert Street. In both streets, we are already introducing interesting new operators which, together with street and pavement improvements, should further improve footfall.

Looking forward, as part of the infrastructure improvements connected with Crossrail, we expect other publicly-funded projects to be undertaken close to our locations. This includes improvements to Cambridge Circus, planned for 2015, which will considerably improve access to Seven Dials, from Soho, at this busy junction.

Demand and occupancy

Demand continues to be strong for all uses and across each location. Space is letting quickly and vacancy levels remain low.

- £25.1 million leasing and rent review transactions in the year
- Commercial lettings and renewals up 5.5% vs September 2013 ERV
- Rent reviews up 26.3% vs previous rent (approximately 5% pa compound)
- Ready to let vacancy: 0.6%

High level of leasing activity

Excluding temporary lettings, we concluded transactions with a rental value of £25.1 million during the year, equivalent to 27.1% of our current annualised income, including:

- Commercial lettings, lease renewals and rent reviews: £20.2 million.
- Residential lettings and lease renewals: £4.9 million.

Commercial lettings and renewals were concluded on average at 5.5% above ERV at 30 September 2013. Rent reviews resulted in uplifts of, on average, 26.3% above previous rents, equivalent to circa 5% annual compound growth over a five year period.

Low vacancy levels

EPRA vacancy totalled £3.0 million, representing 2.5% of ERV at 30 September 2014, of which £2.2 million (1.9% of ERV) was under offer, leaving just £0.8 million (0.6% of ERV) available. Reflecting our high redevelopment and refurbishment activity, the ERV of schemes underway was £6.5 million (5.5% of ERV).

VACANCY AT 30 SEPTEMBER 2014

	SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL	LONGMARTIN	TOTAL	% OF TOTAL ERV
Held for or under refurbishment							
ERV – £million							
Foubert's Place/Kingly Street scheme (Carnaby)	0.5	0.5	0.7	0.4	-	**2.1**	**1.8%**
Other schemes	1.0	0.6	1.3	1.4	0.1	**4.4**	**3.7%**
Total held for or under refurbishment	**1.5**	**1.1**	**2.0**	**1.8**	**0.1**	**6.5**	**5.5%**
Area – '000 sq. ft.	15	17	34				
Number of units	9	8		65			
Available							
ERV – £million							
Ready to let	0.7	-	0.1	-	-	**0.8**	**0.6%**
Under offer	0.9	1.1	0.1	0.1	-	**2.2**	**1.9%**
EPRA vacancy	**1.6**	**1.1**	**0.2**	**0.1**	**-**	**3.0**	**2.5%**
Area – '000 sq. ft.	21	12	4				
Number of units	22	5		7			

CARNABY'S ANNUAL FOOTFALL IS OVER

40 MILLION

Assets held for, or under, refurbishment included:

- Our large mixed-use redevelopment scheme fronting the south side of Foubert's Place and Kingly Street, which accounted for £2.1 million (1.8% of total ERV).
- Eight shops, including six small shops (ERV < £100,000 pa) with a total ERV of £0.4 million and two large shops (ERV > £100,000 pa) with a total ERV of £0.6 million.
- Five restaurants, cafés and bars (ERV: £0.6 million), one of which (ERV: £0.2 million) is now under offer.
- 22,000 sq. ft. of office space (ERV £1.3 million).
- 27 new apartments under construction (ERV: £0.8 million) and a further 26 being upgraded (ERV: £0.6 million).

The majority of our EPRA vacancy was under offer at the end of the year and included ten shops, five restaurants, office space totalling 2,200 sq. ft. and five apartments. The remaining ready to let vacancy comprised:

- Three large shops (ERV: £0.4 million) and nine small shops (ERV: £0.3 million). Since year end we have let, or agreed terms on four of these shops (ERV: £0.3 million).
- Office space totalling 1,400 sq. ft. with an ERV of £0.1 million.
- Two apartments in the wholly-owned portfolio and one in the Longmartin joint venture.

Village summaries

CARNABY 35% of our portfolio

Carnaby covers 4.2 acres across thirteen streets to the east of Regent Street and south of Oxford Street. It is a popular destination attracting footfall estimated at over 40 million people each year. It is internationally renowned for youth fashion, particularly new concepts and brands, and is becoming an increasingly busy restaurant and leisure destination. 62% of our office space is in Carnaby.

109 shops 45 restaurants, cafés and leisure 251,000 sq.ft. offices 87 apartments

Percentage of current income

Shops	Restaurants, cafés and leisure	Offices	Residential
53%	14%	27%	6%

COVENT GARDEN 33% of our portfolio

Covent Garden, with its historic street patterns and architecture, contains half of the West End's theatres. It has a broad range of shops, restaurants, bars and cafés, giving it a distinctive and appealing atmosphere. There is also a long-established and flourishing residential community. Our wholly-owned holdings in Covent Garden extend to 4.6 acres and includes Seven Dials, Coliseum and Opera Quarter. This location also includes our 50% interest in the Longmartin joint venture. Footfall in Seven Dials is estimated at over 30 million people annually.

WHOLLY-OWNED

111 shops 87 restaurants, cafés and leisure 83,000 sq.ft. offices 203 apartments

Percentage of current income

Shops	Restaurants, cafés and leisure	Offices	Residential
33%	37%	10%	20%

LONGMARTIN

22 shops 10 restaurants, cafés and leisure 102,000 sq.ft. offices 75 apartments

Percentage of current income

Shops	Restaurants, cafés and leisure	Offices	Residential
37%	14%	33%	16%

SHOPS RESTAURANTS, CAFÉS AND LEISURE OFFICES RESIDENTIAL

CHINATOWN 22% of our portfolio

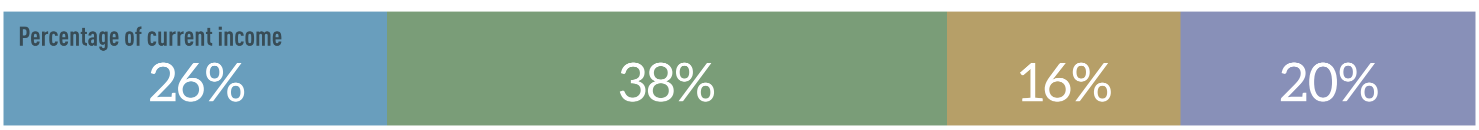
Chinatown, at the heart of the West End's entertainment district, has the largest concentration of restaurants in the UK. The prosperity of this thriving destination is underpinned by the large number of visitors it attracts throughout the day, and into the night, seven days a week, estimated at over 50 million annually.

72 shops 71 restaurants, cafés and leisure 36,000 sq.ft. offices 98 apartments

SOHO 7% of our portfolio

Soho is a lively area with cafés, bars, clubs, restaurants and quirky shops lining its narrow streets. Close to many of the West End's attractions, its history, venues, distinctive atmosphere and nightlife create a popular destination for visitors. There are many small businesses, typically in the media, fashion, creative and IT industries, and it has a long-established residential community.

36 shops 29 restaurants, cafés and leisure 37,000 sq.ft. offices 61 apartments



CHARLOTTE STREET 3% of our portfolio

Charlotte Street is a busy and vibrant location, north of Oxford Street and close to Tottenham Court Road, which is a renowned restaurant destination. Its offices, dominated by creative, media and IT businesses, together with a large student population, add to the cosmopolitan feel of the area.

4 shops 18 restaurants, cafés and leisure 8,000 sq.ft. offices 42 apartments

SHOPS RESTAURANTS, CAFÉS AND LEISURE OFFICES RESIDENTIAL

Finance review

EPRA NAV	NET ASSET VALUE RETURN	EPRA EARNINGS
£7.13	28.0%	£32.6m
+25.7%		+7.9%

It has been an excellent year for Shaftesbury with further growth in net asset value, rents, earnings and dividends. We raised £153.2 million through an equity placing to fund investment in our portfolio in the year ahead. We also refinanced a large proportion of our earliest debt maturities, considerably lengthening the weighted average maturity profile and diversifying our sources of finance.

Income statement

This year we delivered a profit after tax of £440.4 million, up £201.1 million on 2013 (84.0%) largely driven by a valuation surplus of £426.4 million (2013: £174.3 million).

EPRA earnings increased by 7.9% to £32.6 million (2013: £30.2 million) and EPRA EPS was 12.2p (2013: 12.0p).

EPRA EARNINGS	2014 £M	2013 £M
Reported profit after tax	**440.4**	239.3
Adjusted for:		
Net gain on revaluation of investment properties	**(426.4)**	(174.3)
Movement in fair value of financial derivatives	**12.0**	(37.0)
Deferred tax	**6.6**	2.2
EPRA earnings	**32.6**	30.2
EPRA EPS	**12.2p**	12.0p

Our rental income has continued to rise, increasing by £8.1 million (9.7%) to £91.6 million (2013: £83.5 million). The wholly-owned portfolio delivered a like-for-like increase of 6.3%, driven by the high level of lettings, renewals and rent reviews, and the completion and letting of schemes which had tempered growth in rental income in 2013. Acquisitions contributed £2.5 million to the increase in rents receivable.

see page 36 for details on letting activity during the year and page 32 for acquisitions

Property charges, excluding recoverable property costs, increased by 15.5% to £11.9 million (2013: £10.3 million), representing 13.0% of rents receivable (2013: 12.3%). The increase in costs is largely attributable to:

- The large volume of lettings, lease renewals and rent reviews.
- A high level of irrecoverable costs, particularly rates, incurred at Newport Sandringham, where there are only short-term occupational leases and licences in place. On a like-for-like basis, excluding this acquisition, property operating costs were £4.5 million, £0.3 million lower than in 2013.
- Increased marketing and promotion of our villages, a key aspect of our long-term management strategy.

Net property income increased by 8.9% to £79.7 million (2013: £73.2 million).

see pages 16 to 17 for our proven, comprehensive management strategy
see page 32 for more information on Newport Sandringham

Administrative expenses, excluding the charges for annual bonuses and equity settled remuneration, were £8.2 million (2013: £7.5 million). This increase was largely due to higher staff costs and an increase in occupation outgoings following our relocation to Carnaby in February 2014. The charge for annual bonuses was £2.6 million (2013: £1.4 million).

RECOMMENDED TOTAL DIVIDEND FOR THE YEAR

13.1p

+4.8%

TOTAL DISTRIBUTION FOR THE YEAR

£36.4m

+15.2%

LOAN-TO-VALUE

23.6%

As a consequence of the continued strong valuation growth delivered by our portfolio, the forecast vesting of the NAV element of share options has increased, resulting in the charge for these options rising by £0.5 million to £3.2 million (2013: £2.7 million). This charge included a non-cash accounting provision of £2.7 million (2013: £2.2 million) and a charge for employer's national insurance of £0.5 million (2013: £0.5 million).

see pages 71 and 74 for details on the current year annual bonus and share option vesting

The valuation surplus delivered by our portfolio was £426.4 million (2013: £174.3 million). This was driven by like-for-like ERV growth of 6.6% and yield compression of 55 basis points across the wholly-owned portfolio and 48 basis points in the Longmartin joint venture.

see portfolio valuation pages 30 to 31

Net finance costs (excluding the change in fair value of our interest rate swaps) increased by £1.6 million to £32.8 million (2013: £31.2 million) largely as a result of:

- Higher average debt levels in 2014 resulting from acquisitions and capital expenditure.
- The higher margins we are paying following the refinancing of historic debt arrangements during the year, along with a related accelerated write-off of unamortised deferred loan issue costs totalling £0.3 million.

These increases have been partially offset by interest savings resulting from the proceeds of the share placing in March 2014, to the extent not yet deployed, being used to reduce drawings under our revolving credit facilities.

On a like-for-like basis, excluding interest rate swaps which were terminated during the year at a cost of £29.0 million, the fair value deficit attributable to our interest rate swaps increased following a fall in long-dated sterling swap rates, particularly in the final quarter. This resulted in a charge for the year of £12.0 million (2013: credit £37.0 million). The Board keeps the Group's interest rate hedging strategy, and the impact our derivatives have on the long-term financing of the business, under review.

see pages 43 to 44 for details on the refinancing and share placing

As a REIT, the Group's activities are largely exempt from corporation tax. However, the Longmartin joint venture is outside our REIT group and, as such, is subject to corporation tax. Our share of its tax charge in the year was £6.9 million (2013: £2.4 million), of which £6.6 million (2013: £2.2 million) was a charge for deferred tax, largely as a result of the revaluation of Longmartin's portfolio.

Dividends

The Board has recommended a final dividend of 6.6p per share, an increase of 5.6% on the 2013 final dividend (6.25p). This brings the total dividend for the year to 13.1p per share, an increase of 4.8% on 2013 (12.5p).

The total distribution in respect of the financial year will be £36.4 million, 15.2% higher than in the previous year (2013: £31.6 million), taking into account the 9.9% increase in shares in issue following the share placing in March 2014. This compares with EPRA earnings of £32.6 million (2013: £30.2 million) which are stated after non-cash accounting charges in respect of equity settled remuneration totalling £2.7 million (2013: £2.2 million) and from writing-off remaining unamortised loan issue costs (£0.3 million) following our refinancing transactions.

Our policy is to maintain steady growth in dividends to reflect the long-term trend in the Group's recurring earnings before non-cash accounting charges. On this basis, the current year dividend is virtually fully covered. Future distributions will continue to reflect the growth in the Group's net rental income and recurring cash earnings.

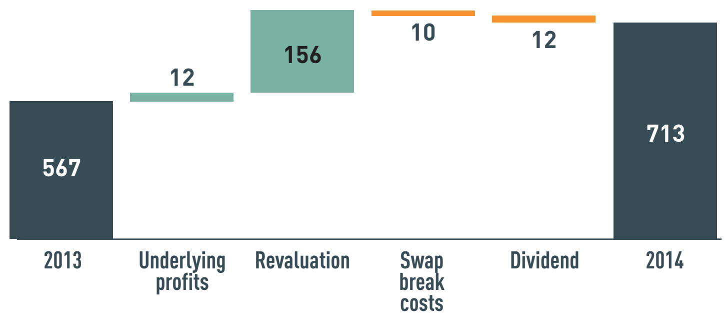
The final dividend will comprise 1.8p paid as a PID and 4.8p as an ordinary dividend.

EPRA net asset value

EPRA NAV per share rose by £1.46 to £7.13 (2013: £5.67), representing an increase of 25.7%. The revaluation surplus contributed £1.56 to the increase. This was offset by the cost of terminating interest rate swaps in April, as part of restructuring our facilities with Lloyds Banking Group, equivalent to 10p per share. Earnings added 12p, which was offset by dividends paid. The share placing in March 2014, accounting for £153.2 million of the increase in net assets in the year, was NAV per share-neutral.

EPRA NET ASSETS	2014 £M	2013 £M
Reported net assets	**1,893.2**	1,330.7
Additional equity if all vested share options were exercised	**0.4**	0.2
Adjust for:		
Fair value adjustment in respect of financial derivatives	**78.8**	95.8
Deferred tax on revaluation surplus and capital allowances	**15.7**	9.1
EPRA net assets	**1,988.1**	1,435.8
EPRA NAV per share	**£7.13**	£5.67

EPRA NAV (PENCE PER SHARE)



Five year financial summaries can be found on our website.

15 MILLION

WEST END THEATRE TICKETS SOLD IN 2014

Cash flows and net debt

Net debt increased by £9.2 million during the year to £614.1 million (2013: £604.9 million). The main cash flows were:

- Cash inflows from operating activities, net of interest and tax payments, of £40.8 million.
- Dividend payments totalling £33.8 million.
- Investment in acquisitions and capital expenditure totalling £134.3 million.
- Net proceeds from our share placing of £153.2 million.
- Interest rate swap termination costs of £29.0 million.
- Facility arrangement costs totalling £4.2 million.

The surplus funds raised by our debt restructuring during the year partly funded the swap termination costs with the balance being used to pay down bank facilities, which were available to be re-drawn.

see below for more information on the refinancing during the year

Finance

During the year we strengthened our financial base, adding to our resources, improving our debt maturity profile and diversifying our sources of finance.

In March 2014, we raised £153.2 million through a share placing, issuing 25.25 million shares at £6.20 per share. 70% of the proceeds have been spent in 2014 on acquisitions, principally Newport Sandringham and 57-59 Broadwick Street, and value-adding reconfiguration schemes. The remainder is allocated to purchase commitments in 2015, potential schemes on the two recent major acquisitions and to advance our existing pipeline of refurbishment and reconfiguration schemes over the coming year.

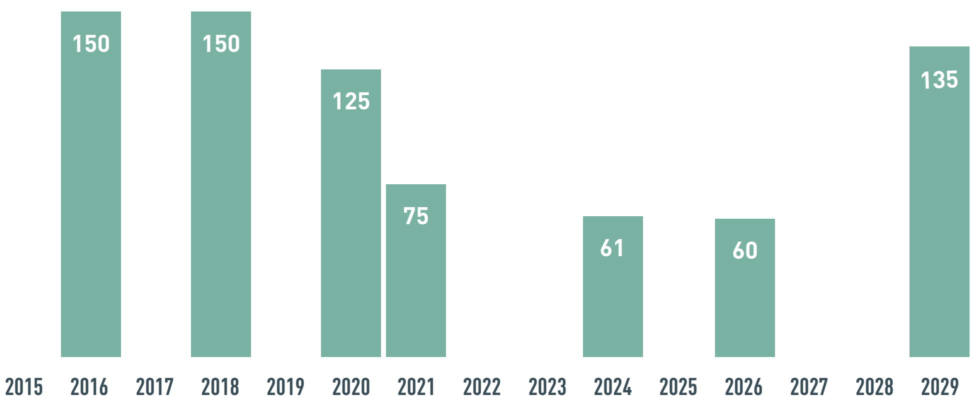
see pages 32 to 35 for more information on acquisitions and redevelopment and refurbishment activity

We restructured £225 million of facilities with Lloyds Banking Group, which were due to mature in 2016, as follows:

- A £125 million bank facility was refinanced with a new £150 million five-year revolving credit facility.
- We arranged a new £134.75 million fixed-interest fifteen-year term loan with Canada Life Investments at 4.47%, which was partially used to refinance the remaining £100 million of facilities.
- We cancelled interest rate swaps on a notional principal of £110 million at a cost of £29.0 million.

These transactions increased our committed debt facilities by £59.75 million to £755.75 million and reduced the level of debt maturing in 2016 from £375 million to £150 million. The weighted average debt maturity is now 7.1 years (2013: 5.8 years).


DEBT MATURITY PROFILE (£M)



We are now addressing the remaining £150 million of bank facilities which are due to mature in 2016, with a view to increasing our debt resources and further extending the weighted average maturity of our debt. The cost of the longer-term funding we are contemplating will be higher than that for the short-term facilities it is replacing and we are considering terminating further interest rate swaps which, subject to market conditions and agreeing suitable terms, could cost between £25 million and £30 million, equivalent to around 10p against EPRA NAV.

see page 42 for EPRA net asset value

	2014 £M	%	2013 £M	%
Fixed rate debt[1]	**255.8**	**41.5%**	121.0	20.0%
Bank debt hedged by swaps	**250.0**	**40.6%**	360.0	59.5%
Total fixed debt[1]	**505.8**	**82.1%**	481.0	79.5%
Drawn unhedged bank debt	**110.6**	**17.9%**	124.2	20.5%
Total debt[1]	**616.4**	**100.0%**	605.2	100.0%
Undrawn facilities (floating rate)	**139.4**		90.8	
Committed facilities	**755.8**		696.0	
Debt ratios				
Loan-to-value[1]	**23.6%**		29.5%	
Gearing[1,2]	**31.0%**		42.1%	
Interest cover	**2.0x**		1.97x	
Weighted average cost of debt	**5.11%**		5.07%	
Weighted average debt maturity	**7.1 years**		5.8 years	

1. Based on nominal value of debt
2. Measured against EPRA net assets

At 30 September 2014, our loan-to-value ratio was 23.6% (2013: 29.5%) and we had undrawn committed facilities available to fund acquisitions and investment in our portfolio totalling £139.4 million. The weighted average cost of debt was 5.11%, four basis points higher than the prior year. However, the marginal cost of drawing our remaining available facilities is around 1.55% (2013: 1.80%), and therefore, as we make further drawings, this weighted average cost of debt will decrease. The average margin on our drawn variable rate bank facilities is now 1.11% (2013: 0.91%) and this would rise to 1.24% if all facilities were fully drawn (2013: 1.04%).

Looking ahead

Our portfolio – unique in its concentration in the heart of London's West End and its focus on retail, restaurant and leisure uses – is underpinned by London's reputation as a leading global city and its dynamic economy. Both near-term and longer-range forecasts anticipate continuing growth in London's working and residential population and economic performance.

Continually refreshing the appeal of our locations

The West End's established profile and trading patterns are attracting well-resourced retailers, and restaurant and leisure operators with exciting new ideas and concepts from across the world. Our strategy is to maintain the appeal and reputation of our areas through constantly refreshing the mix and variety of operators and formats, so that we continue to provide lively and interesting destinations.

Our proven, long-term approach to creating and maintaining busy and prosperous environments continues to attract strong demand from operators specifically seeking space in our carefully-curated and lively locations. The current strength of demand across all uses, which shows no sign of slowing, continues to deliver increases in both income and rental values.

Improving the quality and configuration of accommodation we provide

We continue to identify and implement schemes to enhance income and capital values throughout the portfolio, by improving and increasing lettable space, and, where appropriate, reorganising or introducing new uses.

In particular, the acquisitions this year of Newport Sandringham, Chinatown and 57-59 Broadwick Street, Carnaby have the potential, subject to planning, for material improvement through implementing changes of this nature. Plans for these projects are in hand and we shall be submitting planning applications by mid-2015, with a view to commencing works in 2016. As with many of our schemes, the benefits from these projects will provide compound benefits across our extensive adjacent ownerships.

Adding to the portfolio

Properties in the locations, and of the type we seek to acquire, offer their owners excellent long-term security and growth prospects, so it is unsurprising that they are reluctant to sell. Although we expect the availability of suitable properties will continue to be restricted, we have demonstrated through our acquisitions this year that our patient approach and exceptional knowledge of the local market does lead, over time, to strategic additions to our portfolio, as well as a steady flow of smaller purchases which, cumulatively, are equally as important.

Resources to support a growing business

In order to act swiftly when opportunities arise to add to our holdings, and to ensure we are able to progress improvements to our properties, it is essential we have in place stable long-term financing arrangements. This year we have both added to our equity base and put in place new loan facilities to replace a substantial portion of our 2016 facility maturities. In the year ahead we will be addressing the remaining £150 million of debt due to mature in September 2016.

