ANNUAL REPORT 2015

Shaftesbury

Contents

Strategic report

Governance

Financial statements

Other information

Exceptional

We own an exceptional real estate portfolio, extending to 14 acres, in the heart of London's West End. Our property interests are valued at £3.1 billion[1]

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

see pages 8 to 13

Resilient

Our objective is to deliver long-term outperformance in growth of rental income, capital values and shareholder returns

We concentrate on locations and uses which have a long record of delivering rental growth

see pages 14 to 17

Focused

We focus on retail, restaurants, and leisure

With 570 shops, restaurants, cafés and pubs in the liveliest parts of the West End, which provide 70% of our current income[2]

see pages 19 to 27

Proven

Our proven management strategy creates and fosters distinctive, attractive and prosperous destinations

see pages 30 to 31

Experienced

Our experienced management team has an innovative approach to sustainable income growth and long-term value creation

see page 33

Robust

We operate with prudent financial management, a strong balance sheet and a tax-efficient REIT structure

see page 34

1 Including our 50% share of property held in joint venture
2 Wholly-owned portfolio


black

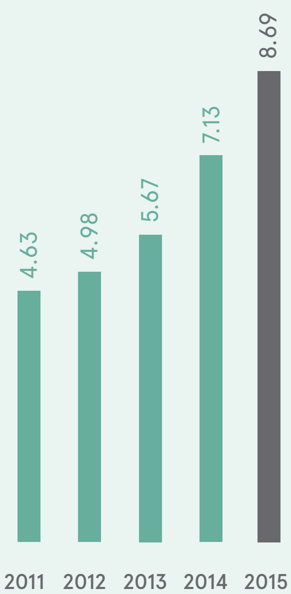

white

Financial highlights

EPRA net asset value (£ per share)

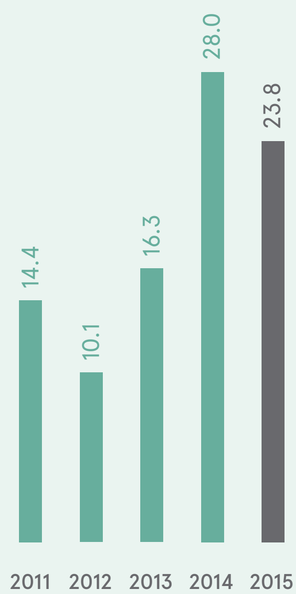
+21.9%

2015 £8.69 per share
2014 £7.13 per share



Net asset value return (%)

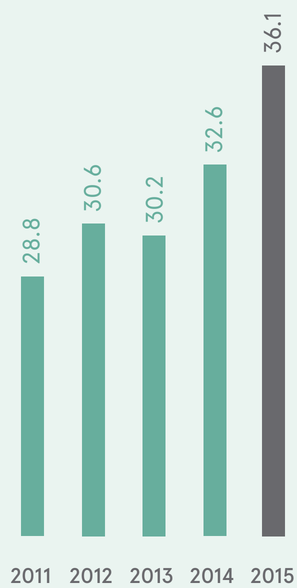
+23.8%



EPRA earnings (£m)

+10.7%

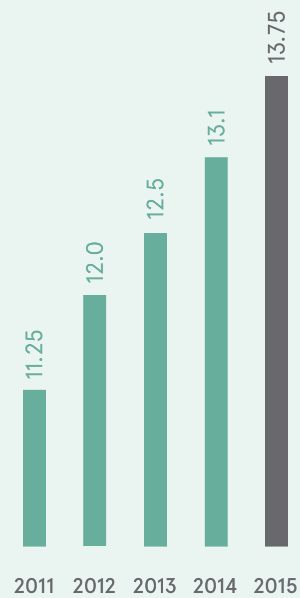
2015 £36.1 million
2014 £32.6 million



Dividends (pence per share)

+5.0%

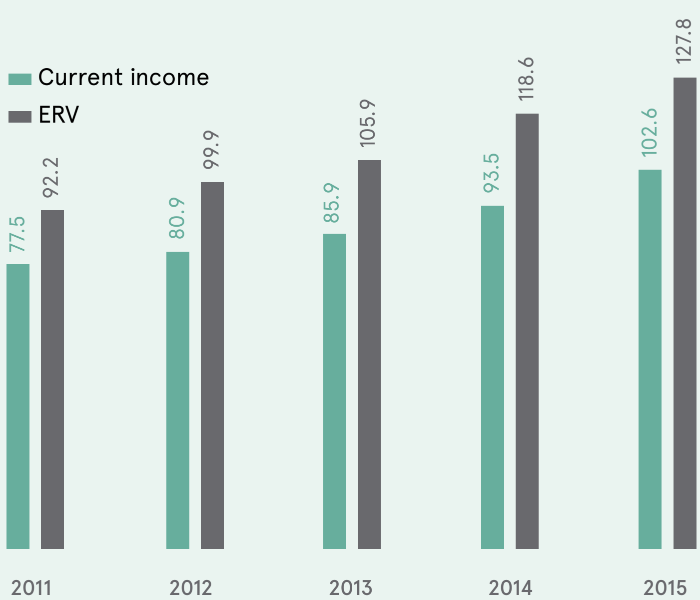
2015 13.75p per share
2014 13.1p per share



Reversionary potential[1] (£m)

£25.2m

2014 £25.1 million

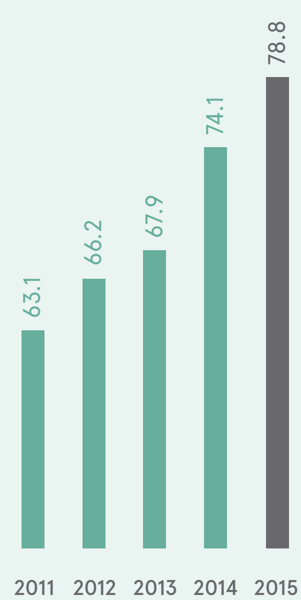


1 Including our 50% share of property held in joint venture

Net property income (£m)

+6.3%

2015 £78.8 million
2014 £74.1 million



EPRA EPS (pence per share)

+6.6%

2015 13.0p per share
2014 12.2p per share

+21.9%

£8.69

EPRA NAV per share

+10.7%

£36.1m

EPRA earnings

+5.0%

13.75p

Dividends per share

Chairman's statement

I am pleased to report another year of strong performance

Our long-term strategy of investment in the heart of London's West End continues to deliver increasing shareholder value and dividends, underpinned by sustained demand and growth in actual and prospective rental income.

Across our fourteen acres of ownership[1], relentless activity, which includes asset management, schemes and acquisitions, is key to our continuing success.

We focus on retail, restaurants and leisure in iconic West End locations. Businesses seeking space value our strategy of fostering constantly-evolving destinations, which draw many millions of people throughout the year.

Our approach creates prosperous areas for our tenants and, in doing so, establishes the demand that supports long-term growth in our income and the value of our portfolio.

Strong NAV growth

EPRA net asset value per share grew by £1.56 to £8.69 at the year end, primarily driven by strong valuation growth in our portfolio. This represents a NAV return, after adding back dividends, of 23.8%.

The valuation of our portfolio[2] rose by £466.6 million to £3.1 billion, an 18% like-for-like increase over the year. This increase is attributable to a combination of:

- Continuing strong occupier demand, and limited availability of space, which, together, are driving sustained growth in actual and potential rental income;
- The improvements we make to our buildings to provide better space and enhance their income-generation prospects; and
- The considerable investment demand for properties in our prosperous and resilient locations, which exceeds the availability of assets to buy.

The portfolio reversionary potential[2], estimated by our valuers, stands at £25.2 million, 24.6% above current rents. We are confident that we shall continue our long record of converting this potential into cash flow, whilst further growing rental values.

1 Wholly-owned portfolio
2 Including our 50% share of property owned in joint venture

Importantly, DTZ, independent valuers of our wholly-owned portfolio, continue to advise the Board that, in their view, some prospective purchasers may recognise the compelling opportunity, which the acquisition of the portfolio would provide, to own, in a single transaction, a substantial number of predominantly retail and restaurant properties in adjacent, or adjoining, locations in London's West End. Consequently, they 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.

Increased EPRA earnings and dividends

EPRA earnings increased by 10.7% to £36.1 million (2014: £32.6 million), largely driven by like-for-like growth in rental income of 5.5%. With sustained strong demand across all our locations and for all uses, we are achieving rents on leasing transactions and rent reviews, on average, 11.2% above ERVs twelve months earlier. As well as crystallising and exceeding the portfolio reversion previously reported, these transactions create new rental tones which benefit our adjoining, or nearby, ownerships.

Your Board is pleased to recommend a final dividend of 6.925p, bringing the total dividends for the year to 13.75p, an increase of 5.0%. The total distribution in respect of the year will amount to £38.3 million (2014: £36.5 million).

Asset management and investment in our portfolio

It has been another busy year of asset management activity and investment across our portfolio.

During the year, we completed £27.3 million of leasing and rent review transactions, equivalent to around 23% of total ERV.

We have worked on a wide variety of refurbishment schemes, extending to 181,000 sq. ft., or 10% of our floor area. This included the completion of our major scheme in Carnaby, fronting Foubert's Place and Kingly Street.

Capital expenditure for the year amounted to £24.7 million. This continues to be modest in relation to the value of our portfolio, as we provide retail, restaurant and leisure space in shell form, and have limited exposure to the obsolescence inherent in offices. In all our schemes, we are mindful of the need to ensure our generally older building stock continues to meet, or exceed, the minimum standards of environmental performance required by law and expected by our occupiers.

We continue to identify and advance further asset management opportunities across our portfolio. In particular, we are making good progress with three important schemes which we shall be starting during 2016:

- In Chinatown, we have secured planning consent for a major reconfiguration of 45,500 sq. ft. of retail and restaurant space fronting Charing Cross Road and Newport Court. We shall start our works early in 2016.
- In Carnaby, we have submitted a planning application for the refurbishment and extension of 57 Broadwick Street, which will provide 33,000 sq. ft. of retail, restaurant, office and residential accommodation. Subject to receiving consent, we expect the scheme to be underway by mid-2016.
- In Seven Dials, in early 2016, we shall commence a scheme to materially alter Thomas Neal's Warehouse to provide 21,000 sq. ft. of reconfigured space suitable for retailers seeking a flagship presence in this popular location.

The availability of properties to acquire, which meet our strict investment criteria, continues to be limited. Existing owners remain reluctant to relinquish valuable investments which offer both security and good growth prospects. Inevitably, the timing of acquisitions is always unpredictable.

In the first half, we acquired seven properties at a cost of £25.8m. Although we made no purchases in the second half, since the year end, we have secured acquisitions totalling £22.1 million. In each acquisition we have identified potential for asset management initiatives which should deliver good rental and capital growth in the medium-term, and which will benefit our holdings nearby.

Adding to our long-term financial resources

Long-term funding is a natural fit with our business model and portfolio of good quality assets which, with our management, deliver secure and growing income streams.

Since the beginning of 2015, we have completed the refinancing of our remaining debt facilities, which were due to expire in 2016, securing £250 million of long-term loans at an average rate of 3.51%. The refinancing provided us with additional resources of £96.6 million, of which £28.1 million was used to terminate £70 million of long-dated interest rate swaps.

Corporate Governance

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

PricewaterhouseCoopers LLP, and their predecessor firms, have been our auditors since the company was founded in 1986. In light of new regulations regarding the rotation of auditors, and, in line with emerging best practice, we decided to tender the audit during the year.

Following this tender process, PricewaterhouseCoopers LLP will resign as auditors at the completion of this year's audit and Ernst & Young LLP will be appointed. The Board is recommending that Ernst & Young LLP be reappointed as auditor from the date of the Annual General Meeting in February.

Our team and the Board

Unusually for a business of our size, we operate with a staff of just 25. Their experience, knowledge and commitment are key to the continuing success of the Group's long-term strategy and the evolution of its implementation across our growing portfolio. Their innovative thinking ensures we adapt and respond to an ever-changing environment.

Importantly, we benefit from the experience and advice from a wide range of professional advisors, who share our enthusiasm for, and commitment to, our portfolio, and the areas in which we invest.

We are fortunate that we are able to call on the advice and wider experience of five Non-Executive Directors, who understand our business, how we operate, and the challenges that may lie ahead.

After 29 years at the Company, for many of which as Chief Executive, I have asked the Nomination Committee, led by our Senior Independent Director, Jill Little, to undertake a process to identify my successor as Non-Executive Chairman.

Outlook

London's global status continues to attract domestic and international businesses and visitors in unrivalled numbers. The city is currently experiencing a period of exceptional investment and growth. With forecasts pointing to a rapidly increasing population, more people and businesses are being drawn to its dynamic economy, wide variety of attractions and diverse, cosmopolitan atmosphere.

The completion of Crossrail in 2018, with its two West End transport hubs at Tottenham Court Road and Bond Street, will bring much-needed additional transport capacity to the London network. Importantly for us, accessibility to the West End will be materially improved and footfall patterns will change, which will benefit our holdings, all of which are a short walk from these new hubs.

We invest in predominantly retail, restaurant and leisure locations and buildings in the core West End, where these uses have a long history of sustained demand, resulting in occupancy levels and rental growth which typically are unaffected by wider cyclical trends. With the factors supporting the outlook and long-term success of the West End mirroring those of the entire city, they also underpin the unique qualities and prospects of our exceptional, centrally-located portfolio.

Against this background, and with our experience and forensic knowledge of the West End, we expect to continue to deliver long-term growth in shareholder value and income.