Confidence in long-term prospects

The expectation of sustained and increasing international and domestic interest in London and the West End – whether for investment, establishing or expanding businesses, or as a place to visit, work or live – underpins our prospects.

Our highly-motivated and experienced management team has an innovative and proven approach to managing our unique and growing portfolio. We remain confident we shall continue to deliver long-term outperformance in growth in income, capital values and shareholder returns.

The Strategic Report on pages 1 to 53 was approved by the Board on 27 November 2014.

Brian Bickell
Chief Executive

Risk management

The Group invests only in London's West End, where the property market has a long record of resilience and stability. The nature of our portfolio does not expose us to risks inherent in major speculative development schemes and we manage our balance sheet on a conservative basis with moderate leverage and good interest cover.

see pages 8 to 22 for more information on our business strategy and model. See also pages 40 to 44 for the finance review

Overview

As a foundation to effective day-to-day risk management we encourage an open and honest culture within which staff can operate. We are based in one office, and have just 23 employees. Consequently, senior management has a close involvement in all aspects of the business and all significant decisions.

Responsibilities

Board	Overall responsibility for risk management. Reviews principal risks and uncertainties regularly, along with actions taken, where possible, to mitigate them.
Audit Committee	Assurance of the risk management process.
Executive management	Design and implementation of the necessary systems of internal control.

Monitoring risk

Operational and financial risks facing the Group are monitored through a process of regular assessment by the executive team. The aim of these assessments is to:

- Provide reasonable assurance that material risks are identified.
- Ensure appropriate mitigation action is taken at an early stage.

Risks are recorded in a risk register and are considered in terms of their impact and likelihood from both a financial and reputational perspective. Risks, and the controls in place to mitigate them, are reported to, and discussed at, meetings of the Audit Committee and Board. It is recognised that risk cannot always be totally eliminated and, in some cases, is outside of the Group's control.

Principal risks and uncertainties

Our principal strategic risks have remained broadly unchanged over the year and relate to issues which might prevent us from achieving our long-term goals of creating sustainable revenue growth and increasing the value of the portfolio and shareholders' investment in the business. These are set out overleaf.

RISK AND IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR

Risk of a sustained fall in visitor numbers and/or spending affecting:

1) The West End

EXTERNAL THREATS

RISK AND IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Events which discourage visitors eg • threats to security or public safety due to terrorism • health concerns (eg pandemics) • disruption to the public transport network upon which the area depends. A sustained and significant fall in visitors could lead to reduced occupier demand.	Such events, faced by all high-profile locations such as London, are often beyond our control, and are an inherent risk in our geographically-focused investment strategy. We work with local bodies and statutory authorities to maximise the safety of visitors to our villages and have detailed emergency response plans. We have terrorism and loss of income insurance in place.	In response to recent global political developments, HM Government has increased the UK's external terrorism threat risk to severe.

COMPETING DESTINATIONS

RISK AND IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Competition from other locations results in long-term decline in footfall and consequently rents and values.	The West End has a wide and enduring appeal. More than just a shopping destination, its variety of theatres, cinemas, parks, museums, galleries and leisure venues attract unrivalled numbers of visitors, compared with shopping centres outside the West End. We are not complacent and recognise that these visitors, and the local working and residential communities, have a choice of where to shop and spend their leisure time. We ensure that our villages maintain a distinct identity and seek out new concepts, brands and ideas to keep our villages vibrant and appealing. see page 9 for information on the West End's appeal see pages 16 to 17 for our proven, comprehensive management strategy	Overall visitor numbers and spending in the West End are broadly in line with 2013. Published forecasts continue to predict growth up to, and beyond 2020.

2) Our villages

RISK AND IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Failure to maintain the special character and/or tenant mix in our villages which is key to attracting visitors and potential occupiers. A sustained consequential decrease in footfall could result in downward pressure on rents.	We have a consistent strategy on tenant mix, recognising the need for it to evolve over time. Fostering, developing and promoting the unique character of our villages are key aspects of our business model. We maintain a regular open dialogue with tenants and, being close to our portfolio, we have a deep understanding of the environment needed by our tenants to prosper. The Group invests in areas where rental values are initially low relative to surrounding areas. The overall village management strategies we adopt are designed to create prosperous locations where higher rents are sustainable. Our experienced management team is incentivised to deliver sustainable growth in rents. The Board continually monitors individual village performance and prospects. see pages 16 to 17 for our proven, comprehensive management strategy see page 22 for delivering and measuring long-term outperformance	With footfall and occupier demand across the villages remaining strong, we continue to see sustained rental growth and low vacancy.

RISK AND IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR

Regulatory risk

Increasing regulation and its unforeseen consequences causes uncertainty. Changes in national and local policies and regulation could increase costs, adversely limit our ability to optimise revenues and affect our values.

Planning policies

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.

We work closely with both local authorities to ensure that our properties are operated in a manner which complies with their local policies and statutes.

We also make representations to both authorities regarding proposed policy changes so that our views and practical experiences are considered in framing policy.

Our portfolio has a mix of uses so the Group is not reliant on income from one particular use.

see pages 24 to 29 for details on our mix of uses

Although local planning policies continue to evolve, there are no indications that any changes currently under consideration would have a material adverse impact on the Group's business.

Environmental regulation

Legislation which is intended to bring about improvements to the environmental standards of buildings may restrict the future use of older buildings by making them subject to standards which cannot be met because the changes required would be inconsistent with existing legislation for listed buildings and conservation areas.

All our villages are within conservation areas and many of our buildings are listed as being of special architectural interest.

We maintain a register of energy performance certificates (EPC) and are undertaking a phased programme of improvements to future proof our buildings within the constraints imposed by current conservation area and listed buildings legislation.

see corporate responsibility on page 51

With greater clarity on statutory minimum energy performance requirements, our rolling programme of works is delivering performance above the minimum targets.

Economic risk

Periods of economic uncertainty and deteriorating confidence may reduce consumer spending, tenant profitability and occupier demand.

Changing economic conditions could lead to a decline in the UK real estate market, eg the global political landscape, currency fluctuations, interest rate expectations, bond yields, availability and cost of finance and the relative attractiveness of property against other asset classes.

This could result in declining valuations, decreasing net asset value, amplified by the effect of gearing, and possible loan covenant defaults.

We focus on assets in a particular location and with uses which have, historically, proved to be economically resilient and have demonstrated much lower valuation volatility than the wider market. We regularly assess investment market conditions; this includes bi-annual external valuations.

We have a diverse tenant base, with limited exposure to any single tenant. At 30 September 2014, tenant deposits totalling £15.9 million were held against their rent payment obligations.

Our quarterly reporting includes forecasts of compliance and headroom in respect of our debt covenants. We also have a substantial pool of uncharged assets which could be used to top up the security held by debt providers.

Our loan-to-value ratio was 23.6% at 30 September 2014.

see finance on pages 43 to 44

The UK economy has continued to improve over the past year. We are continuing to benefit from rental growth across our portfolio and investment demand in the West End remains strong.

Short-term interest rates have remained low, and whilst there is a general expectation of modest increases in the medium term, the general consensus is that rates will now remain lower for longer than previously anticipated.

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SHOPS ACROSS OUR PORTFOLIO

Corporate responsibility

Corporate responsibility is embedded in the day-to-day operations of our business.

HIGHLIGHTS DURING THE YEAR

- London Benchmarking Group contribution of 3% of EPRA pre-tax earnings
- 85% of refurbishment schemes achieved a B or C grade EPC
- 83% of timber from certified sustainable sources
- 87% of refurbishment schemes achieved an above satisfactory score for the Considerate Constructors' Scheme
- 100% green tariff electricity in Carnaby, Seven Dials, Chinatown, Soho and our office
- No reportable health and safety incidents

The focus of our sustainability strategy is to extend the useful life of our buildings and, in doing so, preserve and enhance the heritage of London's West End. An essential aspect is to create economically sustainable environments through our long-term management strategy for our villages.

Most buildings in our portfolio are within conservation areas and some 25% are listed as being of special architectural interest. We preserve buildings and improve their environmental and economic performance through refurbishment and reconfiguration schemes, which are carried out within the constraints of current regulations protecting listed buildings and conservation areas. During the year, 85% of the EPCs issued following refurbishment schemes achieved a grade B or C.

see pages 52 to 53 for our performance against this year's targets and targets for the year ahead
see page 81 for greenhouse gas emissions
see pages 34 to 35 for redevelopment and refurbishment activity

Community engagement

Our long-term prosperity depends on the success of London's West End as a destination for domestic and overseas visitors as well as a place where businesses and residents want to be. We focus our community investment on the areas in which our villages are situated and in the aspects which benefit the West End both as a neighbourhood and visitor destination. We work closely with organisations based in the West End in social, leisure or arts fields and, in some cases, help them to be located in areas which they might otherwise be unable to afford.

Employees

We have 23 employees including executive directors with an average length of service of 13 years. There has, again, been no employee turnover (excluding retirement).

Our remuneration policy is closely aligned with our corporate responsibility strategy with performance forming part of our executive remuneration. All employees are eligible for the same range of benefits as the executive directors.

see page 62 for our policy on diversity
see page 71 for annual bonus achievments

Human rights

As the number of employees is small and the business of the Group is focused in the West End of London, human rights are considered in the Group's wider operations and throughout its supply chain.The Group intends to sign up to the UN Global Compact during the year ahead in recognition of the importance of human rights.

Our main report on corporate responsibility is available on our website.

Set out below is an extract from our summary corporate responsibility report against the key targets this year and the objectives for the year to 30 September 2015.

We are independently assessed by RPS Group plc.

OBJECTIVES	ACHIEVED IN 2014	TARGETS FOR 2015
Stakeholder and community engagement		
Maintain membership of various benchmarking indices	Membership of DJSI, Carbon Disclosure Project and FTSE4Good. EPRA sustainability reporting silver award winner. GRESB sector leader	Continue membership of DJSI, GRESB, FTSE4Good, Carbon Disclosure Project and others
Continue to support local community groups and be proactive in identifying and working with charitable and other organisations	Membership of the London Benchmarking Group and adoption of their methodology for reporting community involvement has continued. Contribution to community and stakeholders (including Section 106 payments) equates to 3% of EPRA pre-tax earnings	Continue membership of London Benchmarking Group and further develop benchmarking measurements for reporting
Environmental responsibility		
Invest in brownfield sites only	100% regeneration of central London sites	Continue to achieve 100% use and regeneration of brownfield sites as our portfolio expands
Operate in an environmentally sustainable manner throughout our activities	For 73% of refurbishment schemes, a minimum of 50% of facade and a minimum of 80% of the primary structure was retained	Maintain BREEAM criteria for re-use of structure and facade in 100% of refurbishment schemes ie a minimum of 50% of the facade and 80% of the primary structure re-used
	Of the EPCs obtained, 85% were a grade C or above following refurbishment	Extend the useful life of buildings and improve their sustainability by raising the energy performance certificate rating of properties being refurbished, according to predetermined targets
	Only one development scheme (fronting Kingly Street and Foubert's Place) was in progress during 2014. It is currently on track to achieve: • BREEAM 2008 Offices – Very Good • BREEAM 2008 Retail – Good • BREEAM 2008 Restaurants – Good	Aim for BREEAM "Very Good" for all new commercial developments
Timber to be sourced, where possible, from well-managed sources, certified by third-party certification bodies	Re-use of timber maximised throughout all schemes	Continue to maximise the proportion of timber that is re-used
	83% of timber has been confirmed as sustainably sourced with full chain of custody and 50% using Forestry Stewardship Commission timber	Source a minimum of 60% of all timber from certified sources and ensure all timber is purchased from legal sources

OBJECTIVES	ACHIEVED IN 2014	TARGETS FOR 2015
Monitor and, where possible, reduce energy consumption. Investigate opportunities for the use of renewable energy	Absolute energy consumption decreased in the wholly-owned portfolio by 3% Absolute energy consumption in Longmartin increased by 15% due to increased tenant occupancy Green tariff electricity usage: 30% of the portfolio sources 100% renewable energy. 45% of the remainder of the energy provided comes from suppliers with above average renewable sources	Achieve a year-on-year 5% energy reduction in both the wholly-owned portfolio and joint venture Purchase green electricity where costs are within 5% of brown electricity
Manage construction waste to ensure legal compliance and maximise re-use and/or recycling of non-hazardous waste	93% of contracts achieved target of a minimum of 80% recycled construction and demolition waste. 98% diversion from landfill, by weight, for applicable schemes	Aim to re-use or recycle a minimum of 80% non-hazardous demolition and construction waste
Portfolio waste – recycle a minimum of 30% in Carnaby and Seven Dials and divert 80% from landfill Recycle a minimum of 10% of tenants' waste in Longmartin and divert 80% from landfill	In Carnaby and Seven Dials, 45% of tenants' waste was recycled and 4% composted. Of the remaining waste, 100% was diverted from landfill to energy from waste In Longmartin, 25% of tenants' waste was recycled and the remaining waste was diverted from landfill to energy from waste	Recycle 40% of tenants' waste at Carnaby and Seven Dials and 30% at Longmartin and divert a minimum of 90% of waste from landfill
Social responsibility		
Ensure there are no reportable health and safety accidents/incidents throughout the portfolio	No reportable health and safety accidents recorded in a refurbishment project or in the day-to-day management of the portfolio	Aim for no reportable accident and incidents throughout the Group's activities
Ensure all refurbishment schemes above a specified capital value are registered with the Considerate Constructors' Scheme and continue to achieve 30 out of 50 (above a "satisfactory" score)	100% of eligible schemes were registered 87% of schemes achieved the target score on the first visit. The overall average for the sites visited was 33.6 out of 50	Continue to achieve 30 out of 50 (above a "satisfactory" score)

CHINATOWN'S ANNUAL FOOTFALL IS OVER 50 MILLION

Governance

Directors and officers


5


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10

Executive directors

1 BRIAN BICKELL, FCA
CHIEF EXECUTIVE

Overall responsibility for implementing the Group's strategy and day-to-day operations

Joined the Group in 1986

Board appointment
Appointed Finance Director on 20.7.1987 and Chief Executive on 1.10.2011

2 SIMON J QUAYLE, BSC, MRICS
EXECUTIVE DIRECTOR

Responsible for the asset management and operational strategy in Carnaby and the Group's holdings in Soho and Charlotte Street

Joined the Group in 1987

Board appointment
Appointed Property Director on 1.10.1997

3 THOMAS J C WELTON, MRICS
EXECUTIVE DIRECTOR

Responsible for the asset management and operational strategy in Covent Garden (including the Longmartin joint venture) and Chinatown

Joined the Group in 1989

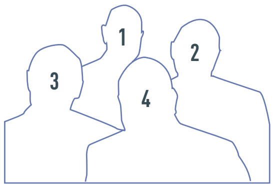
Board appointment
Appointed Property Director on 1.10.1997

4 CHRISTOPHER P A WARD, MA(OXON), ACA
FINANCE DIRECTOR

Responsible for implementation of the financial strategy and all aspects of accounting and taxation

Joined the Group in 2012

Board appointment
Appointed Finance Director on 9.1.2012



Chairman and non-executive directors

5 JONATHAN S LANE, MA, FRICS
NON-EXECUTIVE CHAIRMAN AND CHAIRMAN OF THE NOMINATION COMMITTEE

Board appointment
1986 as managing director

Experience
Chief Executive until 30.9.2011

Executive Deputy Chairman from 1.10.2011

Non-executive Chairman from 8.2.2013

External appointments
Non-executive director of easyHotel plc

Non-executive chairman of The Tennis Foundation

Trustee of the Royal Theatrical Support Trust

6 JILL C LITTLE*
NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

Board appointment 2010

Experience
John Lewis Partnership 1975 to 2012. Merchandise director on the board 2002-2011 and Business and Development director 2011-2012

External appointments
Interim chairman of the Commercial Panel of the National Trust

Non-executive director of Occa-Home

Consultant to various global retailers

7 SALLY E WALDEN*
NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE REMUNERATION COMMITTEE

Board appointment 2012

Experience
From 1984 to 2009 with Fidelity International where she held senior positions in fund management

External appointments
Trustee of the Fidelity Foundation

Trustee of Wiltshire and Swindon Community Foundation

8 DERMOT C A MATHIAS*
NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE

Board appointment 2012

Experience
Partner in the corporate finance department of BDO LLP from 1980

From 2002-2009 senior partner of the firm and chairman of the policy board of BDO International

External appointments
Non-executive director of Rectory Homes Limited

Non-executive chairman of Red & Yellow Limited

Advisory Board Member of Vermillion Partners Limited

Policy Board Member of Mainetti Group

9 OLIVER J D MARRIOTT*
NON-EXECUTIVE DIRECTOR

Board appointment 2009

Experience
Previously a financial journalist with roles as property editor on the Investors Chronicle and financial editor of The Times

Former chairman of Churchbury Estates Limited, Ilex Limited

Non-executive director of P&O from 1985-1991

10 HILARY S RIVA, OBE*
NON-EXECUTIVE DIRECTOR

Board appointment 2010

Experience
Chief Executive of the British Fashion Council from 2005-2009 and remained in a non-executive capacity until November 2010

Previously managing director of a number of high street retailers including Top Shop and Warehouse

External appointments
Non-executive director of London and Partners

Non-executive director of ASOS plc

* Independent non-executive directors for the purposes of the UK Corporate Governance Code.

More detailed biographical information is available on our website.

SECRETARY AND REGISTERED OFFICE

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Registered number: 1999238

REGISTRAR

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West Sussex BN99 6DA

CORPORATE WEBSITE

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VILLAGE WEBSITES

WWW.CARNABY.CO.UK

WWW.CHINATOWNLONDON.ORG

WWW.SEVENDIALS.CO.UK

WWW.STMARTINSCOURTYARD.CO.UK

WWW.BERWICKSTREETLONDON.CO.UK

Corporate timetable

FINANCIAL CALENDAR

Annual General Meeting	6 February 2015
AGM Statement	6 February 2015
2015 Half Year Results to be announced*	May 2015

* We no longer issue a hard copy of our half year statement to shareholders. The statement is issued electronically and available on our website. See the website for date of all future company announcements.

DIVIDENDS AND DEBENTURE INTEREST

Proposed 2014 final dividend:	
Ex-dividend	22 January 2015
Record date	23 January 2015
Payment date	13 February 2015
2015 interim dividend to be paid	July 2015
Debenture stock interest to be paid	31 March 2015 and 30 September 2015

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

REITs do not pay UK corporation tax in respect of rental profits and chargeable gains relating to property rental business. However, REITs are required to distribute at least 90% of their qualifying income (broadly calculated using the UK tax rules) as a PID.

Certain categories of shareholder may be able to receive the PID element of 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.

Further information and the forms for completion to apply for PIDs to be paid gross are available on the Group's website or from the registrar. The deadline for completed forms to be with the registrar for payment of the 2014 final dividend is 23 January 2015.

Where the Group pays an ordinary dividend, in addition to the PID, this will be treated in the same way as dividends from non-REIT companies.

Corporate governance

Chairman's statement on governance

This is my first full year as Chairman. The Board is committed to maintaining high standards of corporate governance and transparency throughout all aspects of our business.

The Group has continued to comply with the principles of the UK Corporate Governance Code with the exception that, owing to my previous tenure as an executive, I was not independent upon my appointment as Chairman.

There have been changes in the regulatory regime over the last twelve months with more on the horizon. Corporate governance is always high on the Board's agenda and the Board has been monitoring and responding to these changes. Each Committee has met regularly and the work it has undertaken this year is summarised in the individual Committee reports.

At the 2014 AGM, Gordon McQueen retired from the Board and was succeeded as Senior Independent Director by Jill Little and Dermot Mathias as chairman of the Audit Committee. Jill Little stood down as chairman of the Remuneration Committee and was succeeded by Sally Walden.

Jonathan Lane
Chairman

THE BOARD

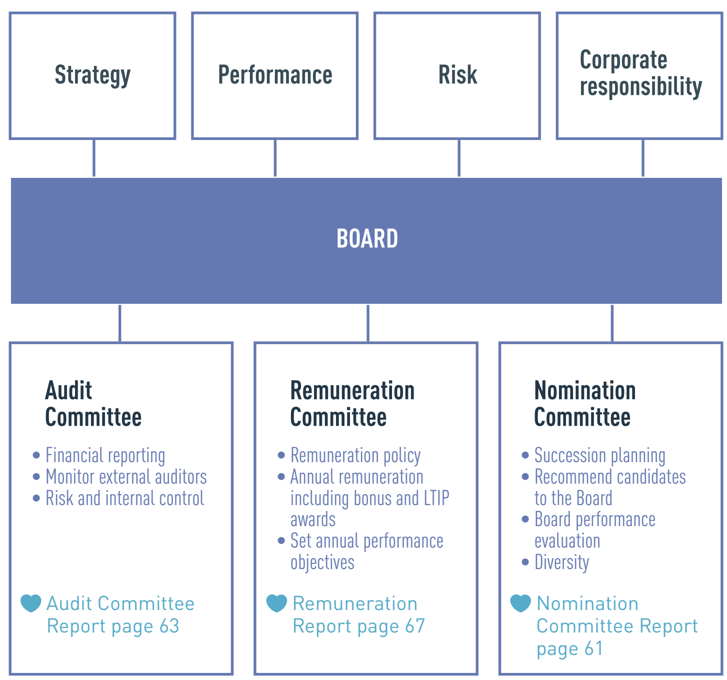
The Board is responsible for the leadership of the Group and the long-term success of the business. It oversees the Group's strategy and its implementation, ensuring that an appropriate financial and operational structure is in place.

see pages 8 to 22 for further detail on the Group's strategy and business model.

Jonathan Lane as Chairman is responsible for the leadership of the Board, ensuring it operates effectively and setting the agenda. Brian Bickell, as Chief Executive, is responsible for the Group's day-to-day operations. There is a clear division of responsibilities between the two roles. The Board delegates responsibility within specific parameters to management to enable effective operation of the business.

The Board has three Committees with responsibilities defined in their terms of reference. Each Committee's terms of reference were reviewed and updated during the year. These are available on the Group's website. The independent non-executive directors are members of all three committees.

The company secretary is responsible for advising the Board, through the Chairman, on all governance matters.



BOARD COMPOSITION

The composition of the Board is important to ensure that there is effective leadership of the Group. There is a balance of executive and non-executive directors with a wide range of business skills, including property, finance, retail and fund management that contribute to the Group's operations. Each of the non-executive directors, other than the Chairman, is considered by the Board to be independent.

Committees comprise only independent non-executive directors, other than the Nomination Committee, which is chaired by Jonathan Lane as permitted by the UK Corporate Governance Code.

Attendance by the directors at Board meetings is set out below. Attendance at Committee meetings is set out in each Committee report. There was 100% attendance at Board and Committee meetings.

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED (5 HELD)
Brian Bickell	Chief Executive	●●●●●
Simon Quayle	Property director	●●●●●
Thomas Welton	Property director	●●●●●
Christopher Ward	Finance director	●●●●●
Jonathan Lane	Chairman	●●●●●
Gordon McQueen*	Non-executive director and Senior Independent Director (to 7.2.2014)	●●
Oliver Marriott	Non-executive director	●●●●●
Dermot Mathias	Non-executive director	●●●●●
Jill Little	Senior Independent Director (from 7.2.2014) and non-executive director	●●●●●
Hilary Riva	Non-executive director	●●●●●
Sally Walden	Non-executive director	●●●●●

* Gordon McQueen: two meetings were held in the period prior to his retirement on 7 February 2014.

The non-executive directors met on a number of occasions during the year without management present.

see pages 61 to 79 for committee reports

BOARD PERFORMANCE EVALUATION

Following interviews of a number of external consultants by the Chairman and company secretary, Jane Kirton Consulting was appointed by the Board to undertake the board performance review this year. The scope and focus of the review was agreed with the Chairman. Interviews were conducted with each member of the Board and the company secretary to ascertain their views on the following subjects:

- operation of the Board
- principal business risks
- performance of the Committees
- topics for discussion at the Board
- timing of meetings and time management
- priorities for the Board for the year ahead
- process for future reviews

The results of the evaluation were tabled at meetings of the Nomination Committee and the Board.

No major issues were identified. The Board felt that recent changes in its composition were working well, that it was working cohesively and that there was a good quality of discussion at meetings. Regular visits to the Group's holdings were considered to be exceptionally valuable.

A review of the performance of the directors and Chairman was also undertaken.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for determining the nature and extent of the significant risks impacting the Group's operations and maintaining the risk management framework and internal control systems. The Board reviews these arrangements annually.

Such systems are designed to manage, rather than eliminate, the risks faced by the business and can provide only reasonable, not absolute, assurance against material misstatement or loss. Their adequacy and effectiveness are monitored through the risk management and audit processes which include financial and property management audits.

The Group has established processes and procedures to identify, assess and manage the significant risks it faces. These processes and procedures were in place throughout the year and remained in place up to the date of the approval of the Annual Report and comply with the Financial Reporting Council's guidance "Internal Control – Revised Guidance for Directors on the Combined Code".

The key elements of the Group's procedures and internal financial control framework, which are monitored throughout the year, are:

- Close involvement of the executive directors in all aspects of day-to-day operations, including regular meetings with employees to review all operational aspects of the business, including risks and controls.
- Clearly defined responsibilities and limits of authority, which have recently been reviewed.
- Defined schedule of matters for decision by the Board including significant acquisitions, disposals, major contracts and material refurbishment or development proposals and any other item outside the normal course of business.
- A comprehensive system of financial reporting and forecasting.
- The day-to-day management of the Group's portfolio is outsourced to three managing agents. The Group monitors the performance of each managing agent and has established extensive financial and operational controls to ensure that each maintains an acceptable level of service and provides reliable information. The managing agents share with the Group their internal control assessments. The Group periodically uses the services of an external consultant to review the managing agents' operational processes and controls.
- A comprehensive risk and control register which is reviewed regularly and reported to the Audit Committee and Board.

see pages 47 to 49 for a summary of the risk management framework, the principal risks and uncertainties identified by the Board, and how they are managed or mitigated.

The Audit Committee has not identified any material weaknesses in the Group's control structure during the year.

see the Audit Committee report on pages 63 to 66

GOING CONCERN

The Group's business activities, together with the factors affecting performance, financial position and future development are set out in the Strategic Report on pages 1 to 53. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 43 to 44.

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.

REMUNERATION

see Remuneration report on pages 67 to 79

RELATIONS WITH SHAREHOLDERS

The Board places great importance on regular contact with both shareholders and potential investors, in order to explain the Group's strategy and its implementation. Investor relations is the responsibility of the Chief Executive.

Annual and half year results are presented to formal meetings of real estate analysts. Dial-in and replay facilities are made available. Copies of these presentations are available on the corporate website from the time of the meeting. Analysts are encouraged to tour the portfolio, so they maintain a good understanding of the Group's activities.

During the year, the Chief Executive and executive directors met around 200 UK and overseas institutional investors comprising both current and potential shareholders. 175 meetings were held in the UK, the Netherlands, the USA and Switzerland. Meetings comprised individual and group presentations and tours of the portfolio. The tours provide an opportunity to see the Group's assets, understand management initiatives, and also to meet members of the team below Board level. In addition, during the year, members of the UK Shareholders' Association, which represents the interests of private investors, attended a tour of the portfolio. Meetings are offered to key corporate contacts including bankers and debt providers.

Feedback from presentations and meetings is provided to the Board, together with published analyst comments on the Group.

The corporate website, together with the websites and social media channels used to promote the villages, are important sources of information on the Group, explaining the Group's philosophy, strategy, current activities and events across the villages.

Nomination Committee report

Dear shareholder

The role of the Committee is to lead the process for board appointments and evaluate the balance of skills, experience and independence of board members. The Committee also has oversight of the Group's training and development processes below Board level to ensure that employees have appropriate skills and that they continue to develop in their roles.

The Committee continues to monitor the composition of the Board so that future succession is managed effectively. The Committee oversaw the changes in non-executive director roles which came into effect at the conclusion of the 2014 AGM.

Jonathan Lane
Chairman – Nomination Committee

COMMITTEE MEMBERS AND ATTENDANCE

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED (3 HELD)
Jonathan Lane	Chairman	●●●
Jill Little	Senior Independent Director (from 7.2.2014) and Member	●●●
Gordon McQueen*	Senior Independent Director and Member (until 7.2.2014)	●
Oliver Marriott	Member	●●●
Dermot Mathias	Member	●●●
Hilary Riva	Member	●●●
Sally Walden	Member	●●●

* Gordon McQueen: one meeting was held in the period prior to his retirement on 7 February 2014

COMMITTEE ATTENDEES BY INVITATION ONLY

ATTENDEES	POSITION
Brian Bickell	Chief Executive
Penny Thomas	Secretary to the Committee

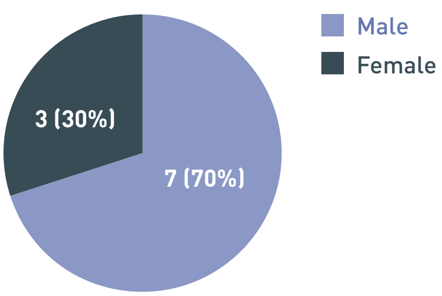
KEY ACTIVITIES DURING THE YEAR
Succession planning for the Board and senior executives
Considered the Board and Committee performance evaluation results
Evaluated the skills of the directors for re-election
Proposed directors for re-election
Reviewed training undertaken by directors
Reviewed the annual committee report
Recommended to the Board the appointment of the Senior Independent Director
Recommended to the Board the appointment of chairs of Board committees
Recommended to the Board updated Committee terms of reference

POLICY ON DIVERSITY

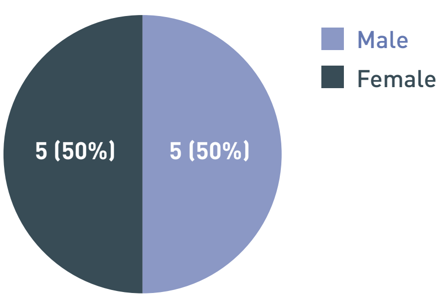
All aspects of diversity, including but not limited to gender, are considered at every level of recruitment. All appointments to the Board are made on merit. The Board has a policy on diversity and states clearly that the Board seeks a composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate in determining its composition and has therefore chosen not to set targets.

The Board has 30% female representation, which exceeds Lord Davies' target for FTSE 100 company boards to be 25% female by 2015. Gender diversity of the Board and Company is set out below showing both number of employees (total 23) and percentage that this relates to.

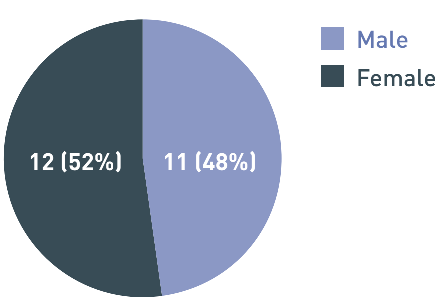
BOARD



SENIOR MANAGEMENT



ALL EMPLOYEES (INCLUDING EXECUTIVE DIRECTORS)



The Group supports initiatives to promote diversity within the property industry. Brian Bickell is a board member of Freehold, a networking forum for LGBT people working directly in real estate and the professions associated with the industry.

The Group has policies for flexible working which are utilised by 3 of 23 employees.

SUCCESSION PLANNING

The Board comprises a team of four executive directors, three of whom have an average length of service with the Company of 27 years. Continuity of experience and knowledge, particularly of the unique environment of London's West End, is particularly important in a focused, long-term business. The executive team is complemented by six non-executive directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy.

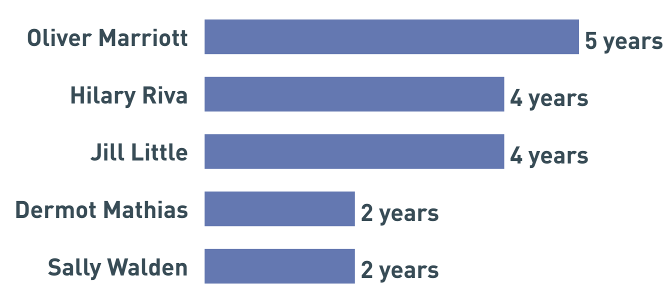
A key responsibility of the Committee is to advise the Board on succession planning. The Committee ensures that evolution of the Board's membership is planned and properly managed, and that in the event of unforeseen changes, management and oversight of the Group's business and long-term strategy will not be disrupted.

The Committee also addresses continuity in, and development of, the executive management team below board level. Development of the Group's employees is considered at each meeting of the Committee.

DIRECTORS STANDING FOR RE-ELECTION

All directors will stand for re-election at the 2015 AGM. Following the annual Board performance reviews of individual directors, the Chairman considers that each director continues to operate as an effective member of the Board and has the skills, knowledge and experience that enables them to discharge their duties properly. On the advice of the Committee, the Board, therefore, recommends the re-election of each director standing for re-election.

The current tenure of independent non-executives is set out below.



see pages 56 to 57 and the website for biographical information on each director

Audit Committee report

Dear shareholder

This is my first report as Chairman of the Audit Committee, following my appointment to the role at the conclusion of the 2014 AGM.

The Committee is tasked with reviewing and reporting to the Board on financial reporting, internal control and risk management, and reviews the performance, independence and effectiveness of the external auditors in carrying out the statutory audit.

The Committee advises the Board on the statement by directors that the Annual Report, when read as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. Following significant changes to narrative reporting and corporate governance disclosures in the Annual Report last year, the Committee has, this year, monitored emerging practice in these areas.

Dermot Mathias
Chairman - Audit Committee

COMMITTEE MEMBERS AND ATTENDANCE

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED (3 HELD)
Dermot Mathias	Chairman (from 7.2.2014)	●●●
Gordon McQueen*	Chairman and Senior Independent Director (until 7.2.2014)	●
Jill Little	Senior Independent Director (from 7.2.2014) and member	●●●
Oliver Marriott	Member	●●●
Dermot Mathias	Member	●●●
Hilary Riva	Member	●●●
Sally Walden	Member	●●●

* Gordon McQueen: one meeting was held in the period prior to his retirement on 7 February 2014

Both Gordon McQueen and Dermot Mathias have been or are the members of the Committee with recent and relevant financial experience.

COMMITTEE ATTENDEES BY INVITATION ONLY

ATTENDEES	POSITION
Penny Thomas	Secretary to the Committee
Christopher Ward	Finance Director
Gareth Field Robert Jessett	Senior members of the finance team
PricewaterhouseCoopers	Independent auditors

At each meeting, the Committee has time with the auditors without management present.

KEY ACTIVITIES DURING THE YEAR
Reviewed and monitored the integrity of the published financial information including the year end results, preliminary announcement, Annual Report, half year results, and the Interim Management Statements
Considered emerging best practice in relation to corporate reporting
Reviewed significant issues and areas of judgement with the potential to have a material impact on the financial statements, making any consequent recommendations to the Board
Advised the Board on the statement by directors that the Annual Report, when read as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy
Met with the Group's valuers to discuss the valuation process
Reviewed the risk and internal control framework
Considered the appropriateness of the going concern assumption
Planned for year end and reviewed the audit plan
Reviewed the whistle-blowing policy
Considered the need for an internal audit function
Reviewed the Committee's performance
Reviewed the Committee Report
Approved non-audit assignments awarded to the external audit firm
Monitored audit and non-audit fees
Considered the independence and objectivity of the auditors
Reviewed the auditors' performance and made a recommendation for the re-appointment of the Group's auditors by shareholders
Monitored developments in mandatory auditor tendering
Recommended to the Board updated Committee terms of reference

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

The Committee considers all financial information published in the annual and half year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, the key judgements made by management in preparing the financial statements.

The directors are responsible for preparing the Annual Report. The Committee considered whether the Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. In carrying out this exercise the Committee had regard to the systems and controls around the preparation of the accounts, the procedures to bring relevant information to the attention of the preparers of the accounts, the consistency of the reports and whether they are in accordance with the information provided to the Board during the year. It also considered whether the Annual Report had been written in straightforward language, without unnecessary repetition of information.

The Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable and included the necessary information as set out above. It confirmed this to the Board, whose statement in this regard is set out on page 82.

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration, and particularly those which involve a high level of complexity, judgement or estimation by management.

- **Valuation of investment properties**

  The valuation opinion is provided by independent external valuers and is one of the critical components of the annual and half year financial results. It is inherently subjective, requiring significant judgement. As well as a detailed review of the valuations by management, members of the Committee met the Group's valuers, without management present, before finalisation of the annual and half year results. At these meetings, they discussed the valuations, reviewed the key judgements and discussed whether there were any significant disagreements with management. They also discussed current market conditions, recent transactions in the market and any impact these have had on the valuation.

  The auditors use internal real estate specialists, who meet with the valuers as part of their audit and report their findings and conclusions to the Committee. A member of the Committee discussed the valuation with the auditors' real estate expert who had reviewed this year's valuation. The Board considered the valuation in detail at its meeting to approve the financial statements; as part of this the Group's wholly-owned portfolio valuers presented their valuation opinion.

- **Other areas of judgement**
  In addition, the Committee has considered a number of other judgements which have been made by management, none of which were material in the context of the Group's results or net assets. These include judgements concerning the charge for equity settled remuneration and the valuation of derivative financial instruments.
- **Going concern**
  The Committee reviewed whether it was appropriate to adopt the going concern assumption in the preparation of the results. In considering this, it reviews the Group's three-year profit, cash flow and investment forecasts, availability of committed bank and debt facilities and expected headroom under the financial covenants in those facilities. Following the review, it recommended to the Board that it was appropriate to adopt the going concern basis.

Management confirmed to the Committee that they were not aware of any material misstatements and the auditors confirmed that they had found no material misstatements in the course of their work.

After reviewing the reports from management and following its discussions with the auditors and valuers, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust.

RISK REVIEW PROCESS

As part of standing matters, the Committee and the Board review the business risks and internal controls' framework during the year.

The Group's principal risks and uncertainties are reported in the Strategic Report and the Group's internal control and risk management procedures are set out in the Corporate Governance Report.

see risk management pages 47 to 49 and corporate governance page 60

EXTERNAL AUDITORS

The Committee remains satisfied with the effectiveness of the external audit. The auditors are required to rotate the audit partners responsible for the Group audit at least every five years and those responsible for the subsidiary company audits at least every seven years. The current lead audit partner has been in position for four years. There are no contractual obligations restricting the Group's choice of external auditor.

Regulatory developments during the year will affect the audit arrangements of listed companies. PricewaterhouseCoopers LLP (or its predecessor firms) has been the Group's auditors since it listed on the London Stock Exchange in October 1987. Although the audit was last tendered in 2010, under the new regulations they will no longer be permitted to act as the Group's auditor after 2020. In view of this and emerging best practice, and notwithstanding the professional level of service provided by PricewaterhouseCoopers, the Committee has decided to tender the audit with a view to changing auditor from the year ending 30 September 2016. This will coincide with the rotation of the current audit partner at the conclusion of the audit for the year ending 30 September 2015.

AWARD OF NON-AUDIT ASSIGNMENTS TO THE EXTERNAL AUDIT FIRM

The policy of the Committee is that non-audit assignments are not awarded to the external audit firm if there is a risk that their audit independence and objectivity could be compromised and that, other than in exceptional circumstances, non-audit fees should not exceed audit and assurance fees.

In addition, the award of any non-audit assignment to the Group's auditors in excess of £25,000 is subject to the prior approval of the Committee. One assignment was approved during the year, under this policy, for the Group's tax compliance work.

AUDIT FEES

Fees payable to the Group's auditors for audit and non-audit services are set out below:

	2014 £'000	2013 £'000
Audit of the parent company's annual accounts	**56**	50
Audit of the consolidated Group	**93**	83
Total audit services	**149**	133
Audit related assurance services – half year review	**20**	20
Other assurance services	**-**	-
Total assurance services	**20**	20
Total audit and assurance services	**169**	153
Tax compliance services	**36**	36
Tax advisory services	**73**	24
Services related to taxation	**109**	60
Other non-audit services	**7**	6
Total fees related to taxation and other non-audit services	**116**	66
Total fees	**285**	219

Total fees related to taxation and other non-audit services represented 69% of the total fees for audit and assurance services (2013: 43%). Tax advisory services represent various assignments carried out during the year, none of which were individually significant.

The audit fees for the Company and the Group are relatively low due primarily to the simple Group corporate structure.

ANNUAL AUDITOR ASSESSMENT

Annually, the Committee assesses the qualifications, expertise and resources, and independence of the Group's external auditors, as well as the effectiveness of the audit process. It does this through discussion with the Finance Director, review of a detailed assessment questionnaire and confirmation from the external auditor. The Chairman of the Committee and the Finance Director meet with an independent partner from the external audit firm without the audit team present.

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

The Committee has completed its assessment of the external auditors for the financial period under review. It has satisfied itself as to their qualifications, expertise and resources and remains confident that their objectivity and independence are not in any way impaired by reason of the non-audit services which they provide to the Group.

The Committee recommended to the Board that PricewaterhouseCoopers LLP continue as auditors and the Board recommends their re-appointment at the 2015 AGM.

INTERNAL AUDIT

In view of the focused nature of the Group's business, the close involvement of the executive directors in day-to-day decision making and relatively simple structure, together with the regular independent reviews of the processes and controls of managing agents, the Committee recommended to the Board that, at the present time, it considers there is no need to establish an internal audit function.

Remuneration report

Dear shareholder

This is my first report as Chairman of the Remuneration Committee, having taken over the role at the conclusion of the 2014 AGM.

Our remuneration policy sets out our approach to the reward of executive and non-executive directors. It reflects the Committee's aim that overall levels of executive remuneration should be fair whilst maintaining stability in the management of this long-term business.

Last year, for the first time under the new regulations on directors' remuneration, our remuneration policy was tabled for approval by shareholders at the 2014 AGM. We were pleased to have received a 99% vote in support.

As no changes to our policy are proposed for the year ahead, it is not subject to shareholder approval. The full policy is available on the Group's website and a short summary of the policy table is set out below.

Our results this year show further growth in net asset value, rents, earnings and dividends. We also refinanced near-term debt and raised £153.2 million in an equity placing. This performance has been taken into account when considering variable remuneration for the executive directors.

The Committee's key decisions during the year related to:

- **a review of basic salaries**
  Salaries have been reviewed with effect from 1 December 2014 with increases of 3% which is below other employees in the Group. Christopher Ward received an increase of 9%, recognising that when he joined the Group in 2012, he received a lower salary as he was new to the role. This is the final year where he will receive a signficantly higher than average increase.
- **annual bonus awards**
  For the annual bonus scheme, performance is measured against the Group's KPIs and other objectives which are critical to long-term value creation for shareholders. The outcome of performance against these targets is a bonus award of 75%. Each executive director will take their bonus in shares.
- **LTIP**
  A grant of nil cost options under the LTIP was made in December 2013 at 125% of basic salary, below the policy limit of 150%. Vesting will be subject to the same performance criteria that have been applied since the scheme was approved by shareholders in 2006. Performance is measured against TSR versus the FTSE 350 Real Estate Index and NAV growth in excess of RPI plus 3% over a three year period.

  These performance measures incentivise value creation for shareholders and the increase in the value of the Group's assets. The Committee believes that these performance targets remain appropriate and provide a consistent approach to measurement to determine vesting levels in the scheme.

  LTIP awards granted in 2011 will vest in December 2014 and January 2015, based on a three year performance period ending 30 September 2014. The TSR target was not met, whilst the NAV target was met in full, resulting in 50% vesting of the total award.

  The current LTIP will expire in 2016 and therefore, during the course of 2015, the Committee will undertake a review of our LTIP arrangements. A new plan will be proposed to shareholders at the 2016 AGM.
- **remuneration review**
  The Committee concluded no changes to the remuneration policy were required at ths time. However, the Committee is taking steps to implement the changes to the UK Corporate Governance Code and the requirement to introduce clawback arrangements into variable remuneration schemes. The Group already operates malus provisions in the Deferred Annual Share Bonus scheme and the LTIP and is introducing clawback for the performance year ending 30 September 2015 in respect of the annual bonus, and for LTIP awards being made in December 2014.

Although the Committee has discretion within the boundaries of the remuneration policy, it has not this year exercised any such discretion.

The Annual Remuneration Report which follows will be proposed for an advisory vote at the 2015 AGM.

Sally Walden
Chairman – Remuneration Committe

Context for the Group's approach to remuneration

The Group has 23 employees, including four executive directors.

The combined holdings of the four executive directors stand at just over 2.5 million shares with a market value of £17 million at the year end. Brian Bickell, Simon Quayle and Thomas Welton have an average length of service of 27 years and the value of their individual shareholdings is approximately 14 times their annual salary. They have built up substantial shareholdings in the Group mainly through retaining shares awarded under current and previous employee share schemes. They have taken their annual bonus in shares for 8 out of the 9 years since the inception of the Deferred Annual Share Bonus scheme and retained shares vesting each year from the LTIP.