Jonathan Lane OBE
Chairman

24 November 2015

Exceptional real estate portfolio in the heart of London's West End

14 acres

in the heart of London's West End[1] and 1.9 acres owned in joint venture[2]

1.7m sq. ft.

commercial and residential accommodation[1] plus 0.3m sq.ft. held in joint venture[2]

1,550

commercial and residential tenants[1]

£3.1bn

portfolio valuation[3]

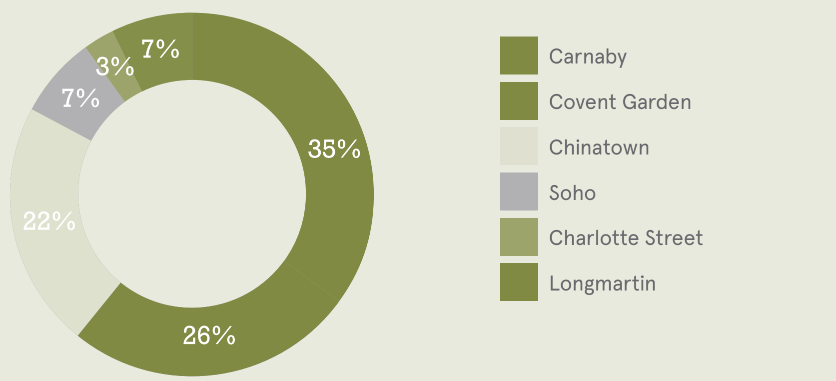
£102.6m

current income[3]

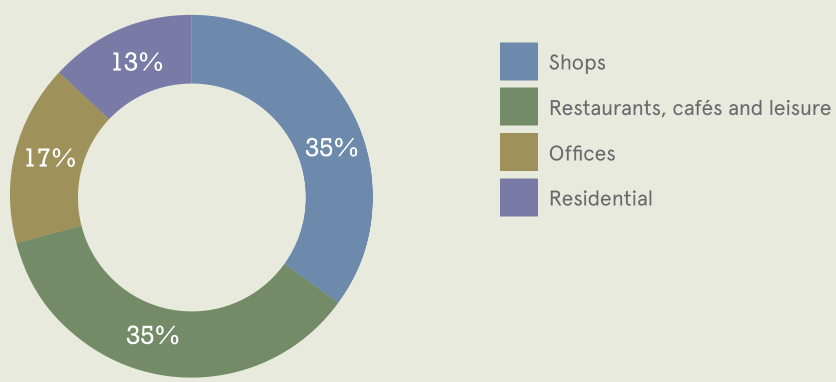
£127.8m

estimated rental value[3]

Villages by fair value



Uses as a % of current income[1]



1 Wholly-owned portfolio
2 Shaftesbury has a 50% interest in this joint venture
3 Including our 50% share of property held in joint venture
4 Estimated total passengers using Tottenham Court Road and Bond Street stations by the mid-2020s


100%
of our portfolio is between 5 and 10 minutes' walk of a Crossrail station
245m
passengers annually handled by the six stations closest to our villages
GOODGE STREET
8m PASSENGERS
Charlotte Street 0.7 acres
GOODGE STREET
TOTTENHAM COURT ROAD
TOTTENHAM COURT ROAD
37m PASSENGERS
108m[4] PASSENGERS
OXFORD STREET
OXFORD CIRCUS
99m PASSENGERS
BOND STREET
102m[4] PASSENGERS
WARDOUR STREET
CHARING CROSS ROAD
Soho 1.3 acres
Seven Dials 3.0 acres
Carnaby 4.2 acres
REGENT STREET
COVENT GARDEN
15m PASSENGERS
St Martin's Courtyard[2] 1.9 acres
Opera Quarter 0.6 acres
Chinatown 3.2 acres
SHAFTESBURY AVENUE
LEICESTER SQUARE
43m PASSENGERS
Coliseum 1.0 acre
PICCADILLY CIRCUS
43m PASSENGERS
REGENT STREET
CROSS ROAD
STRAND
PICCADILLY
CHARING CROSS
MALL


east


west
ZARA

Exceptional real estate portfolio in the heart of London's West End

Accumulated over 29 years, our portfolio extends to 14 acres in the heart of the West End, together with a 50% interest in a further 1.9 acres in our Longmartin joint venture. It was independently valued at £3.1 billion at 30 September 2015[1].

SEE PAGE 38 TO 40 FOR DETAILS OF THE VALUATION

We own nearly 600 buildings, mostly of "domestic" size, clustered in villages in iconic areas – Carnaby, Covent Garden, Chinatown, Soho and Charlotte Street – close to the West End's world-class visitor attractions.

The areas in which we invest are long-established, with street patterns generally laid out between 1680 and 1720. Virtually all our holdings are within Conservation Areas and around 20% of our buildings are listed as being of special architectural interest.

Ownerships across the West End are largely fragmented or held by the landed estates. This, together with an unwillingness by existing owners to sell properties in this prosperous area, would make it virtually impossible to replicate a portfolio of this size and concentration, and with a mix of uses such as ours, in our central locations.

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

With the benefit of our proven management strategies, our portfolio delivers sustainable growth in rents, through the cycles, which is fundamental to long-term value creation.

The key features of our portfolio are:

Situated entirely in London's West End

- Prosperous area with high footfall
- Unrivalled visitor destination and popular business location
- Benefits from the long-term growth of London's economy, population and visitors
- London's "safe haven" status provides stability and resilience
- Exceptional transport links – all our properties are close to major underground stations and the new West End Crossrail transport hubs

SEE PAGE 13 FOR MORE INFORMATION ON LONDON AND THE WEST END

Clustered in iconic areas

- Concentration in renowned areas with high footfall
- Allows us to adopt a comprehensive management strategy for each village
- Our initiatives bring compound benefits to our nearby ownerships

SEE PAGES 30 TO 31 FOR DETAILS OF OUR MANAGEMENT STRATEGIES

Focused on shops, restaurants, cafés and pubs (70% of current income)

- These uses have a long history, in the West End, of demand exceeding supply and low vacancy levels
- Rental levels for these uses have historically not been cyclical in this location
- As we provide this accommodation in shell form, there is limited obsolescence for us, as landlord
- Upper floors are generally offices, residential or a mix of both

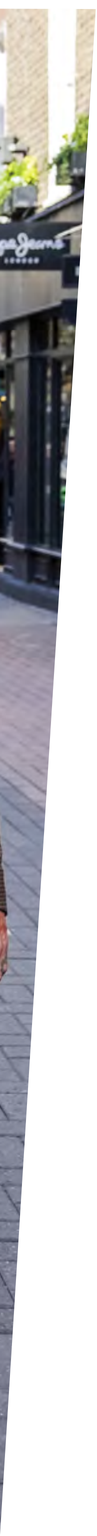
SEE PAGES 20 TO 21 FOR WHY WE FOCUS ON THESE USES


more bikes
lifestyle


WELCOME TO CARNABY STREET
high style

Why London's West End?

Unrivalled visitor and business destination, bringing prosperity and resilience



London is one of the world's principal global cities and is the largest city in Western Europe. It has an unrivalled variety of heritage and cultural attractions, which draw huge numbers of domestic and overseas' visitors. It is also a world-class business location.

The city's population is currently 8.6 million, and is expected to grow to more than 10 million by 2036[1]. Additionally, there is a similar, and growing, population in southern England who can easily commute or visit for a day.

This global appeal brings prosperity to the city, giving it a broad economic base which is not reliant on the fortunes of the wider UK economy.

1 The London Plan, March 2015
2 Mastercard – Global City Index
3 Jones Lang LaSalle – Heart of London, New West End Company, Shaftesbury – London's West End Review and Outlook, March 2015
4 The West End Partnership, The West End Vision 2030
5 Cushman & Wakefield, Capital Watch, Summer 2015
6 Crossrail
7 Harper Dennis Hobbs and The New West End Company, Crossrail visitor impact study, September 2015
8 Arup, The Impact of Crossrail on Visitor Numbers in the West End, January 2014

The West End's popularity

The West End's variety of shops, restaurants, cafés, pubs and clubs, together with its 38 world-famous theatres, 30 museums, galleries, live entertainment, public spaces and parks, attract 390 million visits annually[3]. In 2014, London was ranked as the world's most popular city tourist destination, welcoming 18.7 million international visitors, up 8% from the previous year[2]. Visitor spending, in the West End, is estimated at £11 billion p.a.[4]

Generating 3% of the UK's economic output (GVA)[4], the City of Westminster is an economic powerhouse with one of the most dense employment concentrations in the world; it is estimated that there is a working population across the borough of over 650,000[1]. It is home to a wide range of businesses and a large number of SMEs; over 80% of businesses employ fewer than ten people. The West End is also a popular place to live, with around 59,000 residents[4].

SEE PAGE 21 FOR WHY THIS LOCAL WORKING AND RESIDENT POPULATION IS IMPORTANT

Strong footfall and consumer spending, yet constrained supply of space

The large numbers of visitors, together with the working and resident populations, bring footfall and spending, which have shown long-term resilience. Availability of commercial space is constrained, planning regulations are tight and there is demand from a wide variety of occupiers. This structural imbalance in supply and demand is fundamental to 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.

Exceptional and improving transport links

The West End is at the heart of the capital's underground and bus network. The six underground stations closest to our villages handled 245 million passengers in 2014, an increase of 5% over 2013. In recognition of the growing demands placed on the transport network, investment of £25.3 billion is forecast, over the next six years, to upgrade and expand the transport infrastructure, increasing capacity and improving reliability[5].

Crossrail

Crossrail is planned to open in 2018. It is estimated that this will:

- Increase network capacity by around 10%[6]
- Extend the West End's provincial catchment area by 27%[7]
- Shorten travel times
- Treble passenger numbers at the Tottenham Court Road and Bond Street transport hubs by the mid 2020s[8], materially changing footfall patterns in the vicinity
- Increase retail and leisure spending in the West End

We expect to be a major beneficiary as all our properties are within ten minutes' walk, and approximately 80% within five minutes, of the two West End Crossrail stations.

Responding to the expected substantial increase in footfall around the new stations and in nearby streets, a number of improvements to the public realm are underway, or planned, to ease pavement congestion and provide stronger connections between retail, cultural and leisure attractions.

Resilient

Our objective is to deliver long-term outperformance in growth of rental income, capital values and shareholder returns

We concentrate on locations which have an exceptional record of long-term prosperity, resilience and growth.

Key value drivers

Value driver	Why is this important?
Sustained demand	Fundamental to long-term growth in rental income and capital values
Minimal vacancy	Maximises income generated by the portfolio
Limited obsolescence	Limits investment needed to maintain our portfolio
Cost control	Maximises earnings

SEE PAGE 21 FOR HOW WE FOCUS LARGELY ON USES WHICH GIVE US LIMITED OBSOLESCENCE RISK

SEE PAGE 53 FOR MORE INFORMATION ON COSTS IN THE CURRENT YEAR AND PAGE 4 FOR DIVIDENDS OVER THE PAST FIVE YEARS

The associated principal risks are:

- A sustained fall in visitor numbers and/or spending in the West End and our villages, leading to a reduction in tenant demand and occupancy levels e.g. as a result of terrorism, health concerns, long-term disruption to the transport network, or competing destinations
- Regulatory risk, including changes in planning policies
- Economic risks

SEE PAGES 61 TO 63 FOR DETAILS OF OUR PRINCIPAL RISKS AND HOW WE MITIGATE THEM

SEE PAGES 19 TO 31 FOR INFORMATION ON OUR BUSINESS MODEL

Sustainable rental growth

Sustainable rental growth is fundamental to long-term growth in income, earnings and capital values. We achieve this through:

- Investing in popular locations
- Focusing on retail and leisure uses which, in the West End, have a long history of sustained demand and rental growth
- Improving our buildings and villages to create and foster distinctive, attractive and prosperous locations

SEE PAGE 13 FOR THE WEST END'S POPULARITY

SEE PAGES 20 TO 21 FOR OUR FOCUS ON RETAIL AND LEISURE USES

SEE PAGE 19 FOR HOW WE CREATE AND DELIVER VALUE

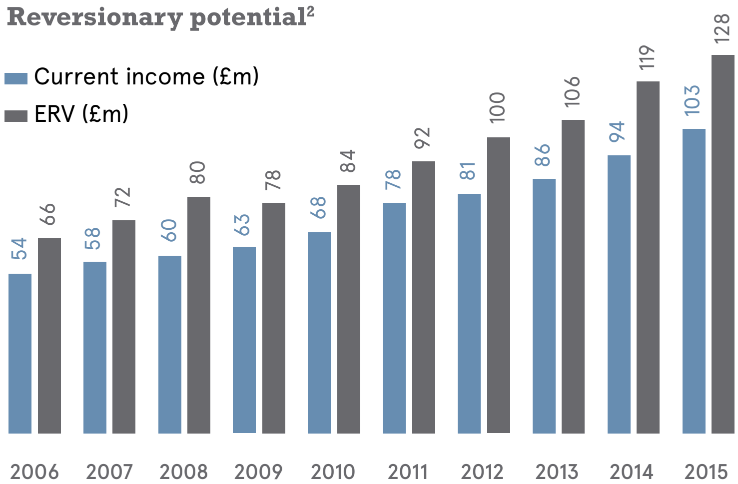
Growth in rents through the cycles

Our strategy has delivered consistent growth in current income and rental values over many years. The 10-year cumulative annual growth rate in the current income and ERV of our portfolio has been 7.5% p.a. and 7.7% p.a. respectively, with growth in current income every year[1].

Over the past decade, the ERV of the portfolio has been, on average, 24% above current rents each year. The reversion currently stands at £25.2 million, 24.6% above current income.

Typically we crystallise the potential income into cash flow over a three-to-five year period. 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 establish rental tones which exceed the ERV assessed by our external valuers. In doing so, we improve the reversionary potential by generating market rental evidence on individual properties and across our neighbouring holdings. It is this rental potential which delivers future income and capital growth.

Reversionary potential[2]

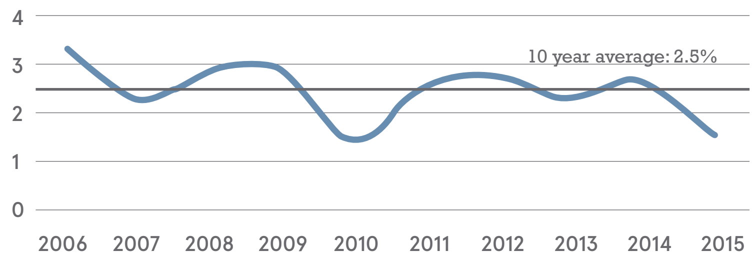


SEE PAGE 40 FOR MORE INFORMATION ON THE COMPONENTS OF THE CURRENT REVERSIONARY POTENTIAL

High occupancy

Our long-term management strategy creates strong tenant demand. Consequently, vacancy levels are typically low, with average EPRA vacancy in the wholly-owned portfolio over the past ten years of 2.5%. At 30 September 2015, EPRA vacancy was 1.6%.

EPRA vacancy %[2]



SEE PAGES 30 TO 31 FOR DETAILS ON OUR PROVEN MANAGEMENT STRATEGY
SEE PAGE 47 FOR MORE INFORMATION ON CURRENT VACANCY

KPIs

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

Specific measure	Result for year ended 30 September 2015
Commercial lettings/renewals/rent reviews to exceed ERVs assessed by our valuers in the previous year	· Transactions in the first half: +10.0% vs March 2014 ERV · Transactions in the second half: +12.1% vs September 2014 ERV · Transactions during the year: +8.1% above September 2014 ERV
Let vacant space quickly	One month average letting time

These KPIs, along with other targets covering occupancy, ERV growth, operating costs, corporate social responsibility and delivering projects and transactions are used to determine executive and senior management annual bonuses.

SEE PAGE 94 FOR OUR ACHIEVEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 Including the impact of acquisitions
2 Including our 50% share of property held in joint venture
3 Wholly-owned portfolio


tourists


locals
MAGIC MIKE

Long-term performance measures

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

Measure	Growth in EPRA NAV	Total shareholder return
What does it measure?	Value creation	Returns to shareholders, taking into account share price movements and dividends in the period
Benchmark	Cumulative Annualised Growth Rate vs Retail Price Index + 3%	FTSE 350 Real Estate Index
Source	Our audited accounts and the ONS Retail Prices Index	Datastream
Performance	1 year: 21.9% / 3.8% 3 years: 20.4% / 5.1% 5 years: 16.0% / 5.9% 10 years: 9.4% / 6.0%	1 year: 36.7% / 24.3% 3 years: 81.7% / 79.6% 5 years: 134.7% / 117.3% 10 years: 281.9% / 42.0%
Comment	Outperformance over each period measured	Outperformance over each period measured

SEE PAGE 95 FOR MORE INFORMATION ON THE LTIP Shaftesbury Benchmark

push

pull

How we create and deliver value

FURTHER COMMENTARY ON OUR BUSINESS MODEL IS PROVIDED ON PAGES 20 TO 35

Mix of uses, **focused** on retail, restaurants and leisure

Shops, restaurants, cafés and pubs generate 70% of current income[1]

Careful selection of tenants new concepts and independents favoured

Strong demand, restricted supply and low vacancy

Space provided in shell form so our obsolescence costs are limited

Growing importance of restaurants and leisure

Upper floors generally offices and residential

Shops, restaurants, cafés and pubs generate 70% of current income[1]

We have one million sq. ft. of retail, restaurant and leisure space in our wholly-owned portfolio, which provides 70% of our current income[1]. It comprises 313 shops, mainly of medium or small size, and 257 restaurants, cafés and pubs. The choice of interesting shopping, dining and leisure concepts in our villages gives visitors an experience unmatched by competing destinations.