The Group's small team of executive directors and key staff all have a close involvement in the continuing development of the Group's management strategies and their implementation. Consequently, the Committee considers it appropriate that, in setting objectives and measuring performance, emphasis is placed on team rather than individual performance. The average length of service below Board level is 11 years.

Summary of remuneration policy

There are no changes to the policy that was approved by shareholders at the 2014 AGM. A summary of the remuneration policy is set out below. It does not replace or override the full approved policy, which is available on the Group's website and sets out our policy on recruitment, loss of office, and termination of employment and change of control.

ELEMENT OF REMUNERATION	MAXIMUM OPPORTUNITY	PERFORMANCE PERIOD/ MEASURES
EXECUTIVE DIRECTORS		
Salary	No maximum – reviewed annually; details of increases provided in annual remuneration report	None
Annual bonus	Directors have the choice to take the bonus in shares or cash, in full or part as follows: Up to 125% of salary if taken entirely in shares (and held for three years in the Annual Deferred Share Bonus scheme) or Up to 100% of salary if taken entirely in cash	Performance is measured over one year and assessed against a set of key financial and non-financial annual measures which may vary each year depending on the priorities of the business
LTIP	Maximum value 150% of salary at date of grant in normal circumstance. Maximum value 200% of salary in exceptional circumstances Threshold vesting is 10% of maximum award for TSR and 15% of maximum award for NAV	Two equally weighted measures apply over a three-year performance period: • TSR versus FTSE 350 Real Estate Index • NAV growth in excess of RPI plus 3% The detailed metrics are set out in the Annual Remuneration Report on pages 69 to 79
Pension	25% of salary Contribution paid into a personal pension plan or taken as a cash equivalent, reduced for employer's national insurance liability	None
Other benefits and all employee plans	It is not anticipated that the cost of benefits provided will exceed 15% of salary over the term of the approved policy. The Committee retains the discretion to approve a higher cost in exceptional circumstances or where factors outside the Company's control have changed materially eg increases in insurance premiums Directors may also participate in the Group's sharesave scheme	None
NON-EXECUTIVE DIRECTORS		
Fees	Fees are reviewed every two years. An additional fee is payable to reflect the additional time commitment required to chair Board committees or act as Senior Independent Director	None

Clarification of recruitment policy

Following the publication of the policy report last year, we made a statement to clarify the use of Listing Rule 9.4.2R to make awards of a different structure at recruitment. The Committee confirmed that the use of the power under Listing Rule 9.4.2R will only be used by the Company in the case of recruitment of an executive director for the buyout of any pre-existing incentive awards which would be forfeited on leaving a previous employer, and any such buyout, would have a fair value no higher than the awards forfeited. Further details of our policy on recruitment and cessation of directors may be found in the full policy report on the website.

Clawback

Clawback provisions are being introduced for the LTIP and the Deferred Annual Share Bonus scheme during the financial year ending 30 September 2015.

Annual Remuneration report

Set out below is the Annual Remuneration Report on directors' pay for the year ended 30 September 2014. The Committee determines executive directors' remuneration in accordance with its terms of reference and the Group's remuneration policy.

Committee members and attendance

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED (5 HELD)
Jill Little	Chairman (to 7.2.2014) member (full year) and Senior Independent Director (from 7.2.2014)	●●●●●
Sally Walden	Member (full year) and Chairman (from 7.2.2014)	●●●●●
Gordon McQueen*	Senior Independent Director and member (until 7.2.2014)	●●
Oliver Marriott	Member	●●●●●
Dermot Mathias	Member	●●●●●
Hilary Riva	Member	●●●●●

* Gordon McQueen: two meetings were held in the period prior to his retirement on 7.2.2014

Committee attendees by invitation only

ATTENDEES	POSITION
Jonathan Lane	Chairman
Brian Bickell	Chief Executive
Penny Thomas	Secretary to the Committee

Advisors to the committee

The Committee's appointed advisors for the first half of the year were Kepler Associates. Kepler had been appointed following a competitive tender process in 2012 and the Committee is satisfied that advice provided was independent and objective. During the year, fees of £3,000 were incurred. All fees paid during the year relating to the 2013 Annual Report were reported in that year.

A new advisor will be appointed in 2015.

Key activities during the year

Determined pay and benefits for the executive directors and company secretary and monitored the relationship between pay and benefits of other employees and executive directors
Operation of the annual bonus scheme (including performance objectives) for the executive directors, the company secretary and employees for the year ahead
Determined awards under the annual bonus scheme for executive directors and the company secretary and monitored the relationship between awards for other employees and executive directors
Ratified LTIP vesting calculated by reference to the degree of attainment of performance conditions set at the date of award
Determined annual LTIP awards and performance conditions
Annual review of remuneration policy
Reviewed the Remuneration Report
Completed the review of Group 2013 remuneration strategy
Considered implementation of clawback provisions for the annual bonus/Deferred Annual Share Bonus scheme and the LTIP
Recommended to the Board updated Committee's terms of reference
Monitored remuneration advisor and fees
Monitored emerging best practice in remuneration practice and reporting

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 30 September 2014 and the prior year:

	SALARY		BENEFITS [3]		PENSION BENEFIT [4]		SINGLE YEAR VARIABLE [5]		MULTIPLE YEAR VARIABLE [6]		OTHER [7]		TOTAL	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
B Bickell[1]	**421**	442	**60**	53	**92**	97	**431**	223	**365**	245	**28**	15	**1,397**	1,075
S J Quayle	**323**	313	**55**	42	**71**	75	**305**	158	**259**	236	**22**	14	**1,035**	838
T J C Welton	**323**	313	**54**	43	**71**	75	**305**	158	**259**	227	**21**	14	**1,033**	830
C P A Ward	**296**	271	**30**	24	**70**	66	**281**	138	**222**	-	**13**	1	**912**	500
J S Lane[2]	**-**	62	**-**	25	**-**	-	**-**	-	**-**	323	**9**	20	**9**	430

1. Brian Bickell's salary was reduced by £38,000 reflecting one month of unpaid leave taken during the year.
2. At the 2013 AGM, Jonathan Lane retired as executive Deputy Chairman and was appointed non-executive Chairman. His remuneration in respect of his role as Deputy Chairman is shown above and as Chairman is shown in the single figure for non-executive directors below.
3. Benefits comprise car benefit, permanent health insurance, life insurance and health insurance.
4. Pension contribution is 25% of salary and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group
5. Payment for performance during the year ie annual bonus. For 2014, the executive directors received bonuses of 93.75% of salary in shares or 75% of salary in cash. Each director has elected to take their 2014 bonus entirely in shares. No further performance criteria apply.
6. Multiple year variable is the vesting of shares in the LTIP. 50% of LTIP awards granted in December 2011 will vest on 7 December 2014 and 17 January 2015. The TSR performance condition for the three year performance period was not met whilst NAV performance was met and resulted in full vesting of the 50% element of the award. The value of these awards has been calculated by multiplying the number of shares that will vest by the 3-month average share price to 30 September 2014 of £6.75. The 2013 estimated figure has been restated to reflect actual share price at the date of vesting.

   Awards vesting for Jonathan Lane in 2013 and 2014 were pro-rata according to the time he was an executive director.
7. This includes sharesave options which have been valued based on the monthly savings amount and the discount provided of 20%. It also includes any dividend equivalents to be paid in respect of LTIP shares due to vest on 7 December 2014 and 17 January 2015 and dividend equivalents paid on the Deferred Annual Share Bonus Scheme which vested on 17 December 2013.

Annual bonus achievements for year ended 30 September 2014

Retrospective disclosure of the extent to which the targets for the 2014 annual bonus have been met is provided below. The bonus will be paid in December 2014 and is included in the single figure remuneration. The Group is a long-term business and looks to maintain a consistent approach to target setting for both annual and long-term incentives. The Committee is mindful that annual incentive payouts should fairly reflect performance in the round. The formulaic outturn of quantitative targets is therefore considered in the context of factors such as the buoyancy of occupier demand in the wider West End market and progression against longer-term strategic goals, to determine whether the level of bonus is appropriate.

MEASURE	WEIGHTING	TARGET	ACHIEVEMENT	COMMENT	PERCENTAGE AWARDED
Portfolio performance					
• Achieve growth in ERVs	20%	Extent by which commercial lettings or lease renewals exceed valuers' ERV in previous year: Minimum – 3% Maximum – 5%	Commercial lettings exceeded previous year ERV on average by 5.5%	Although each of these income targets was exceeded and the expense target was substantially met, the Committee recognised that occupier demand generally in the West End had been very buoyant throughout the year	**40%**
		Annual growth in Group total ERV (like-for-like): Minimum – 3% Maximum – 5%	Annual growth in total ERV 6.6%		
• Let vacant space on a timely basis	10%	Complete lettings within target periods set by use (range 1 – 4 months)	Average void period (measured from date space became available to let): 1 month		
• Effectively achieve full lettings	10%	ERV of space available to let not to exceed 3% of Group ERV (measured quarterly)	Average available to let vacancy during year: 2.3% of Group ERV		
• Manage property expenses as a percentage of rental income	10%	Ratio of property outgoings to gross rents receivable not to exceed rolling three year average (like-for-like)	Ratio for year: 12.6% Rolling three year average: 12.4%		
Corporate responsibility performance	10%	Maintain relative rankings in key indices: • DJSI • GRESB	2014 rankings improved against 2013. DJSI score increased from 65 to 68, GRESB stayed at number three in peer group	Target exceeded	**10%**
Deliver projects/ transactions successfully	40%	Specific operational objectives to be met during the year critical to: • progressing key long term property projects • maintaining long-term stability in the Group's financing arrangements	Operational objectives which were targeted for completion during the year were substantially fully met	In the case of targets set in respect of longer-term projects, progress was evident, but was considered not yet conclusive in assessing the liklihood of their ultimate successful delivery	**25%**
Maximum performance target	**100%**				
Actual performance as a % of maximum					**75%**

Note: The executive directors elected to receive their annual bonus entirely in shares which equates to 93.75% of salary out of a maximum opportunity of 125% of salary.

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 30 September 2014 and the prior year:

	FEE		COMMITTEE CHAIR FEES		TOTAL	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
J S Lane[1]	125	73	-	-	125	73
J C Little	53	50	8	8	61	58
W G McQueen[2]	19	50	3	8	22	58
O J D Marriott	53	50	-	-	53	50
D C A Mathias	53	50	5	-	58	50
H S Riva	53	50	-	-	53	50
S E Walden	53	50	5	-	58	50

1. Non-executive Chairman from 8 February 2013. See also single figure remuneration for executive directors on page 70.
2. Gordon McQueen retired from the Board on 7 February 2014.

Gains made by directors on exercise of share options (audited)

The directors below exercised nil cost options which had vested in the LTIP in December 2013. Executive directors sold sufficient shares to meet income tax and national insurance liabilities on exercise. Jonathan Lane sold all his vested shares.

Shares from the Deferred Annual Share Bonus scheme were also released in December 2013 and were transferred to participants. Brian Bickell retained all the shares released from the scheme and met the tax and national insurance liability from his own funds. Simon Quayle and Thomas Welton sold sufficient shares to meet income tax and national insurance liabilities and retained the balance. Jonathan Lane sold 22,161 shares and retained 5,000 shares.

Total gains are set out below:

	2014 £'000	2013 £'000
B Bickell	281	796
S J Quayle	271	715
T J C Welton	261	672
J S Lane *	376	1,103
	1,189	3,286

* The shares released to Jonathan Lane relate to awards received during his time as an executive director.

Share scheme interests awarded during the year (audited)

	DATE OF GRANT	SCHEME	AWARDS MADE DURING THE YEAR	MARKET PRICE AT DATE OF AWARD £	FACE VALUE AT DATE OF AWARD £
B Bickell	20.12.2013	LTIP*	94,900	6.06	575,094
	17.12.2013	Deferred Annual Share Bonus Scheme**	36,238	5.98	216,703
S J Quayle	20.12.2013	LTIP*	67,000	6.06	406,020
	17.12.2013	Deferred Annual Share Bonus Scheme**	25,651	5.98	153,393
T J C Welton	20.12.2013	LTIP*	67,000	6.06	406,020
	17.12.2013	Deferred Annual Share Bonus Scheme**	25,651	5.98	153,393
C P A Ward	20.12.2013	LTIP*	61,900	6.06	375,114
	17.12.2013	Deferred Annual Share Bonus Scheme**	22,394	5.98	133,916

* Awards of nil cost options were made at 125% of salary. The LTIP performance period is 1.10.2013 to 30.9.2016; performance measures are set out on page 74.

** Deferred Annual Share Bonus Scheme relates to the annual bonus in respect of the year ended 30.9.2013 taken in shares. No further performance criteria are applied to share awards under this scheme.

Both the schemes are described in detail in the policy table on the Group's website.

Directors’ share scheme interests (audited)

1. Deferred Annual Share Bonus Scheme

Where directors elect to take their annual bonus in shares, these are held for a minimum of three years in an employee benefit trust; they may be left in the scheme for up to seven years. Income tax and employees’ national insurance are payable on release based on the market value of the shares at that date. Dividend equivalents accrue on shares held in the trust and on release are paid net of income tax and employees’ national insurance liabilities. No further performance measures are applied to these awards as an entitlement to receive the full award is determined at the date of award under the annual bonus scheme:

			ENTITLEMENT TO ORDINARY SHARES			
	DATE OF GRANT	MARKET PRICE ON DATE OF GRANT £	AT 1.10.2013	AWARDED IN YEAR*	DELIVERED IN YEAR	AT 30.9.2014
B Bickell	17.12.2010	4.50	19,352	-	19,352	-
	21.12.2011	4.64	52,335	-	-	52,335
	10.12.2012	5.56	38,867	-	-	38,867
	17.12.2013	5.98	-	36,328	-	36,328
			110,554	36,328	19,352	**127,530**
S J Quayle	17.12.2010	4.50	18,673	-	18,673	-
	21.12.2011	4.64	50,590	-	-	50,590
	10.12.2012	5.56	27,569	-	-	27,569
	17.12.2013	5.98	-	25,651	-	25,651
			96,832	25,651	18,673	**103,810**
T J C Welton	17.12.2010	4.50	17,994	-	17,994	-
	21.12.2011	4.64	49,719	-	-	49,719
	10.12.2012	5.56	27,569	-	-	27,569
	17.12.2013	5.98	-	25,651		25,651
			95,282	25,651	17,994	**102,939**
C P A Ward	10.12.2012	5.56	16,948	-	-	16,948
	17.12.2013	5.98	-	22,394	-	22,394
			16,948	22,394	-	**39,342**
J S Lane**	17.12.2010	4.50	27,161	-	27,161	-
	21.12.2011	4.64	103,866	-	-	103,866
			131,027	-	-	**103,866**

* In respect of the annual bonus for the year ended 30 September 2013.

** Jonathan Lane’s interests relate to awards made whilst an executive director.

Shares are held in an employee benefit trust which at 30 September 2014 held 497,891 shares.

Directors' share scheme interests (audited) continued

2. LTIP

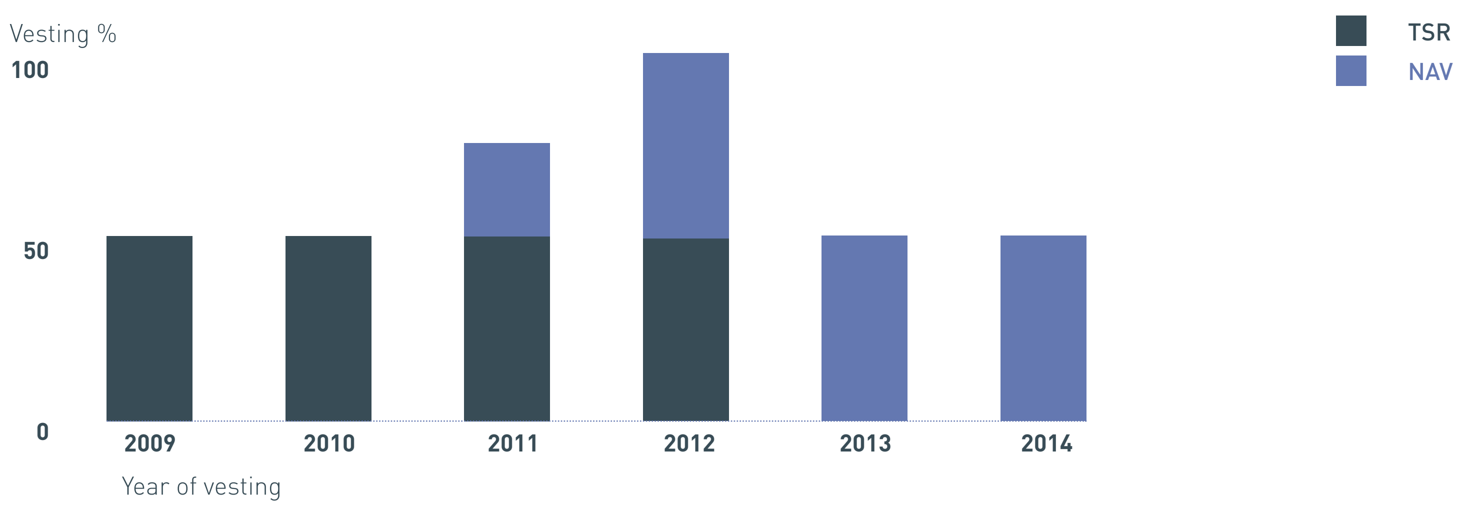
Awards of nil cost options are made by the Committee based on a multiple of salary divided by the average share price over five days prior to the date of grant.

Vesting of these options is determined by performance over a three year period. As a long-term business, a consistent approach to target setting is taken. The performance criteria are, and have been, applied consistently since the LTIP was approved by shareholders in 2006 and are set out below:

ANNUALISED TSR OF THE COMPANY'S SHARES LESS ANNUALISED TSR OF THE FTSE 350 REAL ESTATE INDEX	RELEVANT AWARDS VESTING
Less than 0% pa	0%
0% pa	20%
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 20% and 100%
5.5% pa or more	100%

ANNUALISED NAV GROWTH LESS ANNUALISED RPI GROWTH, OVER THE PERFORMANCE PERIOD	RELEVANT AWARDS VESTING
Less than 3% pa	0%
3% pa	30%
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 30% and 100%
7% pa or more	100%

HISTORIC LTIP VESTING PERFORMANCE



Directors' share scheme interests (audited) continued

Options granted to directors under the LTIP are set out below:

			NUMBER OF ORDINARY SHARES UNDER OPTION							
	DATE OF GRANT	MARKET PRICE OF SHARE ON GRANT £	AT 1.10.2013	GRANTED DURING YEAR	VESTED AND EXERCISED DURING YEAR	LAPSED DURING YEAR	AT 30.9.2014	MARKET PRICE OF SHARE ON DATE OF EXERCISE £	PERFORMANCE PERIOD	EXERCISE PERIOD
B Bickell	8.12.2010	4.32	81,050	-	40,525	40,525	**-**	6.08	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	108,150	-	-	-	**108,150**	-	1.10.2011-30.9.2014	12.2014-6.2015
	6.12.2012	5.55	100,600	-	-	-	**100,600**	-	1.10.2012-30.9.2015	12.2015-6.2016
	20.12.2013	6.06	-	94,900	-	-	**94,900**	-	1.10.2013-30.9.2016	12.2016-6.2017
S J Quayle	8.12.2010	4.32	78,200	-	39,100	39,100	**-**	6.08	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	76,750	-	-	-	**76,750**	-	1.10.2011-30.9.2014	12.2014-6.2015
	6.12.2012	5.55	71,200	-	-	-	**71,200**	-	1.10.2012-30.9.2015	12.2015-6.2016
	20.12.2013	6.06	-	67,000	-	-	**67,000**	-	1.10.2013-30.9.2016	12.2016-6.2017
T J C Welton	8.12.2010	4.32	75,375	-	37,688	37,687	**-**	6.08	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	76,750	-	-	-	**76,750**	-	1.10.2011-30.9.2014	12.2014-6.2015
	6.12.2012	5.55	71,200	-	-	-	**71,200**	-	1.10.2012-30.9.2015	12.2015-6.2016
	20.12.2013	6.06	-	67,000	-	-	**67,000**	-	1.10.2013-30.9.2016	12.2016-6.2017
C P A Ward	17.1.2012	4.91	65,800	-	-	-	**65,800**	-	1.10.2011-30.9.2014	1.2015-7.2015
	6.12.2012	5.55	62,150	-	-	-	**62,150**	-	1.10.2012-30.9.2015	12.2015-6.2016
	20.12.2013	6.06	-	61,900	-	-	**61,900**	-	1.10.2013-30.9.2016	12.2016-6.2017
J S Lane*	8.12.2010	4.32	136,500	-	53,665	82,835	**-**	6.08	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	44,050	-	-	24,097	**19,953**	-	1.10.2011-30.9.2014	12.2014-6.2015

50% of the options granted on 7 December 2011 will vest on 8 December 2014. The TSR performance condition over the three years ended 30 September 2014 was not met, whilst NAV performance resulted in 100% vesting for this element.

* Jonathan Lane's interests relate to options granted during his time as an executive director.

Directors' share scheme interests (audited) continued

3. Sharesave

Options are granted at a 20% discount to the market price on date of grant up to the maximum monthly savings amount permitted by HMRC over three or five years. All directors have opted for five-year savings contracts.

			NUMBER OF ORDINARY SHARES UNDER OPTION						
	DATE OF GRANT	AT 1.10.2013	GRANTED DURING YEAR	LAPSED DURING YEAR	EXERCISED DURING YEAR	AT 30.9.2014	OPTION PRICE £	MARKET VALUE OF SHARE ON DATE OF EXERCISE £	EXERCISE PERIOD
B Bickell	8.7.2011	3,595	-	-	-	**3,595**	4.29	-	8.2016-1.2017
	2.7.2014	-	2,788	-	-	**2,788**	5.38	-	8.2019-1.2020
S J Quayle	8.7.2011	3,595	-	-	-	**3,595**	4.29	-	8.2016-1.2017
	2.7.2014	-	2,788	-	-	**2,788**	5.38	-	8.2019-1.2020
T J C Welton	8.7.2011	3,595	-	-	-	**3,595**	4.29	-	8.2016-1.2017
	2.7.2014	-	2,788	-	-	**2,788**	5.38	-	8.2019-1.2020
C P A Ward	5.7.2012	3,759	-	-	-	**3,759**	3.99	-	8.2017-1.2018
	2.7.2014	-	2,788	-	-	**2,788**	5.38	-	8.2019-1.2020

HMRC increased the monthly savings limit under sharesave plans to £500 from April 2014. Under the rules of sharesave, all employees must be invited to participate on similar terms. The executive directors entered a new savings contract under sharesave for an additional £250 per month, and received a grant of options which become exercisable in July 2019. However, the exercise of these options will be subject to approval by shareholders to increase the amount executive directors may save under sharesave according to our approved policy, in line with revised HMRC limits. This amendment will be made the next time the policy report is subject to a shareholder vote, which will be at the 2016 AGM at the latest and, therefore, prior to the exercise of these options.