Careful selection of tenants - new concepts and independents favoured

The careful selection of retail, restaurant and leisure tenants is fundamental to our strategy. We favour new concepts and independent operators, to ensure our areas provide a different offer to traditional "high street" formats and locations.

Our tenant selection focus is mid-market, innovative and accessible; our shops are neither luxury nor value-led and our restaurants typically are neither Michelin-starred nor low-end fast food.

Strong demand, restricted supply and low vacancy

In the West End, there is a long history of occupier demand for retail, restaurant and leisure space exceeding availability, which is often restricted by planning policies.

As a result, rental levels for these uses, in our areas, historically have not been cyclical. Even in times of major financial uncertainty, rents for these uses have not recorded declines. Our vacancy levels are traditionally low, averaging 3.6% for retail and 1.5% for restaurants, cafés, bars and leisure over the past ten years[1,2].

SEE PAGES 46 TO 47 FOR INFORMATION ON CURRENT DEMAND AND VACANCY

Limited obsolescence risk

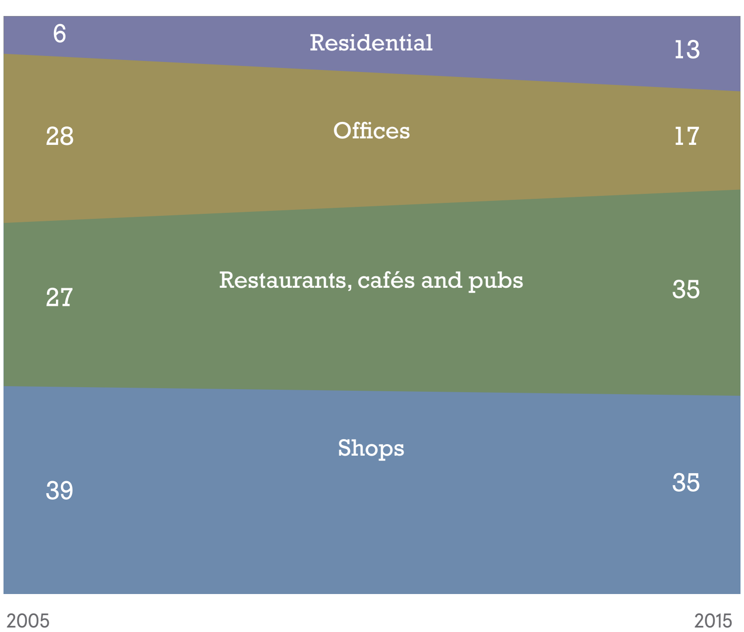
An important aspect of our retail, restaurant, café and leisure accommodation is that we provide it in shell form. Tenants are responsible for fit-out, with no capital contribution from us. At the end of the lease, we re-let the shell of space without incurring significant refurbishment costs, limiting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

Growing importance of restaurants and leisure

Restaurants and leisure are growing in importance, reflecting changing lifestyles and expectations of the huge numbers who visit, work, or reside in, the West End. This is reflected in our portfolio, where the contribution from these uses has grown from 27% to 35% of current income since 2005. Over the same period, the share of our income generated from retail has decreased from 39% to 35%.

SEE PAGES 24 TO 25 FOR FURTHER INFORMATION ON OUR SHOPS, RESTAURANTS, CAFÉS, AND PUBS

Evolution of uses over time
% of current income[1]



1 Wholly-owned portfolio
2 EPRA vacancy

Upper floors - a mix of offices and residential

Much of the space above our shops and restaurants consists of offices, residential, or a mix of both. A local working population and a residential community are essential elements of the character and economy of our areas, bringing added life and vibrancy, and providing customers for our shops, restaurants, cafés, and pubs.

Over recent years, in response to the growing demand for residential accommodation in our lively, central locations, we have converted many of our smaller, poorer quality offices back to their original residential use. Consequently, our income from offices has reduced from 28% to 17% since 2005. At the same time, the income contribution from residential has increased from 6% to 13%.

SEE PAGES 26 TO 27 FOR MORE INFORMATION ON OUR OFFICES AND APARTMENTS


CARNABY
Carnaby.co.uk @CarnabyLondon #Carnaby
NTON STREET W1
OF WESTMINSTER
7

plug in


BANANA CACAO
CARROT HAZELNUT RISOTTO
EGG & KALE
DRINKS
£3.50
SMOOTHIES
GREEN
BERRY
BANANA CINNAMON
£3.20
LEMONADE
FRESH w/
HONEY
£3.20
DRINKING VINEGAR
BLACKBERRY, APPLE CIDER
VINEGAR, COCONUT PALM
SUGAR
£2.50
TEA
ENERGY BALL

chill out

Retail

Wholly-owned

Shops
313
Larger shops[2] **70** (62% of current income)
Smaller shops[3] **243** (38% of current income)

Area (sq.ft.)
456,000

Weighted average unexpired lease term
4 years

Current income
£32.9m

Longmartin

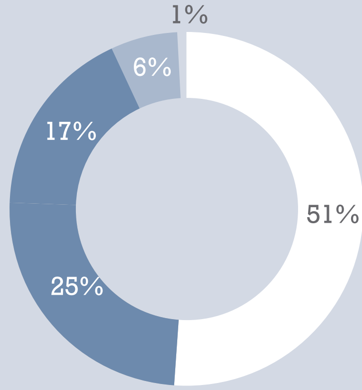
Shops
22
Larger shops[2] **12** (67% of current income)
Smaller shops[3] **10** (33% of current income)

Area (sq.ft.)
67,000

Weighted average unexpired lease term
5 years

Current income
£2.9m

Current income by village[1]



Carnaby · Covent Garden · Chinatown · Soho · Charlotte Street

Competitive rental levels compared with nearby streets

Our 313 wholly-owned shops are occupied principally by fashion and lifestyle retailers. An important element of the character and mix in our villages is our ability to provide a wide range of shop sizes and rental tones across our many different buildings and streets. As well as providing shoppers with a variety of interesting formats, this offers great flexibility for retailers to grow, or open, new concepts within our areas.

Our villages have high, and growing, footfall yet our rental levels remain competitive in relation to nearby streets.

Shorter, more flexible leases

Our retail leases are generally short, 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' fit-out period.

Sustained, broad-based demand

Our central, iconic retail destinations continue to attract good tenant demand, particularly from North American, European and UK concepts seeking to open flagships or concept stores. We have also had a number of existing tenants who have expanded, relocated, or taken second sites within our villages, particularly in Carnaby, our largest retail area. With this breadth of demand, we continue to introduce new operators to maintain a fresh and interesting retail mix across our areas.

During the year, we completed leasing and rent review transactions with a combined rental value of £8.9 million, equivalent to 27% of our current retail income. This included 34 new lettings, seventeen lease renewals and twelve rent reviews. Vacancy levels remain low and void periods are short. EPRA vacancy[1] was 2.4% at year end, of which 0.2% was under offer.

Our share of lettings and rent reviews in the Longmartin joint venture was £0.8 million.

SEE DEMAND AND OCCUPANCY ON PAGES 46 TO 47

Larger retail developments

During the year, we completed the development of 7,500 sq. ft. of new retail space at our scheme on Foubert's Place, Carnaby, which was let to an overseas' brand making its debut in Europe.

We shall commence our redevelopment of our large ownership on Charing Cross Road early in 2016. Our plans include creating approximately 32,000 sq. ft. of large, double-height retail units along a 330 foot frontage on this busy street, which we expect to be a major beneficiary of Crossrail footfall. We are making substantial improvements to the configuration of the space, which we plan to market on completion in 2017.

We have started to secure vacant possession of space ahead of our planned reconfiguration of the 21,000 sq. ft. Thomas Neal's Warehouse, Seven Dials, to reduce the current sixteen units to fewer, larger units, or potentially a single unit. Works are expected to commence early in 2016, with completion in mid-2017.

Our planning application for the reconfiguration and extension of 57 Broadwick Street has been submitted. Subject to consent, we expect to commence works in spring 2016 to convert offices into 11,000 sq. ft. of flagship retail space, at this gateway to Carnaby from Soho.

SEE PAGES 42 TO 43 FOR FURTHER INFORMATION ON THESE SCHEMES

SEE PAGES 20 TO 21 FOR WHY WE FOCUS ON RETAIL, RESTAURANTS AND LEISURE

SEE PAGE 13 FOR FURTHER INFORMATION ON CROSSRAIL

SEE PAGES 142 TO 143 FOR RENTAL TONES ADOPTED BY THE VALUERS

35% of current income[1]

1 Wholly-owned portfolio
2 Rent > £150,000 p.a.
3 Rent < £150,000 p.a.

Restaurants, cafés and pubs

Wholly-owned

Restaurants, cafés, and pubs
257

Area (sq.ft.)
559,000

Weighted average unexpired lease term
11 years

Current income
£34.0m

Longmartin

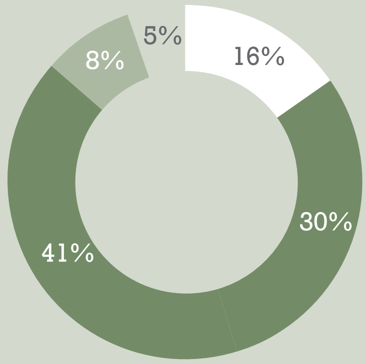
Restaurants, cafés and pubs
11

Area (sq.ft.)
45,000

Weighted average unexpired lease term
15 years

Current income
£1.3m

Current income by village[1]



Increasingly becoming a footfall driver

Eating out and socialising are ever-more popular. Consequently, the variety and quality of restaurants, cafés and pubs in the West End is increasingly becoming a footfall driver in its own right. With 257 wholly-owned restaurants, cafés and pubs, we are the largest provider of food and beverage space across the core West End, owning nearly one in five of the licenced premises.

Long leases, but becoming more flexible for us, as landlord

Tenants invest considerable sums fitting out their space, sometimes spending the equivalent of 3-5 years' rent and, therefore, we grant longer leases to provide them an extended period over which to amortise this cost. Typical restaurant lease terms are:

- Historic leases (approximately 70%, by rent, of our leases): 25 years, five-yearly upward-only rent reviews and security of tenure on expiry. Often granted over whole buildings.
- New leases: 15 years, five-yearly upward-only rent reviews. There is no security of tenure on expiry and we also benefit from a turnover-related rental top-up. Leases extend only to operational space i.e. not upper floors.

Historically high demand, with low availability of space

Planning policy in the West End generally seeks to regulate the provision of new restaurant space, in the interests of preserving a balance of commercial uses and the amenity of local residents. This, together with reluctance by existing operators to relinquish their valuable sites, severely limits the supply of space.

Tenant demand continues at historically high levels. In our sought-after locations, we regularly receive numerous competitive offers for available units and pre-letting is common. Our areas attract interest from independent operators, established street-food concepts, start-ups seeking their first site and existing small restaurant groups with new ideas and creative partners. With consumers keen to experience different concepts and tastes, these operators are particularly interesting and relevant to our villages, broadening our dining and leisure offer and bringing both customer and social media interest.

We have completed lettings, renewals and rent reviews with a rental value of £7.8 million in the year, representing 23% of our current restaurant and leisure income.

This included introducing nineteen new concepts in our villages, seven lease renewals and twenty three rent reviews. EPRA restaurant vacancy[1] was 0.5% at 30 September 2015, half of which was under offer.

Our share of rent reviews in the Longmartin joint venture was £0.2 million.

SEE DEMAND AND OCCUPANCY ON PAGES 46 TO 47

Opportunities to add to, or reconfigure, our accommodation

Responding to the high level of demand, we continue to identify opportunities to secure vacant possession of restaurants which, in the past, had been let on long leases, providing tenants with the right to renew at the end of the term. This allows us to improve the configuration of space on the lower floors, attract new operators on more beneficial terms, and often release valuable upper floors for other uses. At 30 September 2015, we had 16,000 sq. ft. of restaurant and café space where we were either making, or plan to make, improvements.

Our recently-created restaurant quarter in Carnaby includes Kingly Street, Kingly Court and Ganton Street. It is now widely recognised as a major and exciting dining hub, attracting footfall from a wide catchment, including Soho, Oxford Street, Regent Street and Mayfair. It complements Carnaby's reputation as a retail destination.

Having completed our large development scheme fronting Foubert's Place and Kingly Street, Carnaby, two new restaurants have opened, anchoring the food offer at the northern end of Kingly Street. Importantly, almost all the frontages on Kingly Street are now in food and beverage use.

We have made further improvements to Kingly Court in the year, and have introduced restaurants on the second floor. This lively destination now boasts nineteen restaurants and cafés, four bars and clubs and over 1,200 covers, in an alfresco setting.

Our Charing Cross Road/Chinatown scheme, set to commence in 2016, will create improved dining space by relocating restaurant and bar uses from Charing Cross Road, to provide 13,500 sq. ft. of large restaurant units, fronting Newport Place and Newport Court.

SEE PAGES 42 TO 43 FOR FURTHER INFORMATION ON THESE SCHEMES
SEE PAGES 20 TO 21 FOR WHY WE FOCUS ON RETAIL, RESTAURANTS AND LEISURE
SEE PAGES 142 TO 143 FOR RENTAL TONES ADOPTED BY OUR VALUERS

35% of current income[1]

1 Wholly-owned portfolio

Offices

Wholly-owned

Area (sq.ft.)

418,000

Weighted average unexpired lease term

4 years

Current income

£15.4m

Longmartin

Area (sq.ft.)

102,000

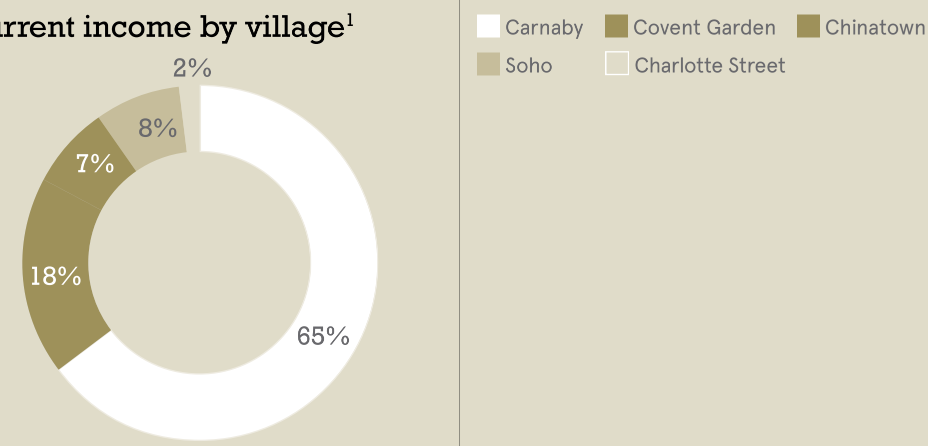
Weighted average unexpired lease term

5 years

Current income

£2.5m

Current income by village[1]



Large provider of small office space in the core West End

We are one of the largest providers of small office space in the core West End. Our 418,000 sq. ft. of office space in the wholly-owned portfolio is let to 294 tenants, of which 240 occupy less than 2,000 sq. ft. The average letting is 1,400 sq. ft. at £46 per sq. ft., and the average ERV is £56 per sq. ft. The tone for our best offices is now £53 - £78 per sq. ft. Lease lengths are typically five years.