The closing price of shares at 30 September 2014 was £6.82 and the range during the year was £5.80 to £6.94.

Directors' shareholdings (audited)

	SHARES HELD AT 1.10.2013	SHARES ACQUIRED DURING THE YEAR	SHARES HELD AT 30.9.2014
Executive director			
B Bickell	865,722	60,763	**926,485**
S J Quayle	835,212	40,537	**875,749**
T J C Welton	662,222	29,431	**691,653**
C P A Ward	5,448	4,776	**10,224**
Non-executive director			
J S Lane	1,060,000	15,000	**1,075,000**
J C Little	2,142	3,225	**5,367**
W G McQueen	8,333	-	**n/a**
O J D Marriott	5,000	-	**5,000**
H S Riva	6,450	4,032	**10,482**
D C A Mathias	8,000	8,208	**16,208**
S E Walden	20,000	-	**20,000**

There have been no changes in directors' shareholdings between 30 September 2014 and the date of this report.

Directors' shareholdings continued

EXECUTIVE DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

	SHARES OWNED OUTRIGHT	DEFERRED SHARES*	OPTIONS VESTED BUT NOT EXERCISED	SHARES UNDER OPTION NOT VESTED AND SUBJECT TO PERFORMANCE CRITERIA*	SHARESAVE	SHAREHOLDING REQUIREMENT MET**
B Bickell	926,485	127,530	-	303,650	6,383	Yes
S J Quayle	875,749	103,810	-	214,950	6,383	Yes
T J C Welton	691,653	102,939	-	214,950	6,383	Yes
C P A Ward	10,224	39,342	-	189,850	6,547	No

* On exercise or vesting, deferred shares and LTIP nil cost options are subject to income tax and national insurance. The number that will actually be transferred will be reduced if directors sell sufficient shares to meet their income tax and employees' national insurance liability.

** 100% of salary at date of appointment to the Board, to be accumulated over five years. For Christopher Ward, this is 54,000 shares from the date of his appointent in January 2012. For the other executive directors their holdings are in excess of 14 times annual salary.

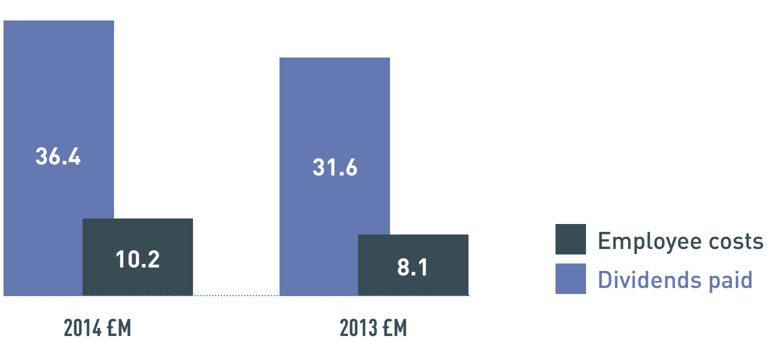
Percentage change in Chief Executive remuneration (audited)

The table below shows the percentage change in Chief Executive remuneration from the prior year compared to the average percentage change in remuneration for all other employees. To provide a meaningful comparison, the analysis for other employees is based on a consistent group of employees ie the same individuals appear in the 2013 and 2014 group and the 2013 figures have been restated on that basis.

	CHIEF EXECUTIVE			OTHER EMPLOYEES		
	2014 £'000)	2013 £'000	CHANGE	2014 £'000	2013 £'000	CHANGE
Base salary	***460**	442	4.1%	**2,196**	2,071	6.0%
Taxable benefits	**19**	18	5.6%	**187**	156	19.9%
Annual bonus	**431**	223	93.3%	**1,843**	929	98.4%
Total	**910**	683	33.2%	**4,226**	3,156	33.9%

* The figure for Brian Bickell is the full annual salary rather than the salary received during the year and reported in the single figure remuneration table on page 70. The full annual salary figure is provided here to permit comparison between the change in Chief Executive's remuneration and that of other employees.

Relative importance of spend on pay (audited)



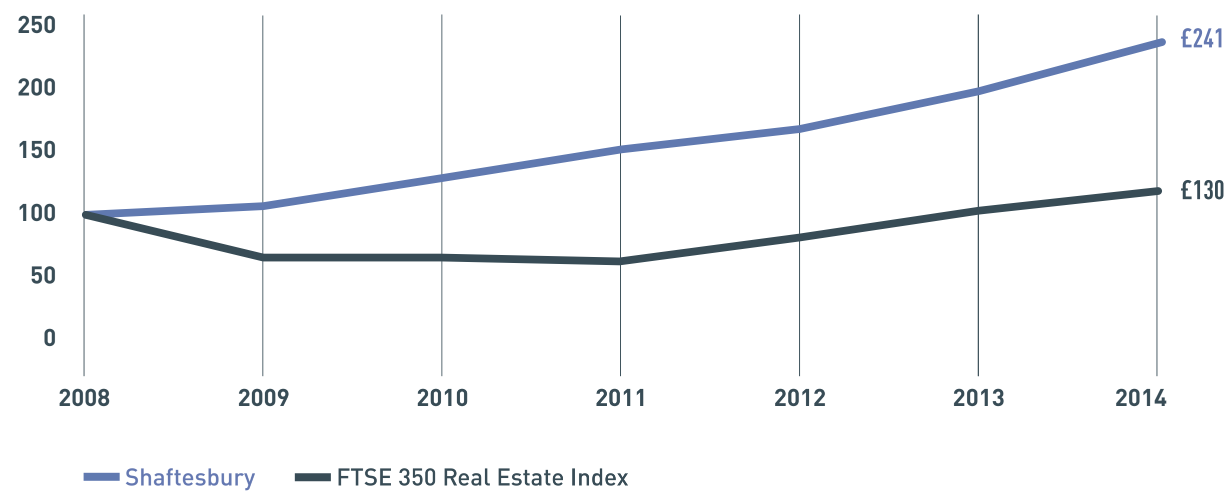
Review of past performance (audited)

The chart below shows the TSR for the Company compared with the FTSE 350 Real Estate Index, of which the Company is a constituent, over six years. The Committee uses this index as one measure of performance for awards of shares under the LTIP, as it considers this is an appropriate measure against which the relative performance of the Company should be compared for the purposes of considering executive directors' remuneration.

The table below the chart details the Chief Executive's single figure remuneration over the same period.

SIX YEAR TSR CHART TO 30 SEPTEMBER 2014

Value of £100 invested at 30 September 2008 (includes dividends reinvested)



SIX YEAR CHIEF EXECUTIVE SINGLE FIGURE REMUNERATION

	2009 J S LANE	2010 J S LANE	2011 J S LANE	2012 B BICKELL	2013 B BICKELL	2014 B BICKELL
Chief Executive single figure of remuneration (£'000)	850	1,013	1,650	1,198	1,075	**1,397**
Annual bonus payout (% maximum)	50%	50%	90%	40%	40%	**75%**
Long-term incentive award vesting (% maximum)	50%	50%	76.7%	100%	50%	**50%**

Shareholder voting (unaudited)

At the 2014 AGM, there was a binding vote on the Remuneration Policy and an advisory vote on the Remuneration Report.

Voting by shareholders representing 85% of the issued share capital was as follows:

	FOR	% FOR	AGAINST	% AGAINST	WITHHELD	TOTAL VOTES
Remuneration Policy	211,899,815	99%	2,895,385	1%	463,398	215,258,598
Remuneration Report	204,844,827	99%	2,173,403	1%	8,240,368	215,258,598

Statement of implementation of remuneration for the year ending 30 September 2015 (unaudited)

EXECUTIVE DIRECTORS' SALARIES FROM 1 DECEMBER 2014

The Committee recommended general increases in line with RPI for executive directors and employees with effect from 1 December 2014. Christopher Ward received an increase of 9% recognising that when he joined the Company he received a lower salary as he was new to the role. This reflects the policy on recruitment to manage any below market level salary on appointment with phased increases and is the final year where he has received a signficantly higher than average increase.

	1.12.2014 £'000	1.12.2013 £'000	INCREASE
B Bickell	**475**	460	3%
S J Quayle	**335**	325	3%
T J C Welton	**335**	325	3%
C P A Ward	**328**	300	9%

Pension and benefits are as described in the policy table.

Each executive director will receive an award of nil cost options to the value of 125% of salary under the LTIP in December 2014 in respect of the performance period 1 October 2014 to 30 September 2017. The performance measures will be as set out on page 74 and are the same targets used in each year since the plan was approved in 2006.

Disclosure of annual bonus targets for the year ending 30 September 2015 is deemed to be commercially sensitive and therefore the actual targets are not set out in this report, other than as contained in the remuneration policy. Performance against all targets will be disclosed retrospectively, provided they are not commercially sensitive.

MEASURE	WEIGHTING	TARGET OR REASON FOR NON-DISCLOSURE
Achieve growth in ERVs	20%	The Committee considers detailed disclosure of management targets regarding the achievement of rental levels, the speed of completing letting or delivery of specific projects or transactions would be prejudicial to the interests of shareholders. As a consequence of the geographic concentration of the Group's portfolio, disclosure of such targets could have a material adverse impact on the Group's position when negotiating transactions with current or potential tenants or other counterparties
Let vacant space on a timely basis	10%	
Effectively achieve full lettings	10%	
Manage property expenses as a percentage of rental income	10%	
Corporate responsibility performance	10%	To match baseline year (2013) corporate responsibility scores (DJSI 65 and GRESB ranked 3 out of 10 in peer group)
Deliver projects/transactions successfully	40%	Specific operational objectives to be met during the year critical to progressing long-term property projects or aspects of the Group's long-term financing strategy

NON-EXECUTIVE DIRECTORS' FEES FOR YEAR ENDING 30 SEPTEMBER 2015

Non-executive director fees are reviewed every two years. The previous review was undertaken in 2013 and fees therefore remain unchanged for the year ahead.

	BASE FEE £	*SENIOR INDEPENDENT DIRECTOR FEE £	COMMITTEE CHAIR FEE £	TOTAL FEE £
J S Lane	125,000	-	-	**125,000**
J C Little	52,500	8,250	-	**60,750**
D C A Mathias	52,500	-	8,250	**60,750**
O J D Marriott	52,500	-	-	**52,500**
H S Riva	52,500	-	-	**52,500**
S E Walden	52,500	-	8,250	**60,750**

* Fee is only payable if the Senior Independent Director is not the chair of any other committee.

Sally Walden
Chairman - Remuneration Committee

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2014.

STRATEGIC REPORT

see strategic report pages 1 to 53

RESULTS AND DIVIDENDS

The results for the year ended 30 September 2014 are set out in the Group Statement of Comprehensive Income on page 88.

An interim dividend of 6.5p per ordinary share was paid on 4 July 2014 (2013: 6.25p).

The directors recommend a final dividend in respect of the year ended 30 September 2014 of 6.6p per ordinary share (2013: 6.25p), making a total dividend for the year of 13.1p per ordinary share (2013: 12.5p). If authorised at the 2015 AGM, the dividend will be paid on 13 February 2015 to members on the register at the close of business on 23 January 2015. 1.8p of the dividend will be paid as a PID and 4.8p as an ordinary dividend.

see page 57 for further information on effect of REIT status on payment of dividends

SHARE CAPITAL

During the year, a total of 25,550,092 shares were issued. 300,092 shares were issued at either nil cost or in the range £2.37 to £4.29, on the exercise of employee share options. 25,250,000 shares were issued in respect of a placing of ordinary shares on 6 March 2014 at £6.20. At 30 September 2014, the Company's issued share capital comprised 277,864,259 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 on 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 Company's rules governing the appointment and replacement of directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders.

Details of the directors of the Company who served throughout the year ended 30 September 2014 and up to the date of the financial statements, their interests in the ordinary share capital of the Company and details of options granted under the Group's share schemes are set out in the Annual Remuneration Report on pages 69 to 79.

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year.

SUBSTANTIAL SHAREHOLDINGS

At 27 November 2014, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules, that the following nine shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital amounting to a total of 57.3%:

	ISSUED SHARE CAPITAL %
Invesco Limited	11.00
BlackRock Inc	9.45
Norges Bank	9.02
Ameriprise Financial Inc	5.00
Standard Life Investments Limited	4.97
F&C Asset Management plc	4.97
PEL (UK) Limited	4.96
Royal London Asset Management Limited	4.37
Stichting Pensioenfonds ABP	3.56

PURCHASE OF OWN SHARES

The Company was granted authority at the 2014 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2015 AGM 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 2014 to 27 November 2014.

DIRECTORS' INDEMNITIES AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company's agreement to indemnify each director 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.

FINANCIAL INSTRUMENTS

see pages 108 to 109

CHANGE OF CONTROL

There are a number of debt and other financing agreements which contain clauses which take effect, alter or terminate the agreement upon 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.

AUTHORISATION OF DIRECTORS' CONFLICTS OF INTERESTS

Directors are required to notify the Company of any conflict or potential conflict of interest and make an annual declaration. 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.

EMPLOYMENT AND ENVIRONMENTAL MATTERS

see corporate responsibility page 51 and nomination committee report pages 61 to 62

GREENHOUSE GAS REPORTING

The Group's carbon emissions are immaterial. However, in compliance with legislation, they are set out below.

This year we have followed the 2013 UK Government environmental reporting guidance and used 2014 UK Government's Greenhouse Gas Conversion Factors for Company Reporting. For a full definition of the reporting boundaries, please see the Summary corporate responsibility report and the data report on the Group's website.

Greenhouse gas emissions for the head office, portfolio and refurbishment sites (tCO_2e) show a 15.97% increase over the year. This year data is reported for all of Longmartin. As the Group has full operational control, in line with best practice, it is included within the reporting boundaries. Last year's results have therefore been restated on this basis, with an overall increase in the level of consumption.

The chosen emissions intensity is for common parts floor areas, which have been measured in 39 of the 161 reported properties with common parts only and the emissions intensity figure has been obtained of 45.78 $kgCO_2e/m^2$ (0.045 tonnes CO_2e/m^2.)

The greenhouse gas emissions data for 2013 and 2014 has been externally verified by Planet and Prosperity Limited. The verification statements are available on the Group's website.

	TOTAL OPERATIONAL CONTROL 2014 TCO_2E	TOTAL OPERATIONAL CONTROL 2013 TCO_2E
Scope 1	**139.05**	99.15
Scope 2	**1,394.43**	1,196.00
Scope 3	**171.75**	175.30
Total All Scopes	**1,705.23**	1,470.45

INDEPENDENT AUDITORS

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2015 AGM. The Board, on the advice of the Audit Committee, recommends their reappointment. PricewaterhouseCoopers LLP have consented to act if re-appointed.

2015 ANNUAL GENERAL MEETING

The 2015 AGM will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares and authority to call a general meeting on not less than 14 days' notice. 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:

a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and

b) they have taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Company'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

27 November 2014

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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; and
- 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 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.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 56 to 57 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 Strategic Report contained on pages 1 to 53 of 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.

Independent auditors' report

To the members of Shaftesbury PLC

Report on the financial statements

OUR OPINION

In our opinion:

- Shaftesbury PLC's Group financial statements and Company financial statements (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 2014 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

Shaftesbury PLC's financial statements comprise:

- the Group and Company Balance Sheets as at 30 September 2014;
- the Group Statement of Comprehensive Income for the year then ended;
- the Group and Company Cash Flow Statements for the year then ended;
- the Group and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and 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.

THE SCOPE OF OUR AUDIT AND OUR AREA OF FOCUS

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risk of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, is identified as an "area of focus" in the table below together with an explanation of how we tailored our audit to address it. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Valuation of investment properties The valuation of the Group's investment properties is the key component of the net asset value and of the Group's result for the year. The result of the revaluation this year was a gain of £426.4m (2013: £174.3m), which is accounted for under 'Change in the fair value of investment properties' in the Group Statement of Comprehensive Income. £394.0m of the revaluation related to the wholly-owned portfolio, and £32.4m related to the Group's joint venture. A summary of the third party valuer's report covering the wholly-owned portfolio can be found on pages 120 to 121 of the Annual Report. The valuations are carried out by third party valuers in accordance with the RICS Valuation - Professional Standards and IFRS 13 and take into account, where available, evidence of market transactions for properties and locations comparable to those of the Group. The Group's portfolio comprises retail, restaurants, offices and residential property focused solely in the West End of London. As a result the range of variables to be taken into account when making the key judgements and assumptions associated with the revaluation is narrower than for some other property companies.	The valuers used by the Group, DTZ and Knight Frank, are well-known firms, with considerable experience of the Group's market. We assessed the competence, capabilities and objectivity of the firms, and verified their qualifications. We also discussed the scope of their work and reviewed the terms of their engagement in order to check that there were no unusual terms or fee arrangements. We tested the data inputs underpinning the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure, by agreeing them back to supporting documentation to assess the reliability, completeness and accuracy of the underlying data. We met with the valuers independently of management and assessed the assumptions used and the reasons behind a number of significant movements in the valuations. These related primarily to yield compression, ERV growth and acquisitions in the year.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
There are, however, still significant judgements and estimates to be made in relation to the valuation of the Group's properties. For the 2014 revaluation these included assumptions regarding yield compression and estimated rental value ("ERV") growth, which have moved favourably reflecting the buoyancy of the central London property market. We focused our work on these key judgements as well as on the robustness of the valuation process in general.	We also compared a sample of the valuations to our independently formed market expectations and challenged any differences. In doing this we used evidence of comparable market transactions and focused in particular on properties where the growth in capital values was higher or lower than our expectations based on market indices.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's properties are combined into five 'villages' spread across six statutory entities. The Group financial statements are a consolidation of the six entities, the Company and the Group's joint venture. All parts of the Group, including the joint venture, were identified as requiring an audit of their complete financial information, either due to their size or their risk characteristics. This work, all of which was carried out by the Group audit team, together with additional procedures performed on the consolidation, gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

MATERIALITY

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as bellow:

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.1 million for financial statement line items where overall materiality applied and £165,000 for line items where specific materiality applied (2013: £150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overall Group materiality	£22.0 million (2013: £3.1 million)
How we determined it	1% of total assets
Specific materiality	£3.3 million (2013: n/a)
How we determined it	5% of profit before tax before net finance costs and investment property valuation movements.
Rationale for benchmarks applied	As explained above, the key area of focus in the audit is the valuation of investment properties and the balance sheet as a whole. Given this, we set an overall Group materiality level based on total assets. In addition, a number of key performance indicators of the Group are driven by income statement items and we therefore also applied a lower specific materiality for testing certain revenue and expense line items and related working capital balances. This year we changed the basis for calculating overall materiality from the prior year, from an adjusted profit benchmark to an asset based benchmark. This was done to more closely align materiality with the key performance measure of the Group, being Net Asset Value. This change did not impact on the level of audit work because we used a specific materiality level for certain line items and because, due to their nature, the extent of our other procedures was not determined using overall materiality. Neither did the change affect our evaluation of audit findings because the total unadjusted differences were not above last year's overall materiality level.

GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 60, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

CONSISTENCY OF OTHER INFORMATION

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and 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 page 60 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- Information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or
  - is otherwise misleading.

We have no exceptions to report arising from this responsibility.

- the statement given by the directors on page 82, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on page 64, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

CORPORATE GOVERNANCE STATEMENT

Under the Companies Act 2006 we are required to report to you if, in our opinion, a Corporate Governance Statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities set out on page 82, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Paynter (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
27 November 2014

Financial statements

Group statement of comprehensive income

For the year ended 30 September 2014

	NOTE	2014 £M	2013 £M
Revenue	4	**98.2**	89.6
Property charges	5	**(18.5)**	(16.4)
Net property income	6	**79.7**	73.2
Administrative expenses		**(8.2)**	(7.5)
Charge for annual bonuses		**(2.6)**	(1.4)
Charge in respect of equity settled remuneration	8	**(3.2)**	(2.7)
Total administrative expenses		**(14.0)**	(11.6)
Operating profit before investment property valuation movements		**65.7**	61.6
Net gain on revaluation of investment properties	13	**426.4**	174.3
Operating profit	7	**492.1**	235.9
Finance income		**-**	0.1
Finance costs	9	**(32.8)**	(31.3)
Change in fair value of derivative financial instruments	21	**(12.0)**	37.0
Net finance (costs)/income		**(44.8)**	5.8
Profit before tax		**447.3**	241.7
Current tax		**(0.3)**	(0.2)
Deferred tax		**(6.6)**	(2.2)
Tax charge for the year	10	**(6.9)**	(2.4)
Profit and total comprehensive income for the year		**440.4**	239.3
Earnings per share:	11		
Basic		**165.2p**	95.0p
Diluted		**164.6p**	94.7p
EPRA		**12.2p**	12.0p

Balance sheets

As at 30 September 2014

		GROUP		COMPANY	
	NOTE	**2014 £M**	2013 £M	**2014 £M**	2013 £M
Non-current assets					
Investment properties	13	**2,605.1**	2,046.6	**-**	-
Accrued income	14	**10.3**	9.3	**-**	-
Property, plant and equipment		**1.6**	0.6	**1.6**	0.6
Investment in subsidiaries	15	**-**	-	**786.0**	626.0
Investment in joint venture	16	**-**	-	**59.0**	59.0
		2,617.0	2,056.5	**846.6**	685.6
Current assets					
Trade and other receivables	17	**21.2**	19.7	**425.0**	585.5
Cash and cash equivalents	18	**7.7**	5.7	**-**	-
Total assets		**2,645.9**	2,081.9	**1,271.6**	1,271.1
Current liabilities					
Trade and other payables	19	**39.8**	35.8	**8.9**	7.5
Non-current liabilities					
Borrowings	20	**618.4**	610.5	**429.9**	554.1
Derivative financial instruments	21	**78.8**	95.8	**78.8**	95.8
Deferred tax liabilities	23	**15.7**	9.1	**-**	-
Total liabilities		**752.7**	751.2	**517.6**	657.4
Net assets		**1,893.2**	1,330.7	**754.0**	613.7
Equity					
Share capital	24	**69.5**	63.1	**69.5**	63.1
Share premium	25	**124.6**	124.3	**124.6**	124.3
Share based payments reserve	25	**4.0**	3.0	**4.0**	3.0
Retained earnings	25	**1,695.1**	1,140.3	**555.9**	423.3
Total equity		**1,893.2**	1,330.7	**754.0**	613.7
Net asset value per share:	26				
Basic		**£6.81**	£5.27		
Diluted		**£6.79**	£5.26		
EPRA		**£7.13**	£5.67		

On behalf of the Board who approved and authorised for issue the financial statements on pages 88 to 116 on 27 November 2014.

Brian Bickell
Chief Executive

Christopher Ward
Finance Director

Cash flow statements

For the year ended 30 September 2014

	NOTE	GROUP 2014 £M	GROUP 2013 £M	COMPANY 2014 £M	COMPANY 2013 £M
Cash flows from operating activities					
Cash generated from operating activities	27	**71.4**	62.0	**(9.2)**	(9.0)
Interest received		**-**	0.1	**-**	-
Interest paid		**(30.3)**	(30.4)	**(26.3)**	(27.8)
Corporation tax paid		**(0.3)**	(0.4)	**-**	-
Net cash generated from operating activities		**40.8**	31.3	**(35.5)**	(36.8)
Cash flows from investing activities					
Investment property acquisitions		**(108.0)**	(28.1)	**-**	-
Capital expenditure on investment properties		**(26.3)**	(20.7)	**-**	-
Purchase of property, plant and equipment		**(1.4)**	(0.2)	**(1.4)**	(0.2)
Dividends received from joint venture		**-**	-	**2.7**	0.3
Net cash used in investing activities		**(135.7)**	(49.0)	**1.3**	0.1
Cash flows from financing activities					
Net proceeds from share placing	24	**153.2**	-	**153.2**	-
Proceeds from exercise of share options		**-**	0.9	**-**	0.9
(Repayment of)/proceeds from borrowings	28	**(123.6)**	48.5	**(122.8)**	48.9
Proceeds from secured term loan	28	**134.8**	-	**-**	-
Facility arrangement costs	28	**(4.2)**	-	**(2.2)**	-
Termination of derivative financial instruments	21	**(29.0)**	-	**(29.0)**	-
Payment of head lease liabilities	28	**(0.5)**	(0.4)	**-**	-
Equity dividends paid		**(33.8)**	(30.9)	**(33.8)**	(30.9)
Decrease in loans to subsidiaries		**-**	-	**70.7**	17.8
Increase in loans to joint venture		**-**	-	**(1.9)**	-
Net cash from financing activities		**96.9**	18.1	**34.2**	36.7
Net change in cash and cash equivalents		**2.0**	0.4	**-**	-
Cash and cash equivalents at the beginning of the year	18	**5.7**	5.3	**-**	-
Cash and cash equivalents at the end of the year	18	**7.7**	5.7	**-**	-

Statements of changes in equity

For the year ended 30 September 2014

	NOTE	ORDINARY SHARES £M	MERGER RESERVE £M	SHARE PREMIUM £M	SHARE BASED PAYMENTS RESERVE £M	RETAINED EARNINGS £M	TOTAL £M
Group							
At 1 October 2012		62.9	-	123.6	2.7	930.2	1,119.4
Profit and total comprehensive income for the year		-	-	-	-	239.3	239.3
Transactions with owners:							
Dividends paid during the year	12	-	-	-	-	(31.1)	(31.1)
Shares issued in connection with the exercise of share options	24	0.2	-	0.7	-	-	0.9
Fair value of share based payments	8	-	-	-	2.2	-	2.2
Transfer in respect of options exercised		-	-	-	(1.9)	1.9	-
At 30 September 2013		**63.1**	**-**	**124.3**	**3.0**	**1,140.3**	**1,330.7**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**-**	**440.4**	**440.4**
Transactions with owners:							
Dividends paid during the year	**12**	**-**	**-**	**-**	**-**	**(33.9)**	**(33.9)**
Shares issued in connection with share placing	**24**	**6.3**	**150.3**	**-**	**-**	**-**	**156.6**
Transfer to retained earnings		**-**	**(150.3)**	**-**	**-**	**150.3**	**-**
Transactions costs associated with share placing		**-**	**-**	**-**	**-**	**(3.4)**	**(3.4)**
Shares issued in connection with the exercise of share options	**24**	**0.1**	**-**	**0.3**	**-**	**(0.3)**	**0.1**
Fair value of share based payments	**8**	**-**	**-**	**-**	**2.7**	**-**	**2.7**
Transfer in respect of options exercised		**-**	**-**	**-**	**(1.7)**	**1.7**	**-**
At 30 September 2014		**69.5**	**-**	**124.6**	**4.0**	**1,695.1**	**1,893.2**
Company							
At 1 October 2012		62.9	-	123.6	2.7	377.5	566.7
Profit and total comprehensive income for the year		-	-	-	-	75.0	75.0
Transactions with owners:							
Dividends paid during the year	12	-	-	-	-	(31.1)	(31.1)
Shares issued in connection with the exercise of share options	24	0.2	-	0.7	-	-	0.9
Fair value of share based payments	8	-	-	-	2.2	-	2.2
Transfer in respect of options exercised		-	-	-	(1.9)	1.9	-
At 30 September 2013		**63.1**	**-**	**124.3**	**3.0**	**423.3**	**613.7**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**-**	**18.2**	**18.2**
Transactions with owners:							
Dividends paid during the year	**12**	**-**	**-**	**-**	**-**	**(33.9)**	**(33.9)**
Shares issued in connection with share placing	**24**	**6.3**	**150.3**	**-**	**-**	**-**	**156.6**
Transfer to retained earnings		**-**	**(150.3)**	**-**	**-**	**150.3**	**-**
Transactions costs associated with share placing		**-**	**-**	**-**	**-**	**(3.4)**	**(3.4)**
Shares issued in connection with the exercise of share options	**24, 25**	**0.1**	**-**	**0.3**	**-**	**(0.3)**	**0.1**
Fair value of share based payments	**8**	**-**	**-**	**-**	**2.7**	**-**	**2.7**
Transfer in respect of options exercised		**-**	**-**	**-**	**(1.7)**	**1.7**	**-**
At 30 September 2014		**69.5**	**-**	**124.6**	**4.0**	**555.9**	**754.0**

Notes to the financial statements

For the year ended 30 September 2014

1. GENERAL INFORMATION

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 30 September 2014 comprise the results of the Company, its subsidiaries and joint venture and were approved by the Board for issue on 27 November 2014.

The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 4 and 8 to 21.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is given on page 57.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, 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 revaluation of investment properties and the measurement of derivative financial instruments at fair value through the Statement of Comprehensive Income.

The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £18.2 million (2013: £75.0 million) in the year.

GOING CONCERN

The Group adopts the going concern basis in preparing its consolidated financial statements as explained on page 60.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The Group's significant accounting policies are stated in note 2. Not all of these significant accounting policies require the directors to make difficult, subjective or complex judgements or estimates. However the directors consider the valuation of investment properties to be critical because of the level of complexity, judgement or estimation involved and its impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

The Group uses the valuations performed by its external valuers, DTZ Debenham Tie Leung Limited and Knight Frank LLP, as the basis for the fair value of its investment properties.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. DTZ Debenham Tie Leung Limited and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on pages 118 to 119. These assumptions are in accordance with the RICS Valuation Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

2. ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

a) The following new standards and amendments to standards are mandatory for the first time for the financial year ended 30 September 2014:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
IAS 12 Income taxes on deferred tax	1 January 2013
IFRS 13 Fair value measurement	1 January 2013
IAS 19 (revised 2011) Employee benefits	1 January 2013
IFRS 7 Financial instruments asset and liability offsetting	1 January 2013
Annual improvements 2011	1 January 2013

Under IFRS 13 the Group's derivative financial instruments are measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreements at the balance sheet date, taking into account current interest rate expectations and the current credit rating of the counterparties. The gain or loss at each fair value remeasurement is recognised in the Group Statement of Comprehensive Income. The implementation of this standard has resulted in a credit value adjustment which has reduced the reported deficit on the Group's interest rate swaps. It has also resulted in additional disclosures.

As a result of adopting IFRS 13, the financial statements for the year ending 30 September 2014 also include additional assumptions and sensitivity disclosures regarding the fair value measurement of investment properties. This standard has not had an impact on reported investment property valuations.

Apart from IFRS 13, no material changes to accounting policies or disclosures arose as a result of these new standards and amendments.

b) Standards, amendments and interpretations relevant to the Group that are not yet effective in the year ending 30 September 2014 and are not expected to have a significant impact on the Group's financial statements:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
IFRS 10 Consolidated financial statements	1 January 2014
IFRS 12 Disclosure of interests in other entities	1 January 2014
IAS 27 (revised 2011) Separate financial statements	1 January 2014
IAS 28 (revised 2011) Associates and joint ventures	1 January 2014
IAS 32 Financial instruments presentation on offsetting financial assets and liabilities	1 January 2014
IAS 39 Financial instruments - recognition and measurement	1 January 2014
IAS 36 Impairment of assets	1 January 2014

c) The following new standard is relevant to the Group but not yet effective in the year ending 30 September 2014 and is expected to have a significant impact on the Group's financial statements:

STANDARD OR INTERPRETATION	EFFECTIVE FROM	IMPACT ON FINANCIAL STATEMENTS
IFRS 11 Joint arrangements	1 January 2014	The Group currently accounts for its joint venture using proportional consolidation. Under IFRS 11, joint ventures must be accounted for on an equity basis. This will result in the Group recognising a single line item for the investment and its share of the joint venture's profit or loss. This change will not affect the Group's reported net assets nor profit after tax.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, together with the Group's share of the results of its joint venture, prepared up to the Balance Sheet date.

2. ACCOUNTING POLICIES CONTINUED

SUBSIDIARIES

Subsidiaries 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.

All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of 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 that they are 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, the investment in joint venture is stated at cost less any provisions for permanent impairment loss.

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 generate rental income or long-term capital appreciation or both.

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, and are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is reduced for any unamortised lease incentive balances held at the Balance Sheet date.

In the case of investment properties which are leasehold interests, such leases are accounted for as head 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 head lease liability.

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.

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 compensation for 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.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, comprising interest rate swaps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value being the estimated amount that the Group would receive or pay to terminate the agreement at the Balance Sheet date, taking into account current interest rate expectations and the current credit rating of the counterparties. The gain or loss at each fair value remeasurement is recognised in the Group Statement of Comprehensive Income. Amounts payable or receivable under such arrangements are included within finance costs or income, recognised on an accruals basis.

2. ACCOUNTING POLICIES CONTINUED

BORROWINGS AND COSTS OF RAISING FINANCE

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently stated at amortised cost. 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 interest method.

TRADE RECEIVABLES AND PAYABLES

Trade receivables and trade payables are recognised at fair value and subsequently held at amortised cost.

In the case of trade receivables a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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

Ordinary 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 retained earnings.

REVENUE

Revenue comprises rents receivable from tenants under operating leases, recognised on an accruals basis, 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.

Premiums receivable from tenants to surrender their lease obligations are recognised in the Statement of Comprehensive Income, unless they arise in connection with a value-enhancing project in which case they are deducted from project costs.

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

PROPERTY CHARGES

Irrecoverable property costs are charged to the Statement of Comprehensive Income when they arise.

Premiums payable to tenants in connection with the surrender of their lease obligations are recognised immediately in the Statement of Comprehensive Income, unless they arise in connection with a value-enhancing project in which case they are capitalised.

EMPLOYEE BENEFITS

(i) Share based remuneration

The cost of granting share options and other share based remuneration to employees is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant.

The fair value of the net asset value (non-market based) vesting condition is calculated when the options are granted using the modified binomial option pricing model. At the end of each reporting period, the directors' review their estimates of the number of options that are expected to vest based on actual and forecast net asset values. The impact of the revision to original estimates, if any, is recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

The fair value of the total shareholder return (market based) vesting condition is calculated when the options are granted using the Monte Carlo simulation option pricing model, using various assumptions as set out in note 32. The fair value is charged on a straight-line basis over the vesting period. No adjustment is made to the original estimate for market based conditions after the date of grant regardless of whether the options vest or not.

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.

2. ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS CONTINUED

(ii) Pension contributions

Payments to defined contribution plans are charged as an expense to the Statement of Comprehensive Income as they fall due.

LEASES

(i) The Group as lessor

Operating leases - all of the Group's leases to its tenants fall within the definition of operating leases, as substantially all the risk and rewards of ownership are retained by the Group.

Long leaseholds - where the Group grants residential long leasehold interests to tenants, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

(ii) The Group as a lessee

Head leases - where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group they are accounted for as head leases. Head leases are recognised as both an asset and an obligation to pay future minimum lease payments. They are capitalised at the commencement of the lease at the lower of fair value of the property and the present value of the minimum lease payments. Lease payments are allocated between the head lease liability and finance charges to achieve a constant rate of interest.

CURRENT AND DEFERRED CORPORATION TAX

The tax expense or credit in a given 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 or 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 base cost 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 or assets are calculated using the tax rates that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax balance is realised.

3. 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 segment.

The Board assesses the performance of the reportable segment based on 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 measures used in assessing the business are set out in the Group Statement of Comprehensive Income.

4. REVENUE

	2014 £M	2013 £M
Rents receivable		
Wholly-owned Group	**85.3**	77.6
Group's share of Longmartin joint venture (note 16)	**6.3**	5.9
Rents receivable	**91.6**	83.5
Recoverable property expenses	**6.6**	6.1
	98.2	89.6

Rents receivable includes lease incentives recognised of £1.3 million (2013: £1.3 million).

5. PROPERTY CHARGES

	2014 £M	2013 £M
Property operating costs	**5.0**	4.8
Fees payable to managing agents	**2.1**	1.9
Letting, rent review, and lease renewal costs	**3.3**	2.5
Village promotion costs	**1.5**	1.1
Property outgoings	**11.9**	10.3
Recoverable property expenses	**6.6**	6.1
	18.5	16.4

6. NET PROPERTY INCOME

	2014 £M	2013 £M
Wholly-owned Group	**74.1**	67.9
Group's share of Longmartin joint venture (note 16)	**5.6**	5.3
	79.7	73.2

7. OPERATING PROFIT

	2014 £M	2013 £M
The following items have been (credited)/charged in arriving at operating profit:		
Administrative fees receivable from joint venture	**(0.2)**	(0.2)
Depreciation	**0.4**	0.2
Operating lease rentals - office premises	**0.4**	0.2

7. OPERATING PROFIT CONTINUED

AUDITOR'S REMUNERATION	2014 £000	2013 £000
Audit of the Company	**56**	50
Audit of the consolidated Group	**93**	83
Total audit services	**149**	133
Audit related assurance services, including the interim review	**20**	20
Total audit and assurance services	**169**	153
Tax compliance services	**36**	36
Tax advisory services	**73**	24
Services related to taxation	**109**	60
Other non-audit services	**7**	6
Total fees related to taxation and other non-audit services	**116**	66
Total fees	**285**	219

Other non-audit services totalling £7,000 (2013: £6,000) related to accounting and reporting advice.

Total audit and assurance fees accounted for 59% (2013: 70%) of total fees paid to PricewaterhouseCoopers LLP.

EMPLOYEE COSTS (GROUP)	2014 £M	2013 £M
Wages and salaries	**3.6**	3.2
Annual bonuses (including social security costs)	**2.6**	1.4
Social security costs	**0.5**	0.4
Other pension costs	**0.3**	0.4
Equity settled remuneration (see note 8)	**3.2**	2.7
	10.2	8.1

AVERAGE MONTHLY NUMBER OF EMPLOYEES (GROUP)	2014 NUMBER	2013 NUMBER
Executive directors	**4**	4
Head office and property management	**17**	16
Estate management	**2**	2
	23	22

A summary of directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Annual Remuneration Report on pages 69 to 79.

8. CHARGE IN RESPECT OF EQUITY SETTLED REMUNERATION

	2014 £M	2013 £M
Charge for share based remuneration	**2.7**	2.2
Employer's national insurance in respect of share awards and share options vested or expected to vest	**0.5**	0.5
	3.2	2.7

A summary of the principal assumptions made at the last grant date are set out in note 32.

9. FINANCE COSTS

	2014 £M	2013 £M
Debenture stock interest and amortisation	**5.0**	5.0
Bank and other interest	**13.9**	9.8
Facility arrangement cost amortisation	**0.8**	0.5
Facility arrangement costs written-off on refinancing	**0.3**	-
Amounts payable under derivative financial instruments	**12.3**	15.6
Amounts payable under head leases	**0.5**	0.4
	32.8	31.3

10. TAXATION

	2014 £M	2013 £M
Current tax		
UK corporation tax	**0.3**	0.2
Deferred tax		
Provided in respect of investment property revaluation gains	**6.5**	2.1
Provided in respect of capital allowances	**0.1**	0.1
	6.6	2.2
Tax charge for the year	**6.9**	2.4
Factors affecting the tax charge:		
Profit before tax	**447.3**	241.7
UK corporation tax at 22% (2013: 23.5%)	**98.4**	56.8
REIT tax exempt rental profits and revaluation gains	**(94.2)**	(45.0)
Non REIT fair value adjustments not allowable for tax purposes	**2.6**	(8.7)
Deferred tax not provided on excess losses of residual business	**0.7**	0.4
Change in deferred tax rate	**-**	(1.1)
Other timing differences	**(0.6)**	-
Tax charge for the year	**6.9**	2.4

The Group's wholly-owned business is subject to taxation as a REIT. Under the REIT regime, income from its rental business (calculated by reference to tax rather than accounting rules) and chargeable gains from the sale of its investment properties are exempt from corporation tax.

The Longmartin joint venture is outside the REIT group and is subject to corporation tax.

11. EARNINGS PER SHARE

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2014			2013		
	PROFIT AFTER TAX £M	WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES MILLION	EARNINGS PER SHARE PENCE	PROFIT AFTER TAX £M	WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES MILLION	EARNINGS PER SHARE PENCE
Basic	**440.4**	**266.6**	**165.2**	239.3	251.9	95.0
EPRA adjustments:						
Investment property valuation movements	**(426.4)**		**(159.9)**	(174.3)		(69.2)
Movement in fair value of derivative financial instruments	**12.0**		**4.5**	(37.0)		(14.7)
Deferred tax on property valuations and capital allowances	**6.6**		**2.5**	2.2		0.9
EPRA	**32.6**	**266.6**	**12.2**	30.2	251.9	12.0
Diluted	**440.4**	**267.6**	**164.6**	239.3	252.7	94.7

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

12. DIVIDENDS PAID

	2014 £M	2013 £M
Final dividend paid in respect of:		
Year ended 30 September 2013 at 6.25p per share	**15.9**	-
Year ended 30 September 2012 at 6.05p per share	**-**	15.4
Interim dividend paid in respect of:		
Six months ended 31 March 2014 at 6.50p per share	**18.0**	-
Six months ended 31 March 2013 at 6.25p per share	**-**	15.7
	33.9	31.1

A final dividend of 6.6p per share was recommended by the Board on 27 November 2014. Subject to approval by shareholders at the 2015 AGM, the final dividend will be paid on 13 February 2015 to shareholders on the register at 23 January 2015. 1.8p of the dividend will be paid as a PID under the UK REIT regime and 4.8p will be paid as an ordinary dividend. The dividend totalling £18.4 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2015.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 497,891 (2013: 471,760) ordinary shares during the year.

13. INVESTMENT PROPERTIES

PROPERTY RECONCILIATION

	2014 £M	2013 £M
At 1 October	**2,041.2**	1,818.1
Acquisitions	**107.9**	28.0
Refurbishment and other capital expenditure	**24.2**	20.8
Net gain on revaluation	**426.4**	174.3
	2,599.7	2,041.2
Add: Head leases capitalised	**5.4**	5.4
Book value at 30 September	**2,605.1**	2,046.6
Fair value at 30 September:		
Properties valued by DTZ Debenham Tie Leung Limited	**2,434.6**	1,908.9
Properties valued by Knight Frank LLP	**177.9**	143.7
	2,612.5	2,052.6
Add: Head leases capitalised	**5.4**	5.4
Less: Lease incentives recognised to date	**(12.8)**	(11.4)
Book value at 30 September	**2,605.1**	2,046.6
Historic cost of properties carried at valuation	**1,208.1**	1,076.0

The investment properties valuation comprises:

	2014 £M	2013 £M
Freehold properties	**2,238.6**	1,793.3
Leasehold properties with an unexpired term of over 50 years	**236.9**	150.7
Notional apportionment in respect of part freehold/part leasehold greater than 50 years unexpired	**137.0**	108.6
	2,612.5	2,052.6

EXTERNAL VALUERS

Investment properties were subject to external valuation as at 30 September 2014 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 properties were valued on the basis of fair value and highest and best use in accordance with the RICS Valuation - Professional Standards 2014 and IFRS 13. When considering the highest and best use a valuer considers its actual and potential uses which are legally and financially viable. Where the highest and best use differs from the existing use, the valuer considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The external valuations use information provided by the Group, such as tenancy information and capital expenditure expectations. The valuers, in forming their opinion make a series of assumptions. The assumptions are typically market related, such as yields and rental values, and are based on the valuers' professional judgement and market observations. The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuers meet with external auditors and members of the Audit Committee. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on page 64.

A summary of the DTZ Debenham Tie Leung Limited report can be found on pages 120 to 121.

13. INVESTMENT PROPERTIES CONTINUED

EXTERNAL VALUATION FEES

	2014 £M	2013 £M
Annual and half year valuations	**0.3**	0.3
Bank security valuations	**0.2**	0.1
	0.5	0.4

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 fee incomes.

FAIR VALUE MEASUREMENTS USING UNOBSERVABLE INPUTS (LEVEL 3)

The Group's investment properties are reported under IFRS 13 'Fair value measurement' which uses the following hierarchy to determine the valuation basis of assets or liabilities:

HIERARCHY	DESCRIPTION
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Discounted cash flows are used to determine fair values of these instruments.