Constrained supply and strong demand

Over recent years, supply of small office space across the West End has reduced as a result of office-to-residential conversions and redevelopment of multi-let office buildings to create higher specification space with larger floor plates.

We are experiencing extremely strong demand for our smaller office accommodation, largely from the buoyant SME media, creative, fashion and IT sectors. These businesses traditionally have been based in Soho and Covent Garden. We also have strong interest for our larger floor plates from an increasing number of financial companies, who find our villages to be better value and more lively than their existing locations.

With occupier demand outstripping supply, rents have continued to rise, rent-free periods have reduced, and vacancy levels have been extremely low. When space does become available, pre-letting is commonplace.

During the year, we completed new lettings, lease renewals and rent reviews in the wholly-owned portfolio, extending to 87,000 sq. ft. and totalling £4.9 million, equivalent to 32% of our current office income. This included letting 10,500 sq. ft. of newly-built office space in our development at 25 Kingly Street for £0.8 million. It also included 42 new leases, 23 renewals and four rent reviews. At year end we had just four office suites, totalling 1,900 sq. ft., available to let.

Our share of lettings in the Longmartin joint venture was £0.2 million.

SEE DEMAND AND OCCUPANCY ON PAGES 46 TO 47

SEE PAGE 42 FOR DETAILS ON THE KINGLY STREET DEVELOPMENT

Improving rental prospects

Responding to buoyant demand, we are keen, when opportunities arise, to reconfigure and upgrade our office space to ensure it meets the flexible working space standards expected by SMEs in our areas. At the same time, we improve its environmental performance, as we strive to minimise occupation costs for our tenants.

Our planning application for the reconfiguration of 57 Broadwick Street includes the refurbishment and extension of the existing offices to create 20,000 sq. ft. of modern, large-floor plate space.

SEE PAGE 43 FOR DETAILS ON THE SCHEME AT 57 BROADWICK STREET

SEE PAGES 142 TO 143 FOR RENTAL TONES ADOPTED BY OUR VALUERS

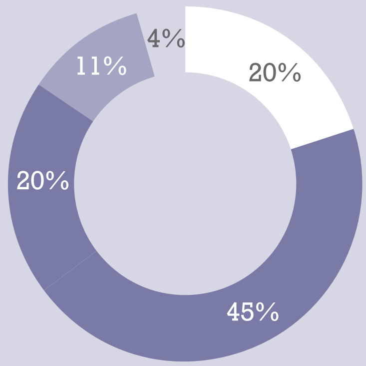
17%

of current income[1]

1 Wholly-owned portfolio

Residential

Current income by village[1]



Wholly-owned

Apartments
528

Area (sq.ft.)
308,000

Current income
£12.4m

Longmartin

Apartments
75

Area (sq.ft.)
55,000

Current income
£1.2m

Reliable and growing cash flow

With its wide variety of attractions and lively atmosphere, the West End is a popular place to live, and we see sustained demand for our reasonably-priced apartments to rent. Our 528 wholly-owned flats are mainly studios and one or two bedroom apartments. Mostly, they have been created from the conversion of small office accommodation, which could not be adapted to meet modern occupier requirements. We have secured a number of residential conversion planning consents which we could implement in the future.

Our residential accommodation, with its high occupancy levels, provides a reliable and growing income stream, presently representing 13% of our current income.

Preference to lease, rather than sell, apartments

The value of our buildings is weighted towards the retail, restaurant and leisure uses on the lower floors. We prefer to retain control over whole buildings to avoid compromising the management flexibility needed to realise the long-term potential in those valuable lower floors. Therefore, we choose not to sell our apartments, where, to do so, would compromise this flexibility.

Flexible leases

Our apartments, which are rented unfurnished, 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.

High occupancy levels

During the year, we completed 203 lettings and renewals in the wholly-owned portfolio, with a rental value totalling £5.6 million, representing 45% of our current income from this use.

Our share of residential letting activity in the Longmartin joint venture was £0.3 million.

With continuing strong demand in our locations, residential vacancy levels have been low throughout the year. At 30 September 2015, we had thirteen apartments available to let, whilst a further four were under offer. There were two vacant apartments in the Longmartin joint venture.

We have a rolling refurbishment programme to ensure the accommodation we offer matches the standard of new-build rental flats, which are coming to the market in greater numbers in, and around, the West End. At year end, we were constructing, or upgrading, 46 apartments in the wholly-owned portfolio and four flats in the Longmartin joint venture.

SEE DEMAND AND OCCUPANCY ON PAGES 46 TO 47

13% of current income[1]

1 Wholly-owned portfolio


ACADEMY
wide


ST MARTIN'S COURTYARD
AT SLINGSBY PLACE


narrow
NEWBURGH STREET W1
CITY OF WESTMINSTER
DIESEL

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

- **Creating distinctive retail and leisure destinations** which appeal both to tenants and their customers
- **Ownership clusters** allow us to invest in, and holistically manage, areas over the long-term
- **Active refurbishment programme** to improve our buildings, grow rents, and unlock value
- **Good initial returns and compound benefits**
- **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

Creating distinctive retail and leisure destinations

Our proven management strategy creates long-term prosperity by establishing and fostering distinctive and attractive destinations which appeal to visitors, occupiers and residents.

Providing our retail, restaurant and leisure tenants with an environment where they can prosper is essential to the long-term success of our business.

We achieve this through:

- 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 to maximise rental and capital values

SEE PAGES 20 TO 21 FOR MORE INFORMATION, AND WHY WE FOCUS ON RETAIL, RESTAURANTS AND LEISURE

Ownership clusters allow holistic long-term management

Over the years, we have identified 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.

We establish ownership clusters so that we can take a long-term holistic view in our investment and management strategies. This allows us to unlock rental and capital value potential whilst compounding the benefits of individual transactions, such as improved tenant quality and higher rental tones, across our nearby holdings.

Active refurbishment programme to improve our buildings, grow rents, and unlock value

We estimate that the average age of our buildings is around 150 years. In our experience, these buildings offer much greater flexibility than more modern buildings. Conservation and listed building legislation limits wholescale development in our areas. However, our skill is in bringing long-term sustainability to our historic buildings and areas through an active refurbishment and reconfiguration programme which improves our buildings, enhances their rental potential and values, and extends their useful lives. This often involves:

- Maximising retail, restaurant and leisure space
- Reconfiguring buildings to provide occupiers with more efficient trading space
- Maintaining and improving buildings to ensure they are capable of meeting the needs of modern occupiers
- Maximising environmental performance whilst maintaining buildings' individual characters
- Converting under-utilised space on upper floors to introduce more valuable uses and bring long-term economic sustainability to buildings as a whole

Typically, the duration of our numerous schemes is short and the costs are modest. Annual capital expenditure across our portfolio is normally less than 1% of portfolio value.

SEE PAGES 42 TO 43 FOR DETAILS OF INVESTMENT IN OUR PORTFOLIO DURING THE YEAR

Promoting our villages as destinations with a wide variety of interesting, innovative and ever-changing choices

Whilst the West End attracts large numbers of visitors, we are not complacent. Despite the fact that our ownerships are in the heart of the West End, we do not assume people will necessarily visit, and spend in, our shops, restaurants, cafés and pubs. Therefore, we work closely with our tenants to promote their businesses, and our areas, to the West End's wide domestic and international audience.

Our multi-channel marketing includes:

- Widely publicised initiatives such as shopping, street food and music events
- Dressing our areas e.g. at Christmas and for Chinese New Year
- An active digital strategy, including dedicated websites for our villages, and an extensive social media presence

We build on relationships with our existing tenants who are not only a great source of new ideas from their experiences elsewhere, but also have their own promotional and digital strategies which bring further footfall to our villages.

We invest considerable resources in promoting our areas to potential retail, restaurant and leisure operators. This includes active engagement with the trade press, research visits to UK and international cities, and attendance at trade events.

Investing in the public realm to create safe and welcoming areas

We identify, promote and contribute to public realm improvements in our villages to ensure our streetscapes provide a safe and welcoming environment for tenants, their customers, and residents. In our experience, this is an important catalyst for increasing footfall.

SEE PAGE 43 FOR MORE INFORMATION ON IMPROVING THE PUBLIC REALM


fashion forward


BOB
BOB
vintage inspired

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

- **Forensic knowledge** of the West End and management through different property market cycles
- **Record of long-term outperformance** against the wider real estate market
- **Relationships with key stakeholders**
- **All ownerships within 15 minutes'** walk of our office

Forensic knowledge of the West End

Our long-established team has a forensic knowledge of the West End and experience of management through different property market cycles. Our executive directors have an average length of service of nearly 22 years, and are supported by a senior management team with twelve years' average service.

Our team of 25 staff is supported by a broad range of external advisors, many of whom have worked with us for much of Shaftesbury's 29 years. Everybody involved with Shaftesbury – staff and advisors – shares a passion and enthusiasm for the West End and our locations.

SEE PAGE 17 FOR OUR RECORD COMPARED WITH THE FTSE 350 REAL ESTATE SECTOR
SEE PAGES 70 TO 71 FOR DIRECTOR BIOGRAPHIES

Relationships with key stakeholders

Based in Carnaby, we are within fifteen minutes' walk of all our holdings. We maintain regular contact with tenants, community groups, neighbouring owners and other stakeholders, and are able to respond quickly to opportunities and issues as they arise.

As a long-term investor in our areas, we are active in working with, and supporting, our local community to address issues and challenges of mutual interest and concern.

SEE SUSTAINABILITY ON PAGES 146 TO 155

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. We 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.

Robust
Prudent financial management, a strong balance sheet and a tax-efficient structure

- **Investment in our portfolio** funded through equity and debt
- **Prudent approach to gearing**
- **Low risk debt structure** diversity of loans, lenders and maturities
- **Loan-to-value: 22.5%**
- **Weighted average maturity of debt: 10.2 years**
- **Tax-efficient REIT structure**

Sources of capital

Investment in our portfolio to enhance shareholder returns is funded through a combination of equity and debt, with equity providing the permanent capital to support our long-term strategy.

Under REIT rules, we are required to distribute the majority of our recurring earnings. The importance of our ownership clusters in long-term value creation means that opportunities to recycle capital are limited.

SEE PAGES 30 TO 31 FOR WHY OWNERSHIP CLUSTERS ARE IMPORTANT OVER THE LONG TERM

Low-risk debt structure

Consistent with the long-term nature of our portfolio and secure income streams, our core debt finance is provided by long-term arrangements with covenant structures which do not restrict the active management of our assets. Medium-term revolving facilities provide us with flexibility in managing our resources and capacity to invest further in our existing portfolio, in particular allowing us to act swiftly when acquiring properties.

Our approach to gearing is prudent, ensuring we have:

Healthy interest cover	→	Year ended 30 September 2015: 2.13 times
Low loan-to-value ratio	→	30 September 2015: 22.5%
Spread of maturities and diversity of lenders	→	Earliest maturity: 2018. Latest maturity: 2035. Weighted average maturity at 30 September 2015: 10.2 years
Limited exposure to interest rate movements	→	% of debt fixed at 30 September 2015: 97.2%

Over the long term, we would expect debt to represent around one third of our invested capital, although we also consider other metrics, such as interest cover, when considering gearing levels.

SEE FINANCING ANALYSIS ON PAGE 56

Tax-efficient REIT 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 investors, and is taxed according to their 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 141 FOR FURTHER INFORMATION ON OUR REIT STATUS, AND PAGE 54 FOR THE RECOMMENDED DIVIDEND


fun


games

reading

writing

Valuation

Further strong growth in current rents, ERVs and capital values, underpinned by sustained high occupier and investor demand

- Portfolio valued at £3.1 billion[1]
- Capital value growth[1,2]: +18.0%
- ERV growth[1,2]: +7.0%
- Equivalent yield: 3.61% (wholly-owned portfolio), 3.75% (Longmartin)
- Continued growth in actual and potential rents
- ERV is now 24.6% above current rent[1]

1 Including our 50% share of the Longmartin joint venture
2 Like-for-like

Almost two thirds of our portfolio reversion arises from uses which historically have not suffered from cyclicality in demand, providing a secure platform for further growth in income.

Further strong valuation performance

Our portfolio[1] has been valued at 30 September 2015 at £3.13 billion, producing a surplus on revaluation of £466.6 million. The ungeared like-for-like capital value return was 18.0%, with strong growth reported in each village. The like-for-like portfolio cumulative annual growth rate over three years has been 16.0%.

	FAIR VALUE £m	% OF PORTFOLIO	CURRENT INCOME £m	ERV £m	TOPPED-UP INITIAL YIELD %	EQUIVALENT YIELD %
Wholly-owned portfolio						
Carnaby	1,109.9	35%	34.6	45.7	3.23%	3.69%
Covent Garden	808.6	26%	26.7	32.8	3.06%	3.55%
Chinatown	693.8	22%	23.3	27.3	3.01%	3.56%
Soho	215.8	7%	7.3	8.8	3.12%	3.62%
Charlotte Street	91.4	3%	2.8	3.9	2.78%	3.52%
	2,919.5	93%	94.7	118.5	3.11%	3.61%
Longmartin joint venture[1]	212.5	7%	7.9	9.3	3.28%	3.75%
Total portfolio[2]	**3,132.0**	**100%**	**102.6**	**127.8**		

SEE PAGES 142 TO 143 FOR THE PORTFOLIO ANALYSIS AND THE KEY ASSUMPTIONS USED BY THE VALUERS IN THEIR VALUATIONS

VILLAGE	2015 CAPITAL GROWTH[3]	3-YEAR CAGR
Carnaby	21.0%	18.9%
Covent Garden	14.8%	14.0%
Chinatown	17.3%	14.1%
Soho	15.0%	14.8%
Charlotte Street	20.3%	14.6%
Longmartin joint venture[1]	19.0%	16.9%
Total[2]	**18.0%**	**16.0%**

Our capital growth over the year reflects:

- Continuing strong occupier demand and low vacancy, which is driving sustained growth in actual and prospective rents.
- Improvements we make to the income potential of the accommodation we offer, including reconfiguration to create better, more efficient trading space and, where possible, the introduction of more valuable uses in our buildings.
- A reduction in yields investors are prepared to pay to secure assets in the extremely prosperous, resilient West End. Against a background of a scarcity of supply of properties to acquire, this strong investor appetite reflects a desire for assets which provide growing returns, particularly in an environment of low-cost finance.

The equivalent yield attributed by our valuers to our wholly-owned portfolio at 30 September 2015 was 3.61%, a reduction of 0.39% over the year. In the Longmartin joint venture, the reduction was 0.35%, bringing the equivalent yield to 3.75%.

DTZ, independent valuer of our wholly-owned portfolio, have noted that our portfolio has:

- an unusual concentration of holdings in sought-after West End locations; and
- a predominance of retail, restaurant, café and leisure uses, for which there continues to be strong occupier demand, as demonstrated by current, and historic, low vacancy levels throughout the portfolio.