The fair value of the Group's investment properties has primarily been determined using a Market Approach, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. There are a number of assumptions that are made in deriving the fair value, including equivalent yields and ERVs. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the property. ERVs are calculated using a number of factors which include market comparatives in terms of the buildings' configuration, condition, size, location and the timing of evidence such as rent reviews. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

The Group considers all of its investment properties to fall within Level 3. The Group's policy is to recognise transfers between fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year.

The key assumptions made by the valuers are set out in the Basis of Valuation on pages 118 to 119.

SENSITIVITY ANALYSIS

As noted in the critical judgements, assumptions and estimates section of note 1 on page 92, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuation the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The Group's properties are all located in the West End of London and are virtually all multi-use buildings, usually configured with commercial uses on the lower floors and office and/or residential uses on the upper floors. DTZ Debenham Tie Leung Limited and Knight Frank LLP value properties in their entirety and not by use, consequently the sensitivity analysis below has been performed on the Group's portfolio as a whole.

	CHANGE IN ERV		CHANGE IN EQUIVALENT YIELDS	
	+5.0% £M	-5.0% £M	+0.25% £M	-0.25% £M
Increase/(decrease) in the fair value of investment properties	**120.2**	**(114.1)**	**(147.3)**	**173.1**

13. INVESTMENT PROPERTIES CONTINUED

These key unobservable inputs are inter-dependent. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of a property, and an increase in the ERV would increase the capital value, and vice versa.

CAPITAL COMMITMENTS

	WHOLLY-OWNED GROUP		LONGMARTIN JOINT VENTURE*	
	2014 £M	2013 £M	**2014 £M**	2013 £M
Authorised and contracted	**15.0**	19.1	**0.3**	0.2
Authorised but not contracted	**22.2**	0.5	**-**	-

*Group's share.

14. ACCRUED INCOME

	2014 £M	2013 £M
Accrued income in respect of lease incentives recognised to date	**12.8**	11.4
Less: included in trade and other receivables (note 17)	**(2.5)**	(2.1)
	10.3	9.3

The unamortised amount of lease incentives is allocated between amounts to be charged against rental income within one year of the Balance Sheet date and amounts which will be charged against rental income in subsequent periods.

15. INVESTMENT IN SUBSIDIARIES

	2014 £M	2013 £M
Shares in Group undertakings		
At 1 October	**626.0**	638.2
Additional share capital issued by a subsidiary	**160.0**	-
Write-off of investment in non-trading subsidiary prior to liquidation	**-**	(12.2)
At 30 September	**786.0**	626.0

During the year Shaftesbury CL Investment Limited, a wholly-owned subsidiary of the Company, issued 160.0 million ordinary shares of £1 each to the Company at par value.

The Group comprises a number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the financial statements. A full list of Group companies will be included in the Company's next annual return in accordance with Section 410 of the Companies Act 2006.

Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital of the following principal subsidiary undertakings:

Shaftesbury Carnaby Limited
Shaftesbury Chinatown Limited
Shaftesbury Charlotte Street Limited
Shaftesbury CL Limited*
Shaftesbury Covent Garden Limited
Shaftesbury Soho Limited

* The share capital of this subsidiary is held by another Group company.

All of the companies are engaged in property investment, are incorporated in Great Britain and are registered in England and Wales.

16. INVESTMENT IN JOINT VENTURE

	2014 £M	2013 £M
Shares at cost		
1 October and 30 September	**59.0**	59.0

The Company owns 7,782,100 B 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.

Longmartin Properties Limited's principal place of business is the same as the Group, as set out on page 57.

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

The Group's share of the results of its joint venture for the year ended 30 September 2014 and its assets and liabilities at that date, which have been consolidated in the Group's Statement of Comprehensive Income and Balance Sheet, are set out below:

	2014 £M	2013 £M
Statement of Comprehensive Income		
Rents receivable (adjusted for lease incentives)	**6.3**	5.9
Recoverable property expenses	**0.7**	0.6
Revenue from properties	**7.0**	6.5
Property outgoings	**(0.7)**	(0.6)
Recoverable property expenses	**(0.7)**	(0.6)
Property charges	**(1.4)**	(1.2)
Net property income	**5.6**	5.3
Administrative expenses	**(0.3)**	(0.3)
Operating profit before investment property valuation movements	**5.3**	5.0
Net gain on revaluation of investment properties	**32.4**	13.0
Operating profit	**37.7**	18.0
Net finance costs	**(3.2)**	(2.9)
Profit before tax	**34.5**	15.1
Current tax	**(0.3)**	(0.3)
Deferred tax	**(6.6)**	(2.2)
Tax charge for the year	**(6.9)**	(2.5)
Profit and total comprehensive income for the year	**27.6**	12.6
Transactions with owners:		
Dividends paid	**(2.7)**	(8.3)
Movement in retained earnings	**24.9**	4.3

16. INVESTMENT IN JOINT VENTURE CONTINUED

	2014 £M	2013 £M
Balance Sheet		
Non-current assets		
Investment properties at book value	**179.6**	145.3
Accrued income in respect of lease incentives	**2.8**	3.1
	182.4	148.4
Current assets	**4.5**	7.4
Total assets	**186.9**	155.8
Current liabilities	**5.0**	5.3
Non-current liabilities		
Secured term loan	**60.0**	60.0
Other non-current liabilities	**20.4**	13.9
Total liabilities	**85.4**	79.2
Net assets attributable to the Shaftesbury Group	**101.5**	76.6

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 £M	2013 £M	2014 £M	2013 £M
Amounts due from tenants	**11.6**	11.4	**-**	-
Provision for doubtful debts	**(0.4)**	(0.4)	**-**	-
	11.2	11.0	**-**	-
Accrued income in respect of lease incentives (note 14)	**2.5**	2.1	**-**	-
Amounts due from subsidiaries	**-**	-	**422.4**	584.8
Amounts due from joint venture	**-**	-	**1.9**	-
Other receivables and prepayments	**7.5**	6.6	**0.7**	0.7
	21.2	19.7	**425.0**	585.5

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. As of 30 September 2014, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2014, totalled £1.0 million (2013: £1.2 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.3 million (2013: £0.4 million). The remaining balance is not considered to be impaired.

At 30 September 2014, cash deposits totalling £15.9 million (2013: £13.7 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents.

18. CASH AND CASH EQUIVALENTS

Cash balances at 30 September 2014 included £2.2 million (2013: £4.2 million) held in accounts or on deposit that have certain conditions restricting their use. Holding cash in restricted accounts does not prevent the Group from earning returns by placing these monies in interest bearing accounts or on deposit.

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 £M	2013 £M	**2014 £M**	2013 £M
Rents and service charges invoiced in advance	**20.6**	19.4	**-**	-
Corporation tax	**0.2**	0.2	**-**	-
Amounts due in respect of property acquisitions	**-**	0.1	**-**	-
Trade payables and accruals in respect of capital expenditure	**2.5**	4.6	**-**	-
Other payables and accruals	**16.5**	11.5	**8.9**	7.5
	39.8	35.8	**8.9**	7.5

20. BORROWINGS

	2014			2013		
	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						
Debenture Stock	**61.0**	**2.3**	**63.3**	61.0	2.5	63.5
Secured bank loans	**360.6**	**(3.2)**	**357.4**	484.2	(2.0)	482.2
Secured term loans	**194.8**	**(2.5)**	**192.3**	60.0	(0.6)	59.4
Debenture and secured loans	**616.4**	**(3.4)**	**613.0**	605.2	(0.1)	605.1
Head lease obligations	**5.4**	**-**	**5.4**	5.4	-	5.4
Total borrowings	**621.8**	**(3.4)**	**618.4**	610.6	(0.1)	610.5
Company						
Debenture Stock	**61.0**	**2.3**	**63.3**	61.0	2.5	63.5
Secured bank loans	**369.8**	**(3.2)**	**366.6**	492.6	(2.0)	490.6
Debenture and bank borrowings	**430.8**	**(0.9)**	**429.9**	553.6	0.5	554.1

NET DEBT (GROUP)

	2014 £M	2013 £M
Nominal borrowings - gross	**630.9**	619.1
Cash balances set-off against certain borrowings	**(9.1)**	(8.5)
	621.8	610.6
Cash and cash equivalents (note 18)	**(7.7)**	(5.7)
	614.1	604.9

The Group's head lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 166 years held by Longmartin Properties Limited.

20. BORROWINGS CONTINUED

Debenture and bank borrowings are secured by fixed charges over certain investment properties held by subsidiaries and by floating charges over the assets of the Company and certain subsidiaries. Certain cash balances in the subsidiaries are available for set-off against certain bank indebtedness owing by the parent undertaking. The Longmartin joint venture and one of the Company's subsidiaries each have secured term loans. Both entities have granted fixed charges over certain of their investment properties and cash balances, and floating charges over their assets as security for their respective loans.

AVAILABILITY AND MATURITY OF GROUP BORROWINGS

	2014 FACILITIES		2013 FACILITIES	
	COMMITTED £M	UNDRAWN £M	COMMITTED £M	UNDRAWN £M
Repayable between 1 and 2 years	**150.0**	**50.0**	-	-
Repayable between 2 and 5 years	**150.0**	**58.3**	375.0	58.3
Repayable between 5 and 10 years	**261.0**	**31.1**	200.0	32.5
Repayable between 10 and 15 years	**194.8**	**-**	121.0	-
	755.8	**139.4**	696.0	90.8
Head lease obligations - leases expiring in 166 years	**5.4**	**-**	5.4	-
	761.2	**139.4**	701.4	90.8

INTEREST RATE PROFILE OF INTEREST BEARING BORROWINGS (GROUP)

		2014		2013	
	INTEREST RATE FIXED UNTIL	DEBT £M	INTEREST RATE	DEBT £M	INTEREST RATE
Floating rate borrowings					
LIBOR-linked loans (including margin)	12.2014 (at the latest)	**110.6**	**1.66%**	124.2	1.41%
Hedged borrowings					
Interest rate swaps (including margin)	see below	**250.0**	**6.06%**	360.0	5.78%
Total bank borrowings		**360.6**	**4.71%**	484.2	4.66%
Fixed rate borrowings					
Secured term loan - joint venture	12.2026	**60.0**	**4.43%**	60.0	4.43%
Secured term loan	5.2029	**134.8**	**4.47%**	-	-
8.5% First Mortgage Debenture Stock - book value	3.2024	**63.3**	**7.93%**	63.5	7.93%
Weighted average cost of drawn borrowings			**4.96%**		4.98%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2014, the weighted average charge on the undrawn facilities of £139.4 million (2013: £90.8 million) was 0.46% (2013: 0.52%).

At 30 September 2014, the weighted average credit margin on the Group's current bank facilities was:

	2014	2013
Drawn facilities	**1.11%**	0.91%
If facilities were fully drawn	**1.24%**	1.04%

The Group has in place interest rate swaps to hedge £250.0 million of floating rate bank debt, at fixed rates in the range 4.64% to 5.20%, with a weighted average rate at 30 September 2014 of 4.95%. The swaps, which are settled against three month LIBOR, expire between December 2027 and November 2038. If mutual break or counterparty early termination options are exercised the weighted average term is 4.9 years (2013: 4.2 years).

21. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS	2014 BOOK VALUE £M	2013 BOOK VALUE £M
Group		
Interest rate swaps	**(78.8)**	(95.8)
Financial assets: receivables and cash and cash equivalents		
Trade and other receivables (note 17)	**11.2**	11.0
Cash and cash equivalents (note 18)	**7.7**	5.7
	18.9	16.7
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 19)	**(19.0)**	(16.1)
Interest bearing borrowings (note 20)	**(613.0)**	(605.1)
Head lease obligations (note 20)	**(5.4)**	(5.4)
	(637.4)	(626.6)
Net financial instruments	**(697.3)**	(705.7)
Company		
Interest rate swaps	**(78.8)**	(95.8)
Financial assets: loans		
Loans receivable from subsidiaries (note 17)	**422.4**	584.8
Loan receivable from joint venture (note 17)	**1.9**	-
	424.3	584.8
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 19)	**(8.9)**	(7.5)
Interest bearing borrowings (note 20)	**(429.9)**	(554.1)
	(438.8)	(561.6)
Net financial instruments	**(93.3)**	(72.6)

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

	2014 £M	2013 £M
Interest rate swaps		
At 1 October - deficit	**(95.8)**	(132.8)
Swap contracts terminated	**29.0**	-
Fair value deficit (charged)/credited to the Statement of Comprehensive Income	**(12.0)**	37.0
At 30 September - deficit	**(78.8)**	(95.8)

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 the Group has chosen not to adopt hedge accounting under the provisions of IAS 39 (Financial Instruments: Recognition and Measurement).

21. FINANCIAL INSTRUMENTS CONTINUED

The extent to which the fair value deficit will crystallise will depend on the course of interest rates over the life of the swaps. The weighted average maturity of the swaps at the Balance Sheet date is set out in note 20. During the year the Group terminated interest rate swaps with a notional principal of £110.0 million at a cost of £29.0 million.

The 8.5% Mortgage Debenture Stock 2024 and the Group's secured term loans are held at amortised cost in the Balance Sheet. The fair value of liability in excess of book value which is not recognised in the reported results for the year is £27.4 million (2013: £14.0 million). The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread.

The Company is not obliged to redeem the £61.0 million (nominal) of Debenture Stock in issue in advance of its redemption date of 31 March 2024, when repayment will be at par value. The Group also has no obligation to repay its secured term loans in advance of their maturities on 21 December 2026 and 2 May 2029.

The fair value of the Group's interest rate swaps has been estimated using the mid-point of the relevant yield curve prevailing at the reporting date, and represents the net present value of the differences between the contractual rate and the valuation rate through to the contracted expiry date of the swap contract. The valuation technique falls within Level 2 of the fair value hierarchy (see note 13 for definition). The swaps were valued by J.C Rathbone Associates Limited.

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 and its secured term loans), head leases and trade and other payables are not materially different from the values at which they are carried in the financial statements.

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 2014	BOOK VALUE £M	CONTRACTUAL CASH FLOWS £M	<1 YEAR £M	1-2 YEARS £M	2-5 YEARS £M	5-10 YEARS £M	>10 YEARS £M
Financial instruments							
Interest rate swaps	80.1	96.7	9.1	8.8	19.6	26.0	33.2
Financial liabilities							
Interest bearing borrowings:							
Principal	613.0	616.4	-	100.0	91.8	229.8	194.8
Interest	-	180.7	18.5	18.5	50.3	62.8	30.6
Head lease obligations	5.4	90.7	0.5	0.5	1.7	2.7	85.3
Total	**698.5**	**984.5**	**28.1**	**127.8**	**163.4**	**321.3**	**343.9**

30 SEPTEMBER 2013	BOOK VALUE £M	CONTRACTUAL CASH FLOWS £M	<1 YEAR £M	1-2 YEARS £M	2-5 YEARS £M	5-10 YEARS £M	>10 YEARS £M
Financial instruments							
Interest rate swaps	95.8	111.2	13.9	14.4	29.3	22.9	30.7
Financial liabilities							
Interest bearing borrowings:							
Principal	605.1	605.2	-	-	316.7	167.5	121.0
Interest	-	102.2	13.3	13.3	30.9	37.8	6.9
Head lease obligations	5.4	88.4	0.5	0.5	1.6	2.6	83.2
Total	706.3	907.0	27.7	28.2	378.5	230.8	241.8

The Group's trade and other payables are all due within one year (2013: all due within one year).

22. MANAGEMENT OF FINANCIAL RISK

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on their 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 deposits to mitigate the potential loss in the event of default. Deposits held are referred to in note 17. 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 tends to hold 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 Strategic Report on pages 21, 41 and 43 to 44.

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. The Board keeps under review the Group's market risk, particularly in light of expectations of future interest rate movements.

Details of the Group's interest and hedging arrangements are set out in note 21.

INTEREST RATE SENSITIVITY

The sensitivity analysis below has been determined based on the exposure to interest rates on its unhedged LIBOR-linked borrowings and a change in the long-term interest rates against which the fair value of swaps is calculated at the Balance Sheet date. It represents the directors' assessment of possible changes in interest rates and the potential impact on the Group's results and equity.

	MOVEMENT IN MARKET RATES		
	+1.0% £M	+0.5% £M	-0.5% £M
(Increase)/decrease in finance costs before fair valuation of interest rate swaps	(1.1)	(0.6)	0.6
Decrease/(increase) in fair value deficit of interest rate swaps	41.8	20.9	(20.9)
Increase/(decrease) in profit and equity	40.7	20.3	(20.3)

This sensitivity analysis does not take into account valuation movements on the Group's investment properties as a result of movements in long-term interest rates, which would be reflected in the Statement of Comprehensive Income.

CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 20 and the Group's equity structure is set out in the Statement of Changes in Equity. The Group regularly reviews its covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The Group's capital structure such as levels of gearing and loan-to-value ratios are discussed in the Strategic Report on pages 21 and 43 to 44.

23. DEFERRED TAX LIABILITIES

GROUP	2014 £M	2013 £M
At 1 October	**9.1**	6.9
Provided in the Statement of Comprehensive Income (note 10)	**6.6**	2.2
At 30 September	**15.7**	9.1
Comprising:		
Provision in respect of revaluation gains	**15.0**	8.5
Provision in respect of accelerated capital allowances	**0.7**	0.6
	15.7	9.1

24. SHARE CAPITAL

	2014 NUMBER MILLION	2013 NUMBER MILLION	2014 £M	2013 £M
Alloted and fully paid (ordinary 25p shares)				
At 1 October	**252.3**	251.5	**63.1**	62.9
Issued in connection with the exercise of share options	**0.3**	0.8	**0.1**	0.2
Issued in connection with share placing	**25.3**	-	**6.3**	-
At 30 September	**277.9**	252.3	**69.5**	63.1

During the year, 25,250,000 ordinary 25p shares were issued at £6.20 per share, raising £156.6 million. Transaction costs in connection with the issue, which amounted to £3.4 million, have been charged against retained earnings in accordance with the Companies Act 2006.

The Company's Articles of Association contain provisions which set out the circumstances in which shareholders can exercise control over the issue of shares.

24. SHARE CAPITAL CONTINUED

The following options to subscribe for ordinary shares granted to executive directors and employees under the Company's share option schemes were outstanding at 30 September 2014:

DATE OF GRANT	NUMBER OF SHARES UNDER OPTION OUTSTANDING 1.10.2013	AWARDED	EXERCISED	LAPSED	NUMBER OF SHARES UNDER OPTION OUTSTANDING 30.9.2014	EXERCISABLE 30.9.2014	OPTION EXERCISE PRICE	EXERCISE PERIOD
Sharesave Scheme								
14.7.2009	13,122	-	(13,122)	-	-	-	£2.37	2012-2014
8.7.2011	19,059	-	(2,522)	-	16,537	-	£4.29	2014-2016
5.7.2012	30,219	-	(1,441)	(814)	27,964	-	£3.99	2015-2017
2.7.2014	-	39,305	-	-	39,305	-	£5.38	2017-2019
LTIP								
8.12.2010	566,010	-	(283,005)	(283,005)	-	-	Nil cost	2013-2014
7.12.2011*	528,253	-	-	(2,593)	525,660	-	Nil cost	2014-2015
16.1.2012*	65,800	-	-	-	65,800	-	Nil cost	2015
6.12.2012	576,475	-	-	(5,613)	570,862	-	Nil cost	2015-2016
20.12.2013	-	462,500	-	-	462,500	-	Nil cost	2016-2017
	1,798,938	**501,805**	**(300,090)**	**(292,025)**	**1,708,628**	**-**		

* 262,830 and 32,900 options over ordinary shares will vest in December 2014 and January 2015 respectively, following satisfaction of performance targets in respect of the three years ended 30 September 2014.

For share options exercised during the year the weighted average share price at the date of exercise was:

SCHEME	DATE OF GRANT	DATE OF EXERCISE	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE AT EXERCISE
LTIP	8.12.2010	9.12.2013	283,005	£6.02
Sharesave	5.7.2012	17.6.2014	1,441	£6.40
	14.7.2009	1.8.2014	13,122	£6.74
	8.7.2011	1.8.2014	2,522	£6.74

A summary of the rules of the schemes referred to above are set out in the Summary of Remuneration Policy on page 68 and the Annual Remuneration Report on pages 74 and 76. The remuneration policy, which includes more detail, is available on the Group's website.

25. RESERVES

The Statements of Changes in Equity are set out on page 91.

The following describes the nature and purpose of each of the reserves within equity.

RESERVE	DESCRIPTION AND PURPOSE
Share premium	Share premium is the amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Merger reserve	The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.
Share based payments reserve	The equity settled remuneration expense charged to the Statement of Comprehensive Income is credited to the share based payments reserve. Upon exercise of options, the expense previously recognised is transferred to retained earnings.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income. Transfers from the share based payments reserve and merger reserve are also credited to this account.

The merger reserve that arose during the year was as a result of the share placing in March 2014. No share premium is recognised in the Company's financial statements as the issue was subject to merger relief under the Companies Act 2006.

The Company's retained earnings at 30 September 2014 include amounts distributable of £258.4 million (2013: £259.2 million).

The transfer between share premium and retained earnings of £0.3 million arises from the reclassification of the cumulative nominal value of shares issued in respect of nil cost employee share options which had been charged incorrectly to share premium. The current period reclassification reinstates share premium to its full amount and is considered immaterial and, in accordance with IAS 8, has not been corrected by way of a prior period adjustment.

26. NET ASSET VALUE PER SHARE

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2014			2013		
	NET ASSETS £M	NUMBER OF ORDINARY SHARES MILLION	NET ASSET VALUE PER SHARE £	NET ASSETS £M	NUMBER OF ORDINARY SHARES MILLION	NET ASSET VALUE PER SHARE £
Basic	**1,893.2**	**277.9**	**6.81**	1,330.7	252.3	5.27
Additional equity if all vested share options are exercised	**0.4**	**1.1**		0.2	0.9	
Diluted	**1,893.6**	**279.0**	**6.79**	1,330.9	253.2	5.26
Fair value deficit in respect of Debenture and secured term loans	**(27.4)**		**(0.10)**	(14.0)		(0.06)
EPRA triple net	**1,866.2**	**279.0**	**6.69**	1,316.9	253.2	5.20
Fair value deficit in respect of Debenture and secured term loans	**27.4**		**0.10**	14.0		0.06
Fair value of derivative financial instruments	**78.8**		**0.28**	95.8		0.37
Deferred tax on property valuations and capital allowances	**15.7**		**0.06**	9.1		0.04
EPRA	**1,988.1**	**279.0**	**7.13**	1,435.8	253.2	5.67

The calculations of diluted net asset value per share show the potentially dilutive effect of options granted over ordinary shares outstanding at the Balance Sheet date and include the increase in equity which would arise on the exercise of those options.