They also comment on the extent to which, under RICS Valuation Professional Standards, they are guided to combine or "lot" parts of our portfolio. They continue to advise the Board that, in their view, 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 144 TO 145 FOR THE SUMMARY REPORT BY THE VALUER

1 Our 50% share
2 Including our 50% share of the Longmartin joint venture
3 Like-for-like

Continuing rental growth

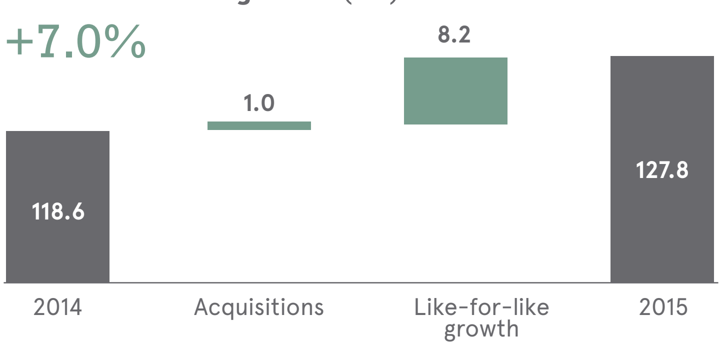
We have, once again, seen growth in both actual and potential income this year, continuing our record of long-term sustainable rental growth, a key driver of long-term value creation. Over the year, our annualised current income[1] has grown by £9.1 million from £93.5 million to £102.6 million, of which acquisitions contributed £0.6 million. The like-for-like increase was 9.1%. This included the lettings at our completed scheme fronting Foubert's Place and Kingly Street, Carnaby, which totalled £2.4 million.

SEE PAGE 15 FOR MORE DETAILS ON OUR RECORD OF SUSTAINABLE RENTAL GROWTH THROUGH THE CYCLES.

SEE PAGE 42 FOR DETAILS ON THIS SCHEME IN CARNABY

Importantly, our valuers' estimate of the rental value of our portfolio ("ERV")[1] increased by £9.2 million this year and now stands at £127.8 million (30.9.2014: £118.6 million). Excluding the impact of acquisitions, which contributed £1.0 million to the total, the like-for-like increase was £8.2 million (7.0%), reflecting good rental growth across all villages and uses.

Like-for-like ERV growth[1] (£m)



Converting the reversionary potential into cash flow

The total reversion[1] now stands at £25.2 million, 24.6% higher than the annualised current rent. Of this, £7.1 million is contracted and will be realised as rent-free periods expire. Vacant property, including schemes in hand, accounted for £7.3 million, which will be realised as schemes complete and units are let.

SEE PAGE 46 FOR HOW OUR LEASING TRANSACTIONS HAVE EXCEEDED ERV AT SEPTEMBER 2014 DURING THE YEAR

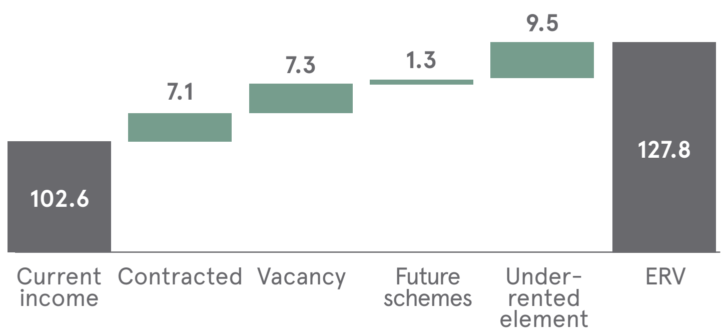
SEE PAGE 47 FOR VACANCY DETAILS

Included in the total ERV is £1.3 million in respect of potential income from our schemes at 57 Broadwick Street, Carnaby, and Charing Cross Road/Chinatown[2]. This estimate of income is largely based on the existing space and does not fully take into account additional income which we expect to be generated by these schemes.

SEE PAGE 43 FOR DETAILS ON THESE SCHEMES

£9.5 million of our reversionary potential should be realised through the normal cycle of rent reviews, lease renewals and lettings. Shops, restaurants, cafés and pubs account for 63% of this uncontracted reversion. In our experience, these uses have, in our locations, demonstrated a long history of sustained, non-cyclical demand. Together with a restricted supply of space, this underpins their growth prospects. Consequently, we remain confident that, through our proven long-term management strategy, we shall not only convert this potential additional income into cash flow, but also deliver further additional long-term sustained rental growth. With vacancy levels remaining low, where possible, we seek to secure vacant possession of under-rented space and, in re-letting, accelerate the realisation of this potential income.

Reversionary potential[1] (£m)



1 Including our 50% share of the Longmartin joint venture
2 To the extent not accounted for within vacancy, in the case of Charing Cross Road/Chinatown


heritage


emerging
NATURAL SELECTION
LONDON

Investment in our portfolio

High level of activity. Good progress has been made on our larger schemes

- **Schemes undertaken during the year: 181,000 sq. ft.** (10.4% of total floor area in the wholly-owned portfolio)
- **Development fronting Foubert's Place and Kingly Street** completed and let above ERV
- **Capital expenditure[1]: £24.7 million**
- **Planning consent granted** for our major 45,500 sq. ft. Charing Cross Road/Chinatown scheme
- **Planning application made** for our scheme at 57 Broadwick Street
- **Seven properties acquired.** Cost: £25.8m; further acquisitions since year end

1 Wholly-owned portfolio

We continue to progress a pipeline of new projects to improve our buildings, increase income and unlock value.

Continued high level of refurbishment activity

A high level of management and refurbishment activity continues across our portfolio, with schemes undertaken during the year extending to 181,000 sq.ft. (10.4% of floor space in the wholly-owned portfolio), at a cost[1] of £24.7 million. With strong occupier demand for our properties, securing vacant possession of space provides opportunities to carry out asset management initiatives to deliver growth in rental income and values. We made 96 planning applications during the year, including those for our Charing Cross Road/Chinatown, and 57 Broadwick Street, Carnaby schemes.

SEE PAGE 31 FOR MORE INFORMATION ON HOW SCHEMES FORM AN IMPORTANT PART OF OUR MANAGEMENT STRATEGY

Our major scheme in Carnaby, fronting Foubert's Place and Kingly Street, was our largest project completed in the year. This mixed-use development, which cost £15.7 million, comprised 24,500 sq. ft. of retail, restaurant and office space, along with twelve apartments. Rents were £2.0 million above pre-scheme levels and 17.7% ahead of ERV at 30 September 2014.

Other larger projects underway, or completed during the year, included further improvements to Kingly Court, reconfigurations of retail, restaurant and pub space, office refurbishments, residential conversions and refurbishments, and public realm improvements.

SEE PAGE 47 FOR DETAILS OF SCHEMES UNDERWAY AT YEAR END

Good progress with our important larger schemes

We continue to identify and progress a wide range of asset management opportunities across our portfolio, and have a number of schemes at various stages from initial ideas, seeking planning approval, awaiting vacant possession, or under construction.

We are making good progress, with our important larger schemes:

Charing Cross Road/Chinatown

During the summer, we were granted planning consent to reconfigure our substantial retail and restaurant ownership on the eastern boundary of Chinatown, with extensive frontages to Charing Cross Road, Newport Court and Newport Place. The scheme, totalling some 45,500 sq. ft., will create much improved space for occupiers. This includes a contiguous retail frontage on Charing Cross Road of some 330 feet, new restaurants in Newport Place and Newport Court, and a materially improved gateway into Chinatown.

The scheme, expected to complete in mid-2017, will cost around £10 million and will significantly increase net property income from this property, once fully let. Works will commence early in 2016 and we have started taking back space, with a view to securing vacant possession by the end of 2015.

SEE PAGE 47 FOR DETAILS ON THIS SCHEME'S VACANCY AT YEAR END

57 Broadwick Street, Carnaby

We have submitted a planning application for the reconfiguration and extension of 57 Broadwick Street, a prominent building at the eastern gateway to Carnaby from Soho. Broadwick Street, already an important pedestrian route through Soho, linking Carnaby and Berwick Street, is expected to benefit from the opening of Tottenham Court Road Crossrail station's western ticket hall on Dean Street, in 2018. Other nearby schemes, planned or underway, will, over the next five years, bring further active retail and restaurant frontages along the street and greater footfall.

Our proposed scheme provides for:

- The creation of flagship retail units, extending to 11,000 sq. ft. over the lower floors;
- Refurbishment and extension of the remaining office space, to provide 20,000 sq. ft. of grade A accommodation; and
- 2,000 sq. ft. of residential accommodation

Subject to receiving consent, we expect to commence works during spring 2016, with completion in phases from late 2017, and at a cost currently estimated at £14 million. In the interim, we have extended the existing occupational leases to April 2016.

Thomas Neal's Warehouse, Seven Dials

Having secured planning and Listed Building consents, we shall be reconfiguring the Thomas Neal's Warehouse, to produce 21,000 sq. ft. of flagship retail space. We expect this scheme to commence early in 2016, with completion in mid-2017. The project is expected to cost £2 million. It will also involve a loss of annual income, while works are carried out, of £0.8 million.

Investing in, and improving, the public realm

Investment in the public realm in and around our villages is an important catalyst for improving footfall. Examples during the year include:

- Upgrading the streetscape along Upper St Martin's Lane, improving the entrance to St Martin's Courtyard and the southern gateway to Seven Dials
- Resurfacing Carnaby Street and improvements to Foubert's Place, the busiest route into Carnaby from Regent Street

We have also agreed to part-fund a scheme to improve Wellington and Russell Streets in the Opera Quarter and discussions for improvements to Rupert Street, south of Shaftesbury Avenue, continue. Plans are also being discussed with Westminster City Council to create a pedestrianised public square in Newport Court and improve Newport Place.

As part of the infrastructure improvements connected with Crossrail, Cambridge Circus is to be improved, in 2016, to relieve pedestrian congestion at this important and busy junction between Soho with Seven Dials. We anticipate this will encourage more footfall along Earlham Street, where we also expect to contribute to a major public realm improvement scheme, which we are optimistic will commence in 2016. This will bring material long-term benefits to our holdings around this important eastern gateway in to Seven Dials.

We continue to identify, and encourage, further public realm improvements across our villages.

Acquisitions

We acquired seven properties during the year. Costing £25.8 million, these additions to our portfolio in Soho, Charlotte Street, Covent Garden and Carnaby comprised two shops, two restaurants, two cafés, a vacant pub, 4,950 sq. ft. of office space and eight apartments.

These acquisitions, bought with an average net initial yield of 2.0%, complement our existing, extensive ownerships and offer the potential for good rental and capital growth through a combination of asset management and refurbishment schemes. Whilst we have longer-term asset management ambitions for these properties, in the short term we have already increased the income they generate by 20% and this will rise to approximately 40% once we have completed and let apartments which are currently being upgraded.

In December 2015, we expect to complete the forward-purchase of 6,500 sq. ft. of new retail and restaurant space on the ground floor and basement at 19-25 Broadwick Street, Soho. Completion of this purchase has been delayed by the vendor due to construction issues. We anticipate keen occupier interest once we have secured ownership.

The availability of assets to buy which meet our specific criteria continues to be limited as owners in our extremely prosperous and resilient areas, understandably, remain reluctant to sell. The timing of acquisitions is always unpredictable. Whilst there were no acquisitions in the second half of the year, since year end we have contracted to buy properties, totalling £22.1 million, which we had been investigating for some time.

winter

summer

Demand and occupancy

Continuing strong demand for space in our carefully-curated locations, high occupancy levels and sustained growth in current and prospective rental income

- **£27.3 million leasing and rent review transactions in the year**[1]
- **Commercial lettings, renewals and reviews up 8.1%** vs 30 September 2014 ERV
- **Development and refurbishment vacancy:** 4.3% and set to grow as our major schemes commence in 2016
- **Available-to-let vacancy: 1.3%**

1 Wholly-owned portfolio
2 Excludes £1.9 million of lettings of newly-built apartments

Continued high level of leasing activity

It has been another busy year for lettings, lease renewals and rent reviews, with £27.3 million of transactions, equivalent to 28.8% of our current annualised income[1]. The total included £2.4 million from the letting of our large mixed-use scheme on Foubert's Place and Kingly Street, Carnaby, 17.7% ahead of ERV at 30 September 2014.

	£m	
Commercial		
Lettings and renewals	15.9	+8.3% vs September 2014 ERV
Rent reviews	5.7	+24.8% vs previous rent (equivalent to 4.5% CAGR over five years)
	21.6	+8.1% vs September 2014 ERV
Residential		
Lettings and renewals	5.7	+3.4% vs prior rent[2]
Total	**27.3**	

In addition, our share of leasing activity in the Longmartin joint venture was £1.6 million, with commercial lettings and reviews 11.5%, on average, above last year's ERV. The final phase of the St Martin's Courtyard development was completed five years ago, and we are now managing the first rent reviews.

Vacancy at 30 September 2015[1]

	SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL	TOTAL	% OF TOTAL ERV
Held for, or under, refurbishment						
ERV – £ million						
Charing Cross Road/Chinatown scheme	1.0	0.6	–	–	**1.6**	**1.4%**
Other schemes	0.6	0.4	1.0	1.4	**3.4**	**2.9%**
Total	**1.6**	**1.0**	**1.0**	**1.4**	**5.0**	**4.3%**
Area – `000 sq. ft.	24	16	16	26	82	
Available						
ERV – £ million						
Under offer	0.1	0.1	0.1	0.1	**0.4**	**0.3%**
Available-to-let	0.9	0.1	0.1	0.4	**1.5**	**1.3%**
EPRA vacancy	**1.0**	**0.2**	**0.2**	**0.5**	**1.9**	**1.6%**
Area – `000 sq. ft.	11	3	4	10	28	

Low vacancy levels

Reflecting the strength of interest we have in our space, vacancy levels have remained low throughout the year, with an average EPRA vacancy of 2.1%. At 30 September 2015, EPRA vacancy in our wholly-owned portfolio amounted to £1.9 million, representing 1.6% of ERV, of which £0.4 million (0.3% of ERV) was under offer, leaving £1.5 million (1.3% of ERV) available to let.

Our redevelopment and refurbishment programme continues apace and, at 30 September 2015, the ERV of schemes underway was £5.0 million (4.3% of ERV). This level will increase further as we start our important Charing Cross Road/Chinatown, Broadwick Street and Thomas Neal's Warehouse schemes in 2016.

SEE PAGE 43 FOR MORE INFORMATION ON THESE PLANNED SCHEMES

Assets held for, or under, refurbishment included:
- 24,000 sq. ft. of retail and restaurant space at our major Charing Cross Road/Chinatown scheme (ERV: £1.6 million), where we have started securing vacant possession of space;
- Four shops in the Thomas Neal's Warehouse (ERV: £0.2 million) in the lead up to our reconfiguration of the centre;
- Five small shops (ERV < £150,000), with a total ERV of £0.4 million;
- Five restaurants and cafés (ERV: £0.4 million);
- 16,400 sq. ft. of office space (ERV £1.0 million); and
- 46 apartments under construction, or being upgraded (ERV: £1.4 million).

Available-to-let vacancy comprised:
- Two large shops (ERV: £0.4 million) and seven small shops (ERV: £0.5 million). Since year end we have let, or agreed terms on, three shops (ERV: £0.2 million);
- One restaurant (ERV: £0.1 million), which has been placed under offer since year end; and
- Office space totalling 1,900 sq. ft. with an ERV of £0.1 million, and thirteen apartments with an ERV of £0.4 million.

Space under offer at 30 September 2015 included:
- Three small shops;
- Two restaurants;
- 2,400 sq. ft. of office space; and
- Four apartments.

In addition, in the Longmartin joint venture, two apartments were available to let and there were four apartments, one office suite, and one shop being upgraded or reconfigured at year end. Our 50% share of the vacancy in this joint venture was £0.4 million.

1 Wholly-owned portfolio

Village summaries

Carnaby
35% of our portfolio[1]

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 has become an increasingly vibrant restaurant and leisure destination. 62% of our office space is in Carnaby.

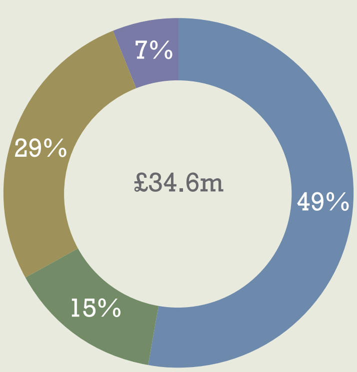
98 shops
181,000 sq. ft.

51 restaurants, cafés and pubs
97,000 sq. ft.

251,000 sq.ft. offices

92 apartments
54,000 sq. ft.

Percentage of village's current income



Covent Garden
33% of our portfolio[1]

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 include Seven Dials, and the restaurant districts of the 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.

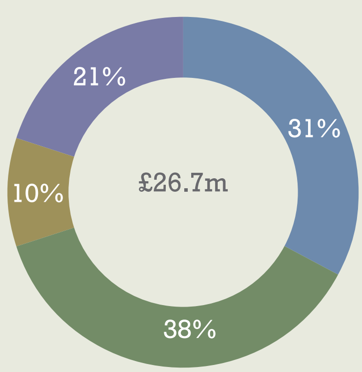
Wholly-owned

108 shops
137,000 sq. ft.

84 restaurants, cafés and pubs
162,000 sq. ft.

83,000 sq.ft. offices

211 apartments
126,000 sq. ft.



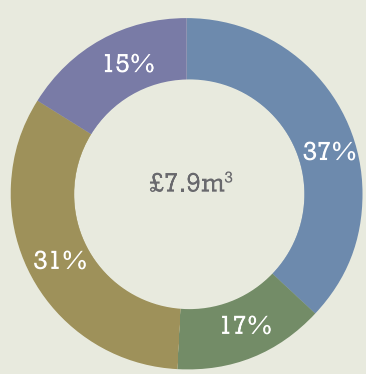
Longmartin[2]

22 shops
67,000 sq. ft.

11 restaurants, cafés and pubs
45,000 sq. ft.

102,000 sq.ft offices

75 apartments
55,000 sq. ft.



Shops | Restaurants, cafés and leisure | Offices | Residential

1 By value
2 Shaftesbury has a 50% interest in these units
3 Our 50% share

Chinatown
22% of our portfolio[1]

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. Our holdings extend to 3.2 acres.

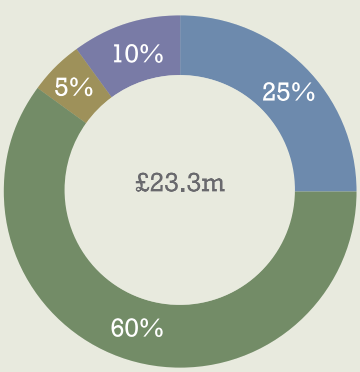
66 shops
89,000 sq. ft.

72 restaurants, cafés and pubs
203,000 sq. ft.

39,000 sq.ft. offices

112 apartments
71,000 sq. ft.

Percentage of village's current income



Soho
7% of our portfolio[1]

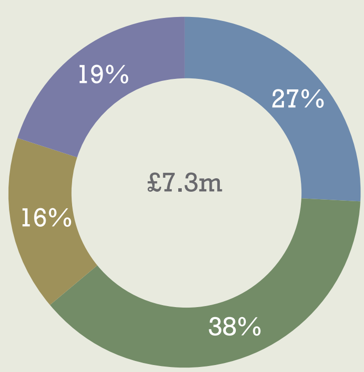
Soho is a lively area with numerous cafés, bars, clubs, restaurants and quirky shops. Its distinctive atmosphere and nightlife create a popular destination for visitors. It is a renowned creative hub, with 46,000 employed by the many small businesses situated here, typically in the media, fashion, creative and IT industries. It has a long-established residential community.

36 shops
40,000 sq. ft.

30 restaurants, cafés and pubs
55,000 sq. ft.

35,000 sq.ft. offices

67 apartments
36,000 sq. ft.



Charlotte Street
3% of our portfolio[1]

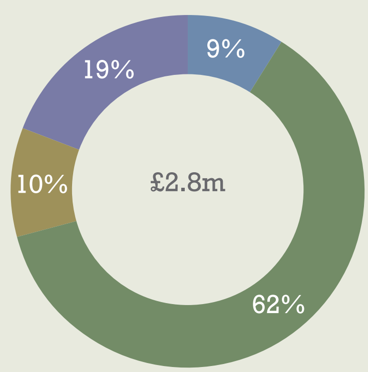
Charlotte Street is a busy and vibrant location, north of Oxford Street and close to Tottenham Court Road, which is a renowned restaurant destination. Its offices, dominated by creative, media and IT businesses, together with a large student population, add to the cosmopolitan feel of the area.

5 shops
9,000 sq. ft.

20 restaurants, cafés and pubs
42,000 sq. ft.

10,000 sq.ft. offices

46 apartments
21,000 sq. ft.



1 By value

hot


cold

+21.9%
£8.69
EPRA NAV

+23.8%
Net Asset Value Return[1]

+10.7%
£36.1m
EPRA Earnings

+6.6%
13.0p
EPRA EPS

+5.0%
13.75p
Recommended total dividend for the year

22.5%
Loan-to-value

+1.7%
168.0p
Basic EPS

+22.5%
£8.32
Diluted NAV

1 Based on EPRA NAV, before dividends

Results and finance

It has been another year of good progress with further growth in net asset value, rents, earnings and dividends

We completed the refinancing of our 2016 debt maturities, considerably lengthening the weighted average maturity profile, diversifying our sources of finance and increasing our financial resources. With substantial and secure resources, we are well-placed to continue growing, and investing in, our portfolio and executing our business strategy.

Change of accounting policy for the Longmartin joint venture

The Group is adopting IFRS 11 'Joint Arrangements' for the first time this year. This standard removes the proportionate consolidation option that was previously available under IAS 31 'Interests in Joint Ventures' and instead requires us to account for the joint venture using the equity method. The consequence is that we now include the Group's net equity interest in Longmartin as a single line item in both the consolidated balance sheet and consolidated income statement, rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis. Loans, interest and management fees between the Group and Longmartin are no longer eliminated on consolidation.

Whilst this change in accounting policy does not affect the net asset position nor profit after tax, it does alter the line-by-line analysis in the primary statements and the cash and cash equivalents reported in the Cash Flow Statement. The prior year comparatives have been restated accordingly, and the changes are summarised in note 2 to the Financial Statements. The following financial commentary is based on the IFRS position.

Income statement

Further growth in EPRA earnings

Profit after tax for the year was £467.3 million (2014: £440.4 million), and included a valuation surplus of £432.0 million (2014: £394.0 million). As is usual practice in our sector, we produce an alternative measure for earnings, making standard adjustments as set out by EPRA in its Best Practice and Policy Recommendations. EPRA earnings are a measure of the level of recurring income arising from core operational activities. It excludes all items which are not relevant to the underlying performance, such as property and interest rate swap valuation movements.

EPRA earnings increased by 10.7% to £36.1 million (2014: £32.6 million) and EPRA EPS was 13.0p, up 6.6% over the year (2014: 12.2p). The smaller relative increase in EPRA EPS, compared with that for EPRA earnings, reflects the increased weighted average number of shares in issue this year, following our share placing in March 2014.

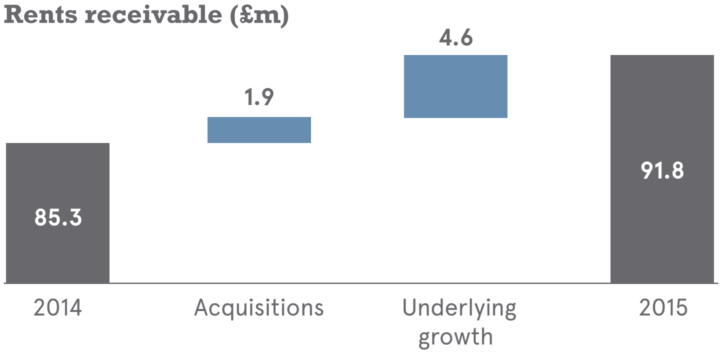
EPRA earnings	2015 £m	As restated[1] 2014 £m
IFRS profit after tax	**467.3**	440.4
Adjusted for:		
Change in value of investment properties	**(432.0)**	(394.0)
Change in fair value of financial derivatives	**28.5**	12.0
Adjustments in respect of the Longmartin joint venture:		
Change in value of investment properties	**(34.6)**	(32.4)
Deferred tax	**6.9**	6.6
EPRA earnings	**36.1**	32.6
EPRA EPS	**13.0p**	12.2p

1 Restated for the change in accounting policy detailed on page 115

Net property income

Rents receivable have increased by 7.6% to £91.8 million (2014: £85.3 million). The like-for-like growth of 5.5% largely reflects the continued crystallisation of the reversionary potential of our portfolio through lettings, renewals and rent reviews. Acquisitions contributed £1.9 million to the increase.

Rents receivable (£m)



SEE PAGE 46 FOR DETAILS ON LEASING ACTIVITY DURING THE YEAR
SEE PAGE 43 FOR ACQUISITIONS

Irrecoverable property costs were £13.0 million (2014: £11.2 million), representing 14.2% of rents receivable (2014: 13.1%). The increase is mainly due to costs associated with the large volume of leasing activity in the year, coupled with the high level of irrecoverable costs at our Charing Cross Road/Chinatown scheme. This block is let on a short-term basis ahead of commencement of our scheme in early 2016. As a result, income is low and there is a high level of irrecoverable costs. Excluding this property, irrecoverable costs were 13.0% of rents receivable (2014: 12.7%).

Net property income was £78.8 million, up 6.3% on last year (2014: £74.1 million).

SEE PAGE 43 FOR MORE INFORMATION ON OUR PLANNED CHINATOWN DEVELOPMENT

Administrative expenses

Administrative expenses, excluding the charge for equity-settled remuneration, increased by 3.8% to £11.0 million (2014: £10.6 million). This includes a charge for annual bonuses of £2.2 million (2014: £2.6 million). The increase before bonuses was largely due to higher staff costs and an increase in occupation outgoings following our relocation to larger offices in Carnaby in February 2014.

The charge for equity-settled remuneration was £3.0 million (2014: £3.2 million), which included a non-cash accounting provision of £2.3 million (2014: £2.7 million) and a charge for employer's National Insurance of £0.7 million (2014: £0.5 million).

SEE PAGES 94 TO 95 FOR DETAILS ON THE CURRENT YEAR ANNUAL BONUS AND SHARE OPTION VESTING

Revaluation surplus

Our portfolio delivered a valuation surplus of £432.0 million (2014: £394.0 million), principally driven by like-for-like ERV growth of 6.8% and yield compression of 39 basis points.

SEE PORTFOLIO VALUATION ON PAGES 38 TO 40

Finance costs

Net finance costs (excluding the change in fair value of our interest rate swaps) increased by £1.2 million to £30.7 million (2014: £29.5 million). The increase is the result of higher average debt levels arising from acquisitions, capital expenditure and the cost of termination of interest rate swap contracts, partly offset by a lower blended cost of debt following our refinancing during the year. The total includes an accelerated write-off of unamortised deferred loan issue costs totalling £0.2 million.

Excluding interest rate swaps which were cancelled in the year at a cost of £28.1 million, the like-for-like fair value deficit on our interest rate swaps increased by £28.5 million to £79.2 million, following a fall in long-dated interest rates in the year. The Board keeps under review the Group's interest rate hedging strategy, and the impact our derivatives have on the long-term financing of the business.

SEE PAGE 56 FOR DETAILS ON THE REFINANCING

Longmartin profits

Our share of post-tax profit from the Longmartin joint venture increased by £2.1 million to £29.7 million (2014: £27.6 million) principally due to:

- an increase in net property income of 5.4% to £5.9 million (2014: £5.6 million), driven by a like-for-like increase in rental income of 6.3%.
- a revaluation surplus of £34.6 million (2014: £32.4 million) with like-for-like ERV growth of 9.1% and equivalent yield compression of 35 basis points.
- an increase in the tax charge of £0.3 million to £7.2 million (2014: £6.9 million), as a result of deferred tax on the revaluation surplus.

Tax

As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the year (2014: £Nil).

Dividend growth

The Board is pleased to recommend a final dividend of 6.925p per share, an increase of 4.9% on last year's final dividend of 6.6p. Together with the interim dividend paid in July 2015, the total dividend for the year is 13.75p per share, an increase of 0.65p, or 5.0% on 2014.

We aim to maintain a steady growth in dividends, reflecting the long-term trend in our income and cash earnings. In determining this dividend level, the Board has taken into account the non-cash accounting charge for equity-settled remuneration of £2.3 million and the accelerated write-off of unamortised deferred issue costs, totalling £0.2 million, following the refinancing of our Nationwide bank facilities in the year; together these reduced EPRA earnings per share by 0.9 pence.

Having agreed with HM Revenue & Customs that the cost of terminating interest swaps in 2014 and 2015 was deductible against qualifying REIT income, dividends in respect of the 2015 year are being paid entirely as ordinary dividends. We expect to start paying a PID again next year.

SEE PAGE 56 FOR DETAILS OF THE REFINANCING AND INTEREST RATE SWAP TERMINATION DURING THE YEAR

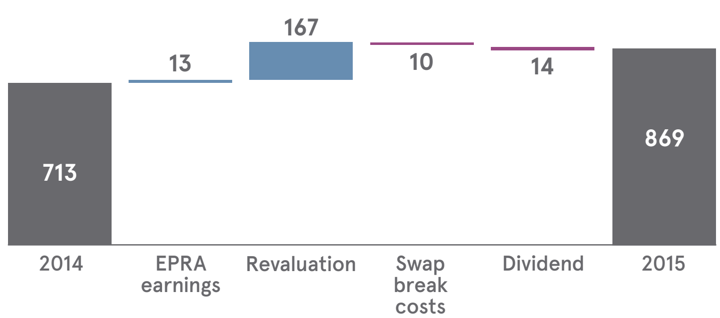
Increased EPRA net asset value

EPRA NAV per share increased by £1.56 (21.9%) to £8.69 (2014: £7.13). This increase included contributions of £1.55 per share and 12p per share from the revaluations of the wholly-owned portfolio and the Longmartin joint venture property respectively. The cost of terminating interest rate swaps in March 2015, following the refinancing of one of our short-term revolving credit facilities, reduced NAV by 10p per share. EPRA profits of 13.0p per share were matched by dividends paid.

EPRA NAV	2015 £m	As restated[1] 2014 £m
IFRS net assets	**2,325.4**	1,893.2
Effect of exercise of options	**0.4**	0.4
Diluted net assets	**2,325.8**	1,893.6
Adjusted for:		
Fair value of financial instruments	**79.2**	78.8
Adjustment in respect of the Longmartin joint venture:		
Deferred tax	**22.6**	15.7
EPRA NAV	**2,427.6**	1,988.1
EPRA NAV per share	**£8.69**	£7.13

1 Restated for the change in accounting policy detailed on page 115

EPRA NAV (pence per share)



Five year financial summaries can be found on our website.