27. CASH FLOWS FROM OPERATING ACTIVITIES

OPERATING ACTIVITIES	GROUP 2014 £M	GROUP 2013 £M	COMPANY 2014 £M	COMPANY 2013 £M
Profit before tax	**447.3**	241.7	**18.3**	75.0
Adjusted for:				
Lease incentives recognised	**(1.3)**	(1.3)	**-**	-
Charge for share based remuneration	**2.7**	2.2	**2.7**	2.2
Depreciation and losses on disposals	**0.4**	0.2	**0.4**	0.2
Investment property valuation movements	**(426.4)**	(174.3)	**-**	-
Net finance costs/(income)	**44.8**	(5.8)	**39.1**	(8.7)
Administrative charges, finance charges, and dividends received from subsidiaries settled through inter-company indebtedness	**-**	-	**(68.3)**	(81.8)
Dividends received from joint venture	**-**	-	**(2.7)**	(8.3)
Write-off of investment in non-trading subsidiary prior to liquidation	**-**	-	**-**	12.2
Cash flows from operations before changes in working capital	**67.5**	62.7	**(10.5)**	(9.2)
Changes in working capital:				
Change in trade and other receivables	**(1.1)**	(2.1)	**-**	(0.4)
Change in trade and other payables	**5.0**	1.4	**1.3**	0.6
Cash generated from operating activities	**71.4**	62.0	**(9.2)**	(9.0)

28. MOVEMENT IN BORROWINGS

	1.10.2013 £M	CASH FLOWS £M	NON-CASH ITEMS £M	30.9.2014 £M
Group				
8.5% First Mortgage Debenture Stock 2024	(63.5)	-	0.2	(63.3)
Secured bank loans	(484.2)	123.6	-	(360.6)
Secured term loans	(60.0)	(134.8)	-	(194.8)
Facility arrangement costs	2.6	4.2	(1.1)	5.7
Head lease obligations	(5.4)	0.5	(0.5)	(5.4)
	(610.5)	**(6.5)**	**(1.4)**	**(618.4)**
Year ended 30 September 2013	(561.6)	(48.1)	(0.8)	(610.5)
Company				
8.5% First Mortgage Debenture Stock 2024	(63.5)	-	0.2	(63.3)
Secured bank loans	(492.6)	122.8	-	(369.8)
Facility arrangement costs	2.0	2.2	(1.0)	3.2
	(554.1)	**125.0**	**(0.8)**	**(429.9)**
Year ended 30 September 2013	(504.8)	(48.9)	(0.4)	(554.1)

29. OPERATING LEASES

THE GROUP AS LESSOR

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2014 £M	2013 £M
Not later than one year	**78.8**	81.0
Later than one year but not later than five years	**209.1**	209.5
Later than five years but not later than ten years	**137.9**	142.2
Later than ten years	**107.5**	118.0
	533.3	550.7

The Group has over 1,500 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 14 to 15.

THE COMPANY AS A LESSEE

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2014 £M	2013 £M
Not later than one year	**0.4**	0.1
Later than one year but not later than five years	**1.6**	-
Later than five years but not later than ten years	**2.0**	-
Later than ten years	**1.8**	-
	5.8	0.1

In the current year the Company leased its head office accommodation from a wholly-owned subsidiary.

30. OBLIGATIONS UNDER HEAD LEASES

GROUP	2014 £M	2013 £M
The minimum lease payments under head leases fall due as follows:		
Not later than one year	**0.3**	0.3
Later than one year but not more than five years	**1.0**	1.0
More than five years	**41.6**	41.9
	42.9	43.2
Future finance charges on head leases	**(37.5)**	(37.8)
Present value of head lease liabilities	**5.4**	5.4
The present value of head lease liabilities is as follows:		
Not later than one year	**-**	-
Later than one year but not more than five years	**0.1**	0.1
More than five years	**5.3**	5.3
	5.4	5.4

In addition to the minimum lease payments above there are contingent rents payable which are calculated as a proportion of net rental income.

31. RELATED PARTY TRANSACTIONS

During the year, the Company received administrative fees, dividends and interest from its wholly-owned subsidiaries. The Company also received interest on a loan and administrative fees from the Longmartin joint venture. In the current year the Company leased its office accommodation from a wholly-owned subsidiary. These transactions are summarised below:

	2014 £M	2013 £M
Transactions with subsidiaries:		
Administrative fees receivable	**11.1**	8.5
Dividends receivable	**30.9**	43.8
Interest receivable	**26.4**	29.6
Rents payable	**0.2**	-
Net amounts receivable from subsidiaries	**422.4**	584.8
Transactions with joint venture:		
Administrative fees receivable	**0.4**	0.4
Dividends receivable	**2.7**	8.3
Interest receivable/(payable)	**0.1**	(0.2)
Amount due from joint venture	**1.9**	-

All amounts are unsecured and are repayable on demand.

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 69 to 79, there were no other transactions with directors.

32. 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 grant made during the year, the main inputs and assumptions of the models, and the resulting fair values, are as follows:

	2006 LTIP
Grant date	20.12.2013
Share price at date of grant	£6.09
Exercise price	£Nil
Expected life – years	3
Performance condition	NAV and TSR
Assumed return volatility per annum - TSR performance condition	30%
Assumed dividend yield per annum	2.05%
Risk free discount rate per annum - TSR performance condition	1.02%
Assumed index return volatility* - TSR performance condition	28%
Assumed correlation between the Company's shares and those in the index* - TSR performance condition	0.79
Basis of option pricing:	
NAV performance condition	Modified binomial
TSR performance condition	Monte Carlo
Fair values:	
NAV	£5.72
TSR	£2.52

* The index is the FTSE 350 Real Estate Index.

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 to options granted under the 2006 LTIP are described in the Annual Remuneration Report on page 74.

Other information

Portfolio analysis

AT 30 SEPTEMBER 2014		NOTE	CARNABY	COVENT GARDEN	CHINATOWN	SOHO
Portfolio	Fair value	1	**£906.2m**	**£695.6m**	**£584.0m**	**£181.0m**
	% of total fair value		**35%**	**26%**	**22%**	**7%**
	Current income	2	**£31.0m**	**£23.8m**	**£21.8m**	**£7.0m**
	ERV	3	**£41.7m**	**£30.9m**	**£26.3m**	**£8.1m**
Shops	Number		**109**	**111**	**72**	**36**
	Area – sq. ft.		**185,000**	**139,000**	**93,000**	**38,000**
	% of current income	4	**53%**	**33%**	**27%**	**26%**
	% of ERV	4	**48%**	**34%**	**28%**	**27%**
	Average unexpired lease length – years	5	**4**	**5**	**5**	**4**
Restaurants, cafés and leisure	Number		**45**	**87**	**71**	**29**
	Area – sq. ft.		**93,000**	**165,000**	**203,000**	**55,000**
	% of current income	4	**14%**	**37%**	**60%**	**38%**
	% of ERV	4	**14%**	**33%**	**57%**	**38%**
	Average unexpired lease length – years	5	**11**	**10**	**12**	**8**
Offices	Area – sq. ft.		**251,000**	**83,000**	**36,000**	**37,000**
	% of current income	4	**27%**	**10%**	**5%**	**16%**
	% of ERV	4	**32%**	**14%**	**5%**	**17%**
	Average unexpired lease length – years	5	**4**	**3**	**3**	**2**
Residential	Number		**87**	**203**	**98**	**61**
	Area – sq. ft.		**52,000**	**122,000**	**65,000**	**34,000**
	% of current passing rent	4	**6%**	**20%**	**8%**	**20%**
	% of ERV	4	**6%**	**19%**	**10%**	**18%**

* Shaftesbury Group's 50% share.

Basis of valuation

AT 30 SEPTEMBER 2014	NOTE	CARNABY	COVENT GARDEN	CHINATOWN	SOHO
Overall initial yield	7	**3.23%**	**3.04%**	**3.33%**	**3.48%**
Initial yield ignoring contractual rent free periods	8	**3.53%**	**3.25%**	**3.36%**	**3.49%**
Overall equivalent yield	9	**4.07%**	**3.87%**	**4.04%**	**4.02%**
Tone of retail equivalent yields	10	**3.70 - 4.90%**	**4.00 - 5.25%**	**3.90 - 5.00%**	**4.25 - 5.75%**
Tone of retail ERVs - ITZA £ per sq. ft.	10	**£120 - £470**	**£63 - £475**	**£140 - £330**	**£120 - £250**
Tone of restaurant equivalent yields	10	**4.15 - 5.50%**	**3.85 - 4.50%**	**3.90 - 4.50%**	**4.00 - 5.00%**
Tone of restaurant ERVs - £ per sq. ft.	10	**£100 - £115**	**£50 - £173**	**£200 - £375 ITZA**	**£80 - £103 (£240 ITZA)**
Tone of office equivalent yields	10	**4.75 - 5.00%**	**4.50 - 4.75%**	**4.75 - 5.00%**	**4.75 - 5.35%**
Tone of office ERVs - £ per sq. ft.	10	**£48 - £73**	**£43 - £60**	**£40 - £50**	**£38 - £55**
Average residential ERVs - £ per sq. ft. per annum		**£47.00**	**£46.50**	**£41.00**	**£46.00**

CHARLOTTE STREET	WHOLLY OWNED PORTFOLIO	LONGMARTIN	TOTAL PORTFOLIO
£67.8m	£2,434.6m	£177.9m*	£2,612.5m
3%	93%	7%	100%
£2.7m	£86.3m	£7.2m*	£93.5m
£3.1m	£110.1m	£8.5m*	£118.6m
4	332	22	
8,000	463,000	67,000	
9%	37%	37%	
10%	36%	37%	
2	4	4	
18	250	10	
36,000	552,000	45,000	
53%	35%	14%	
53%	33%	15%	
11	11	13	
8,000	415,000	102,000	
7%	16%	33%	
9%	19%	34%	
1	4	5	
42	491	75	
19,000	292,000	55,000	
31%	12%	16%	
28%	12%	14%	

CHARLOTTE STREET	WHOLLY OWNED PORTFOLIO	LONGMARTIN
3.38%	3.22%	3.48%
3.50%	3.40%	3.54%
3.90%	4.00%	4.10%
4.50 - 5.50%		3.65 - 4.75%
£90 - £140		£78 - £550
4.00 - 4.75%		4.25 - 5.00%
£68 - £86		£75 - £113
5.00 - 5.25%		4.50 - 4.85%
£38 - £50		£40 - £64
£43.50		£44.00

Notes

1. The fair values at 30 September 2014 (the "valuation date") shown in respect of the individual villages are, in each case, the aggregate of the fair 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 income includes total annual actual and 'estimated income' reserved by leases. No rent is attributed to leases which were subject to rent free periods at the valuation date. Current income does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross estimated rental values in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
3. 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. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.
4. The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.
5. 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.
6. Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.
7. The initial yield is the net initial income at the valuation date 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 valuation date.
8. The initial yield ignoring contractual rent free periods has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
9. 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 valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.
10. The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.
11. All commercial floor areas are net lettable. All residential floor areas are gross internal.
12. For presentation purposes some percentages have been rounded to the nearest integer.
13. The analysis includes accommodation which is awaiting, or undergoing refurbishment or development and is not available for occupation at the date of valuation.

Summary Report by the Valuer

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 2014 (the "date of valuation") held by Shaftesbury Carnaby Limited, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown Limited, Shaftesbury Soho Limited and Shaftesbury CL 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 25 November 2014 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between March and November 2014 and a number were subject to internal inspections.

The valuations have been prepared in accordance with the appropriate sections of the Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGAs") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards 2014 UK Edition, (the "Red Book"). It follows that the valuations are compliant with International Valuation Standards. 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 VS 1.6.4 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 2.8 and UKVS 4, we are required to make certain disclosures in connection with this valuation instruction and our relationship with the Company and the Subsidiary Companies. Charles Smith is the signatory of our Reports. This is the third time that he has been signatory of valuation reports addressed to the Subsidiary Companies. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars. There have been no fee-earning instructions between DTZ Debenham Tie Leung and the Company or the Subsidiary Companies other than valuation instructions for in excess of three years.

As at the date of valuation DTZ Debenham Tie Leung was a UGL Company. In UGL's financial year ending 30 June 2014, the proportion of fees payable by the Company to the total fee income of UGL was less than 5%. DTZ became a stand alone, private global property services company on 5 November 2014, following the sale to TPG Capital Management. DTZ's financial year end is 30 June. We anticipate that the proportion of fees payable by the Company to DTZ in the financial year to 30 June 2015 will remain at less than 5%.

In accordance with the provisions of VPGA 8 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 Fair Value. We have assessed Fair Value in accordance with VPS 4.1.5.1(a) of the Red Book. Our opinion of the Fair 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, its managing agents or professional advisers.

Certain properties were subject to works of repair or refurbishment at 30 September 2014, 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 £11,484,895 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 to the right. The amounts arising from the notional apportionments do not themselves represent the Fair 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 Fair Values, as at 30 September 2014, 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 25 November 2014, were as follows:-

Freehold Properties	£2,238,640,000 (Two billion, two hundred and thirty-eight million, six hundred and forty thousand pounds)
Long leasehold Properties	£195,920,000 (One hundred and ninety-five million, nine hundred and twenty thousand pounds)
Total	**£2,434,560,000** **(Two billion, four hundred and thirty-four million, five hundred and sixty 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 Soho Limited and Shaftesbury CL Limited, for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of the contents of our Reports or this summary report. Before our Reports or this summary report, or any part thereof, are reproduced or referred to, in any document, circular or statement, and before their contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such, approval is required whether or not DTZ Debenham Tie Leung is referred to by name and whether or not the contents of our Reports or this summary report are combined with others.

Charles Smith MRICS
International Director
RICS Registered Valuer

For and on behalf of
DTZ Debenham Tie Leung Limited
125 Old Broad Street
London EC2N 1AR

Glossary of terms

Annual General Meeting/AGM
The annual general meeting held on 7 February 2014 (2014 AGM) or the annual general meeting to be held on 6 February 2015 (2015 AGM)

Building Research Establishment Environmental Assessment Method (BREEAM)
BREEAM sets the standard for best practice in sustainable building design, construction and operation. Buildings are assessed on a broad range of environmental factors and can be given ratings ranging from pass to outstanding.

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.

Compound Annual Growth Rate (CAGR)
The year-on-year growth rate of an investment over a specified period of time.

Conservation area
A conservation area is an area of special architectural interest, the character or appearance of which it is desirable to preserve or enhance. In dealing with development in conservation areas, the general aim of authorities is to ensure that the quality of townscape is preserved or enhanced, though legislation gives protection to individual buildings considered to be of particular heritage, significance and value to an area.

Dow Jones Sustainability Indices (DJSI)
A global benchmark for investors who integrate sustainability into their portfolios.

EPRA adjustments
Standard adjustments to calculate EPS and NAV as set out by EPRA in its Best Practice and Policy Recommendations.

EPRA EPS
EPRA EPS is the level of recurring income arising from core operational activities. It excludes all items which are not relevant to the underlying and recurring portfolio performance.

EPRA NAV
EPRA NAV aims to provide a consistent long-term performance measure, by adjusting reported net assets for items that are not expected to crystallise in normal circumstances, such as the fair value of derivative financial instruments and deferred tax on property valuation surpluses. EPRA NAV includes the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA net assets
Net assets used in the EPRA NAV calculation, excluding additional equity if all vested share options were exercised.

EPRA triple net asset value
EPRA NAV incorporating the fair value of debt which is not included in the reported net assets.

EPRA vacancy
The rental value of vacant property available expressed as a percentage of ERV of the total portfolio.

Equivalent yield
Equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents.

European Public Real Estate Association (EPRA)
EPRA develops policies for standards of reporting disclosure, ethics and industry practices.

Estimated rental value (ERV)
ERV is the market rental value of properties owned by the Group, estimated by the Group's valuers.

Fair value
The amount at which an asset or liability could be exchanged between two knowledgeable willing unconnected parties in an arm's length transaction at the valuation date.

Gearing
Nominal value of Group borrowings expressed as a percentage of EPRA net assets.

Global Real Estate Sustainability Benchmark (GRESB)
Organisation which assesses the sustainability of real estate portfolios around the world.

Initial yield
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, rent charges and estimated irrecoverable outgoings.

Interest cover
The interest cover is a measure of the number of times the Group can make interest payments with its operating profit before investment property disposals and valuation movements.

Like-for-like portfolio
The like-for-like portfolio includes all properties that have been held throughout the accounting period.

Loan-to-value
Nominal value of borrowings expressed as a percentage of the fair value of property assets.

London Benchmarking Group (LBG)
LBG is a global network of 150 companies using the LBG Model to improve the management, measurement and reporting of corporate social investment.

Long Term Incentive Plan (LTIP)
An arrangement under which an employee is awarded options in the Company at nil cost, subject to a period of continued employment and the attainment of NAV and TSR targets over a three-year vesting period.

Net asset value (NAV)
Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net asset value return
The change in EPRA NAV per ordinary share plus dividends paid per ordinary share expressed as a percentage of the EPRA NAV per share at the beginning of the year.

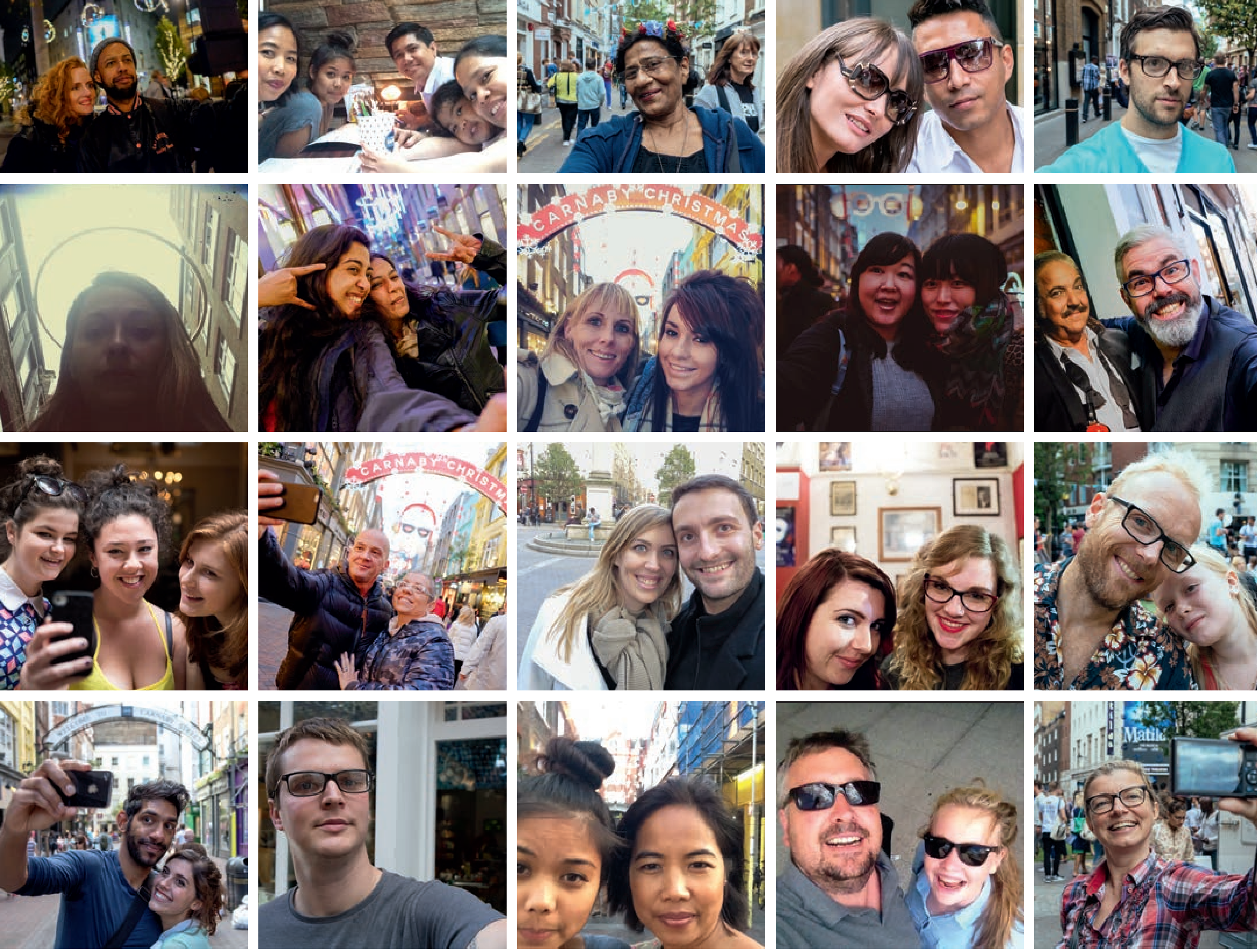
Operational Energy (kg CO_2 / m^2)
This is the carbon dioxide produced in supplying energy for the day-to-day operation of a building.

Property Income Distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Real Estate Investment Trust (REIT)
A REIT is a tax designation for an entity or group investing in real estate that reduces or eliminates corporation tax on rental profits or chargeable gains relating to the rental business, providing certain criteria obligations set out in tax legislation are met.

Tonnes of carbon dioxide equivalent (tCO_2e)
Tonnes of carbon dioxide equivalent, which is a measure that allows the comparison of emissions from other greenhouse gases relative to one unit of CO_2. It is calculated by multiplying the greenhouse gas emissions by its 100-year global warming potential.

Total Shareholder Return (TSR)
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.



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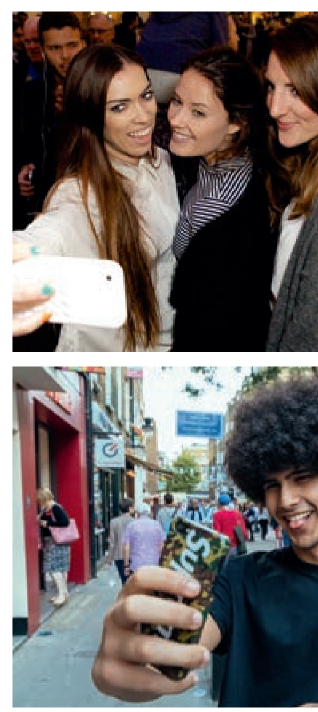

ARE WE TO PAINT
WHAT'S ON
THE FACE
WHAT'S INSIDE
the face
OR WHAT'S
BEHIND IT

PABLO PICASSO

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