Cash flows and net debt

Net debt increased by £84.8 million to £637.8 million over the year (2014: £553.0 million). The major cash flows were:

- Operating cash inflow (£37.4 million)
- Dividend payments (£39.5 million)
- Acquisitions and capital expenditure (£50.9 million)
- Interest rate swap termination costs (£28.1 million)

During the year, we completed the refinancing of our remaining 2016 debt, arranging two secured term loans, totalling £250.0 million, at a blended fixed interest rate of 3.51% p.a. The loans are repayable in full at maturity in March 2030 (£130.0 million) and July 2035 (£120.0 million). On drawing the loans, we cancelled two revolving credit facilities, totalling £150.0 million, which were due to expire in 2016. This added £100.0 million to our financial resources, of which £28.1 million was used to fund the termination of £70.0 million of interest rate swaps. Facility arrangement costs totalled £3.4 million. The balance was used to pay down revolving bank facilities, which are available to be re-drawn.

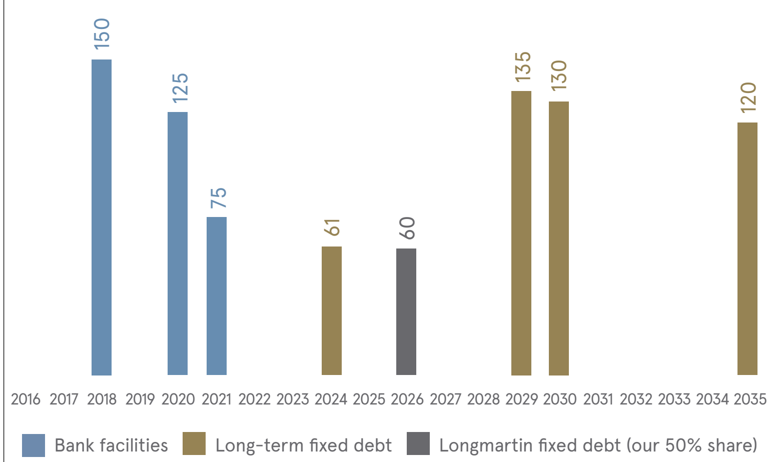
SEE PAGE 34 FOR WHY LONG-TERM DEBT IS A NATURAL FIT FOR OUR BUSINESS

Extended maturity and lower cost of debt

Our weighted average maturity of debt[1] at 30 September 2015 was 10.2 years (2014: 7.1 years) and our earliest debt maturity is now a £150 million revolving credit facility, which expires in November 2018.

Although net debt increased over the year by £84.8 million, at year end our loan-to-value ratio[1] had fallen to 22.5% (2014: 23.6%), largely as a result of growth in the value of our portfolio over the year. We had £150.3 million of committed undrawn facilities (2014: £139.4 million), which are available to fund further investment in our portfolio. Of our drawn debt, 97.2% was fixed or hedged[1] (2014: 82.1%), although this level will fall to around 80% as our undrawn variable-rate facilities are utilised.

Debt maturity profile (£m)



The weighted average cost of debt[1] was 4.92%, 19 basis points lower than at 30 September 2014. The marginal cost of drawings under our committed facilities is around 1.5% (2014: 1.55%), and so, as further drawings are made, the average cost of debt will reduce. If our facilities had been fully drawn at 30 September 2015, the weighted average cost of debt[1] would have been 4.32%. The average margin on our drawn variable-rate bank facilities has increased to 1.16% (2014: 1.11%) and this would rise further to 1.35% if all facilities were fully drawn (2014: 1.24%).

	2015			2014		
	IFRS £m	Longmartin[3] £m	Proportional consolidation £m	IFRS £m	Longmartin[3] £m	Proportional consolidation £m
Total fixed debt[2]	**625.8**	**60.0**	**685.8**	445.8	60.0	505.8
Drawn unhedged bank debt	**19.7**	**–**	**19.7**	110.6	–	110.6
Total debt[2]	**645.5**	**60.0**	**705.5**	556.4	60.0	616.4
Undrawn facilities (floating rate)	**150.3**	**–**	**150.3**	139.4	–	139.4
Committed facilities	**795.8**	**60.0**	**855.8**	695.8	60.0	755.8
Loan-to-value[2]	**22.1%**	**28.2%**	**22.5%**	22.9%	33.7%	23.6%
Gearing[4]	**28.4%**	**39.4%**	**29.1%**	29.7%	51.2%	31.0%
Interest cover	**2.1x**	**2.1x**	**2.1x**	2.0x	2.0x	2.0x
% debt fixed	**96.9%**	**100.0%**	**97.2%**	80.1%	100.0%	82.1%
Weighted average cost of debt[5]	**4.96%**	**4.43%**	**4.92%**	5.18%	4.43%	5.11%
Weighted average debt maturity (years)	**10.1**	**11.2**	**10.2**	6.7	12.2	7.1

1 Including our 50% share of the Longmartin joint venture
2 Based on nominal value of debt
3 Shaftesbury Group's 50% share. This loan is without recourse to Shaftesbury.
4 Based on EPRA net assets
5 Including non-utilisation fees on undrawn bank facilities

Looking ahead

The West End continues to flourish, benefiting from the long-term growth in London's economy, population, and visitor numbers

Our exceptional portfolio, based in the busiest and liveliest parts of the West End, is focused on shops, restaurants, cafés and pubs. Extending to over 1 million sq. ft., these uses produce 70% of our rental income[1]. They have a long record of sustained demand and rental growth, unaffected by wider economic and property market cycles.

Strong demand

We continue to experience strong demand in each of our locations, and across all uses. Demand is broad-based, and we are seeing retailers and restaurateurs looking to secure footholds in our carefully-curated areas ahead of Crossrail opening in 2018. This demand is producing good rental growth and high occupancy levels.

Intensive asset management

Our portfolio is highly reversionary and we continue to identify and secure opportunities to take back space, often to carry out improvement projects, and, through re-letting, not only to convert the potential rent into actual income but also improve rental prospects. Our clusters of ownerships allow the benefits of improvements we make to be compounded across our adjacent, or nearby, holdings.

We are making good progress with our major schemes at Charing Cross Road/Chinatown, 57 Broadwick Street, Carnaby, and Thomas Neal's Warehouse, Seven Dials. Works are planned to commence in 2016 with a view to completion over the second half of 2017, when we expect to see a material increase in net property income from these projects.

1 Wholly-owned portfolio

Opportunities to acquire new assets

The availability of assets to acquire in our locations, and which meet our strict criteria, continues to be constrained as owners, understandably, remain reluctant to sell. Although the timing of additions to our portfolio is impossible to predict, over the medium term, a steady flow of purchases are important in extending our ownership clusters and offering new marriage value possibilities. Having secured two acquisitions since September, we continue to appraise new opportunities.

Confidence in long-term prospects

The West End's prosperity, which is not reliant on the fortunes of the UK economy, underpins the long-term demand for accommodation. Our holdings will continue to benefit from this demand, as well as the substantial investment the city attracts.

We have a committed team with a forensic knowledge of the West End. Passion for this business, and the West End, is very much a part of our DNA. We remain confident that, with our innovative and successful strategy, our exceptional portfolio will continue to deliver growth in rental income, long-term values and returns for shareholders.

The Strategic Report on pages 1 to 68 was approved by the Board on 24 November 2015.

Brian Bickell
Chief Executive

Chris Ward
Finance Director


NO
SMOKING
outside


inside

Risk management

The Board's attitude to risk management is consistent with its low overall appetite for risk

This report should be read in conjunction with the Viability Statement on page 66.

Overview

The Board structures the Group's operations to minimise exposure to investment, operational and financial risks, and to ensure that there is a rigorous, regular review of risks and mitigation across its activities.

Important factors in the relative low risk of our business include:

- The Group invests only in London's West End, where there is a long history of resilience, stability and sustained occupier demand for our principal uses of retail, restaurants and leisure
- With a diverse tenant base, there is limited exposure to any single tenant
- The nature of our portfolio does not expose us to risks inherent in major speculative development schemes
- We have a small and stable management team, based in one location, close to all our holdings
- The Board manages our balance sheet on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, good interest cover and with the majority of interest costs fixed.

SEE PAGES 8 TO 31 FOR MORE INFORMATION ON OUR BUSINESS STRATEGY AND MODEL AND PAGE 34 FOR INFORMATION ON OUR APPROACH TO FINANCIAL MANAGEMENT

Management structure

As a foundation to effective day-to-day risk management, we encourage an open and honest culture within which staff can operate. Our management team, based in one office, within fifteen minutes' walk of all our holdings, comprises four executive directors and 21 employees. This stable management team, with an average tenure of over 15 years, has an in-depth knowledge of our business and the West End.

The Board's attitude to risk is embedded in the business, with senior management having close involvement in all aspects of operations and significant decisions. This involvement extends to the Non-Executive Directors, who approve all transactions over a specified level. We hold regular portfolio tours for the Board, to instil a deep understanding of our business strategy and model.

SEE PAGE 33 FOR OUR MANAGEMENT TEAM'S EXPERIENCE

The senior management team below Board level is incentivised in the same way as executive directors to achieve the Group's strategic goals of delivering long-term outperformance. Decisions are made for long-term benefit, rather than short-term gain. Succession planning across the management team is monitored by the Board.

DETAILS OF OUR ANNUAL BONUS TARGETS AND LTIP PERFORMANCE CRITERIA ARE SET OUT IN THE ANNUAL REMUNERATION REPORT ON PAGES 94 TO 95

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 internal controls and risk management process.
Executive management	Day-to-day management of risk. Design and implementation of the necessary systems of internal control.

Risk management and internal control

The Board is responsible for determining, and keeping under review throughout the year, the nature and extent of the principal risks impacting the Group's operations and maintaining the risk management framework and internal control systems. 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 principal 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 accord with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014).

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
- Defined schedule of matters for decision by the Board including significant acquisitions, disposals, major contracts, material refurbishment/development proposals and any other transaction 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 financial and operational 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.

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

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

Risks are considered in terms of their impact and likelihood from operational, financial and reputational perspectives. Risks, and the controls in place to mitigate them, are formally reported, discussed and challenged, at meetings of the Audit Committee and Board. To the extent significant risks, failings or control weaknesses arise during the year, these are reported to the Board and appropriate action is taken to rectify the issue and implement controls to mitigate further occurrences.

Having monitored the Group's risk management and internal control system, and having reviewed the effectiveness of material controls, the Audit Committee has not identified any significant failings or weaknesses in the Group's control structure during the year.

SEE THE AUDIT COMMITTEE REPORT ON PAGES 78 TO 81

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks faced by the business. The nature of these has remained unchanged over the year and relates to issues which might prevent us from achieving our long-term goals of creating sustainable revenue growth and increasing the value of the portfolio, or factors which could adversely impact shareholders' investment in the business. These are set out on pages 61 to 63.

Geographic concentration risk
Risk of a sustained fall in visitor numbers and/or spending

RISK	POTENTIAL IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Events which discourage visitors to the West End e.g. · threats to security or public safety due to terrorism · health concerns (e.g. pandemics) · Major, long-term disruption to the public transport network upon which the area depends	· Reduced visitor numbers, spending and occupier demand · Reduced rental income and/or capital values · Potential increased vacancy and declining profitability · Damage to property	· Inherent risk given the geographic concentration of our investments in a high profile location · Terrorism and loss of rent insurance · Close liaison with local bodies/authorities to maximise safety of visitors · Detailed emergency response plans	→ Across the West End, visitor numbers, spending and occupier demand continue to be buoyant. The UK's terrorism threat level remains severe

SEE PAGE 13 FOR WHY WE FOCUS ON THE WEST END

RISK	POTENTIAL IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Competing destinations lead to long-term decline in footfall in our villages	· Reduced visitor numbers and occupier demand · Reduced rental income and/or capital values · Potential increased vacancy and declining profitability	· Ensure our villages maintain a distinct identity · Management strategies to create prosperous destinations within which tenants can operate · Seek out new concepts, brands and ideas to keep our villages vibrant and appealing · Consistent strategy on tenant mix, which evolves over time · Marketing and promotion of our villages · KPI to deliver sustainable rental growth · Regular board monitoring of village performance and prospects	→ Footfall and occupier demand across our villages remains strong. We continue to see sustained rental growth and low vacancy

SEE PAGES 30 TO 31 FOR DETAILS ON OUR PROVEN MANAGEMENT STRATEGY

Regulatory risks

RISK	POTENTIAL IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
All our properties are in the boroughs of Westminster and Camden. Changes to local policies, particularly planning and licensing, could have a significant impact on our ability to maximise the long-term potential of its assets	· Limit our ability to optimise revenues · Reduced profitability · Reduced capital values	· Ensure our properties are operated in compliance with local regulations · Make representations on proposed policy changes, to ensure our views and experience are considered · Mix of uses in our portfolio means we are not reliant on income from one particular use	→ There are no current indications that the evolution of the planning and licensing environments, either as a result of national or local legislation, will have a material impact on the Group's business for the foreseeable future
All our buildings are in Conservation Areas and many are listed. Legislation to improve environmental performance 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	· Potential decrease in revenues and increased cost · Cost to improve buildings to the required standard	· Up-to-date Energy Performance Certificates being obtained for all buildings · Phased programme of improvements to future-proof buildings within the constraints of current listed building and conservation areas legislation	↓ Our rolling programme of works is delivering performance above the minimum levels currently required under legislation

SEE PAGES 20 TO 27 FOR DETAILS ON OUR MIX OF USES

SEE SUSTAINABILITY ON PAGES 146 TO 155

Economic risks
which may threaten our ability to meet our strategic objectives

RISK	POTENTIAL IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Periods of economic uncertainty and lower confidence could reduce consumer spending, tenant profitability and occupier demand	· Pressure on rents · Declining profitability · Reduced capital values	· Focus on assets, locations and uses which have historically proved to be economically resilient and have demonstrated much lower valuation volatility than the wider market · Diverse tenant base with limited exposure to any one tenant · Tenant deposits held against unpaid rent obligations (at 30 September 2015): £17.4m	→ The West End's economy is buoyant and we continue to benefit from strong demand, footfall and rental growth. The Global and UK economies are forecast to deliver trend-level growth over the medium term, underpinning business and consumer confidence

SEE PAGES 8 TO 13 FOR DETAILS ON OUR UNIQUE PORTFOLIO AND WHY WE INVEST IN THE WEST END

RISK	POTENTIAL IMPACT	MITIGATION	EVOLUTION OF RISK DURING THE YEAR
Decline in the UK real estate market due to macro-economic factors e.g. global political landscape, currency expectations, bond yields, interest rate expectations, availability and cost of finance, relative attractiveness of property compared with other asset classes	· Reduced capital values · Decrease in NAV, amplified by gearing · Loan covenant defaults	· Focus on assets, locations and uses which have historically proved to be economically resilient and have demonstrated much lower valuation volatility than the wider market · Regular review of investment market conditions including bi-annual external valuations · Maintain conservative levels of leverage · Quarterly forecasts including covenant headroom review · Substantial pool of uncharged assets available to top up security held by lenders	→ Interest rates have continued at historically low levels. Market sentiment is that increases will be moderate and gradual

SEE PAGES 8 TO 13 FOR DETAILS ON OUR UNIQUE PORTFOLIO AND WHY WE INVEST IN THE WEST END. SEE ALSO PAGE 34 FOR OUR CONSERVATIVE APPROACH TO FINANCIAL MANAGEMENT


kiss


makeup

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Board has assessed the prospects of the Company over a longer period than the twelve months that has in practice been the focus of the 'Going Concern' provision.

The Board conducted the review for a five-year period, corresponding with the period covered by its current forecasts. These forecasts are updated quarterly and reflect the Group's established strategy of investing in London's West End, its existing investment commitments, available financial resources and long-term financing arrangements. They consider profits, cash flows, funding requirements and other key financial ratios over the period, as well as the headroom in the financial covenants contained in our various loan agreements. Important assumptions underlying the forecasts include:

Assumption	Comment
Crystallisation of the portfolio reversionary potential over the period	We have a long record of crystallising the independently-assessed ERV of our portfolio over a three-to-five year period. 63% of the total portfolio reversion comes from shops, restaurants, cafés and pubs, the demand for which, in our locations, is not cyclical and has demonstrated sustained growth over many years. SEE DETAILS ON THE REVERSION ON PAGE 40
The Group had undrawn committed loan facilities at 30 September 2015 totalling £150.3 million, which comfortably exceeds the Group's commitments over the assessment period. This assumes an ability to re-finance revolving credit facilities totalling £150.0 million and £125.0 million which mature in 2018 and 2020 respectively.	The Group maintains a prudent approach to gearing, with debt facilities which are largely fixed and long-term in nature. At 30 September, our loan-to-value ratio was 22.5%. The facilities which mature during the period of assessment represent 18.8% and 15.7%, respectively, of our total committed debt facilities. The Board has reasonable confidence that we shall be able to refinance these facilities and intends to do so in advance of their contractual maturities. SEE THE FINANCE REVIEW ON PAGE 56

The principal risks are set out on pages 61 to 63 and the most relevant potential impact of these risks on viability was considered to be:

- A substantial and sustained decrease in visitor numbers to the West End and our villages which could result in reduced occupier demand, rental income and/or capital values, higher vacancy and declining profitability
- Regulatory changes which reduce profitability and capital values
- Changing economic conditions which reduce capital values, and put pressure on loan covenants

The Board overlaid the potential impact of the principal risks which could affect solvency or liquidity in "severe but plausible" scenarios onto the five-year forecasts and concluded that the business would remain viable. As part of this, they performed sensitivity analyses that flexed inputs to the forecasts including reduced income, profitability and capital values, both individually and in unison, to reflect these severe but plausible scenarios.

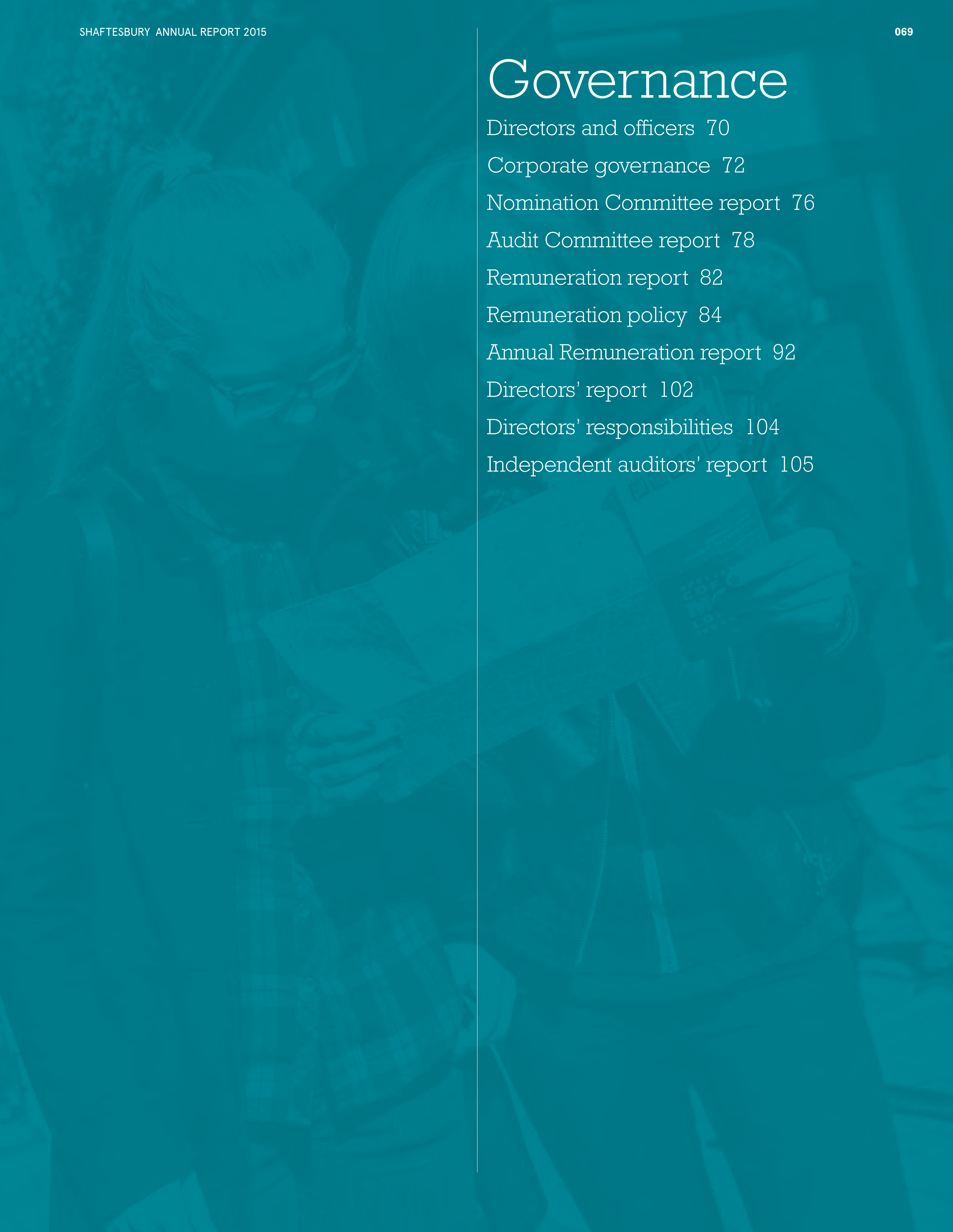
Based on the results of the procedures outlined above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.


tranquil


bustle
o'neill's
HSBC


work


play



Governance

Directors and officers
Executive directors

Simon J Quayle, BSc, MRICS
Executive director

Responsible for the asset management and operational strategy in Carnaby, Soho and Charlotte Street

Joined the Group in 1987

Board appointment
Appointed Property Director on 1.10.1997

External appointments
ZSL Development Strategy Board

Tom 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

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

External appointments
Freehold

Christopher P A Ward, MA (Oxon), ACA
Finance Director

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

Joined the Group in 2012

Board appointment
Appointed Finance Director on 9.1.2012

External appointments
Westway Trust

Chairman and non-executive directors

Left to right: Sally Walden, Hilary Riva, Oliver Marriott, Jill Little, Dermot Mathias and Jonathan Lane

Jonathan S Lane OBE, 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
Chairman of easyHotel plc

Chairman of The Tennis Foundation

Trustee of The Royal Theatrical Support Trust

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
Chairman of the Commercial Group of the National Trust

Non-executive director of Houseology Limited

Consultant to a number of global retailers

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

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

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 and Ilex Limited

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

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

Penny Thomas, LLB (Hons), FCIS
22 Ganton Street
London W1F 7FD
Tel: 020 7333 8118
email: shaftesbury@shaftesbury.co.uk
Registered number: 1999238

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Corporate website

www.shaftesbury.co.uk

Village websites

carnaby.co.uk
chinatownlondon.org
sevendials.co.uk
stmartinscourtyard.co.uk
berwickstreetlondon.co.uk

Corporate governance

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 published in 2014 with the exception that, owing to my previous tenure as an executive, I was not independent upon my appointment as Chairman.

Our governance framework is built around our focused strategy of investing in the West End of London executed by an experienced management team. The Board monitors the risks faced by the business and ensures that there are appropriate controls to minimise such risks as far as possible.

The Board monitors activity across the Group's portfolio, including larger projects and letting and tenancy transactions, the financial aspects of the business and the evolution and implementation of its sustainability strategies. The Board had a strategy day where it focused on societal, technological and economic changes which may, in the years ahead, influence the implementation of our long-term investment strategy.

The Remuneration Committee, led by Sally Walden, has undertaken a substantial review of the Group's remuneration policy. This culminated in a proposal to shareholders for a binding vote at our 2016 AGM on a revised remuneration policy which includes a new LTIP for executives, incorporating a post-vesting holding period.

The Audit Committee, led by Dermot Mathias, has tendered the Group's external audit. Last year, we reported that, in view of the tenure of PricewaterhouseCoopers LLP (and their precedesor firms) since 1987 as our auditors and proposed legislation on auditor rotation, that we would tender our auditor appointment. The Committee recommended to the Board the appointment of Ernst & Young LLP as Group auditor at the conclusion of the 2015 audit. Their re-appointment is proposed at the 2016 AGM. A considerable focus this year has also been on the risk profile of the Group and the new viability statement that your Board has made regarding the future prospects of your Group.

Jonathan Lane OBE
Chairman

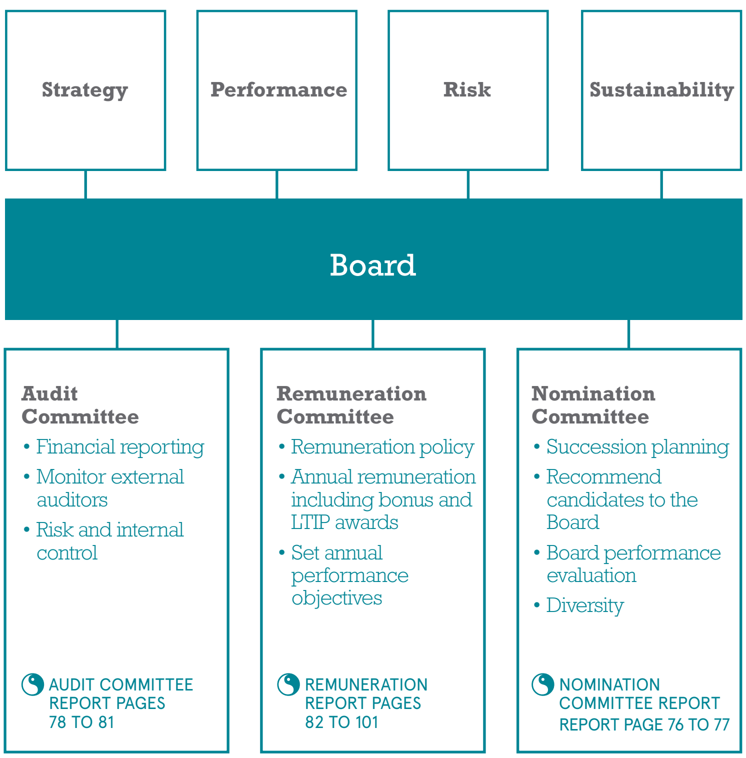
The Board

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 and that risks are managed appropriately or mitigated.

SEE STRATEGIC REPORT ON PAGES 1 TO 68

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 executive management to enable effective operation of the business.

The Board has Audit, Remuneration and Nomination Committees. Their responsibilities are defined in terms of reference, which are available on the Group's website. Committees comprise only independent non-executive directors, other than the Nomination Committee, which is chaired by Jonathan Lane (non-independent Chairman) as permitted by the Code. The Board meets regularly with an annual cycle of topics to be considered including key management and financial updates as well as approval of significant acquisitions and refurbishment schemes.



Typically a Board meeting will be structured to receive reports from:

Chief Executive	covering the general and local property market conditions, operational and financial overview, shareholder relations and sustainability
Property Directors	asset management, schemes and acquisitions
Finance Director	published financial statements, financing, forecasts, performance and financial analysis
Company secretary	governance, regulation and sustainability
Strategic topic	relating to an aspect of the Group's business and/or a visit to a part of the Group's portfolio
Committee chairmen	reports on activities at each committee meeting held immediately prior to the Board

Where possible, employees below Board level are invited to present to the Board on operational topics. Non-executive directors have direct and open access to employees below board level. During the year, the Board held a strategy day to consider particular topics in greater depth including a Board performance review.

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.

Attendance by directors at scheduled Board meetings is set out below. Attendance at scheduled 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	●●●●●
Oliver Marriott	Non-executive director	●●●●●
Dermot Mathias	Non-executive director	●●●●●
Jill Little	Senior Independent Director	●●●●●
Hilary Riva	Non-executive director	●●●●●
Sally Walden	Non-executive director	●●●●●

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

COMMITTEE REPORTS ON PAGES 76 TO 101

Board performance evaluation

This year, the Board undertook an internal Board performance evaluation, having undertaken an externally-faciliated evaluation last year. The process took place in an open forum at the Board's strategy day and covered:

- The structure and content of board meetings.
- Time management, including the timing and frequency of meetings. Changes to the order of the agenda were suggested and a better balance during the two days of the Board and Committee meetings. It was agreed that the strategy day had been extremely valuable and should be repeated annually.
- Engagement with shareholders including greater involvement of non-executive directors in meetings with shareholders.
- The Board's strategic focus.

The evaluation concluded that the Board was working cohesively and that there was a good quality of discussion at meetings.

An important focus during this year, and for the year ahead, remains Board succession and executive development below Board level.

The non-executive directors found that regular visits to the Group's holdings, coupled with specific focus at each meeting on a village, were exceptionally valuable.

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

Risk management and internal control

SEE PAGE 59 TO 63

Viability and going concern

SEE PAGES 66 AND 114

Remuneration

SEE REMUNERATION REPORT ON PAGES 82 TO 101

Relations with shareholders

The Board places great importance on regular contact with shareholders and potential investors, in order to communicate 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 and long-term strategy.

During the year, the Chief Executive and executive directors met around 200 UK and overseas institutional investors, comprising both current and potential shareholders. Meetings were held in the UK, Amsterdam, Paris and New York. Meetings comprised individual and group presentations and tours of the portfolio. The tours provide an opportunity to see the Group's assets, understand management strategy, and also to meet members of the team below Board level.

During the year, a tour of the portfolio was arranged for members of the UK Shareholders' Association, which represents the interests of private investors.

Meetings are offered to finance and debt providers.

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

The AGM is an opportunity for shareholders to meet the Board and vote on the resolutions. All directors, including the chairs of the committees, are available at the AGM to answer shareholder questions.

During the year, shareholders were consulted on the Group's proposed changes to its remuneration policy.

SEE REMUNERATION REPORT ON PAGES 82 TO 101

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 its philosophy, strategy, current activities and events across the villages.

SEE LIST OF WEBSITES ON PAGE 71

Nomination Committee report

Dear shareholder

The role of the Committee is to evaluate the balance of skills, experience and independence of board members and lead the process for board appointments. The Committee also recommends to the Board that all directors are subject to annual re-election, in line with the Code.

The Committee continues to monitor the composition of the Board so that future succession is managed effectively. After 29 years at the Company, I have asked the Committee to search for my successor. The Senior Independent Director is leading a process in accordance with the Code.

We have focused on the Group's medium-term succession planning for executive directors, senior staff and non-executive directors during the year. The Committee has oversight of the Group's training and development processes below Board level to ensure all employees have appropriate skills and that they continue to develop in their roles.

An annual Board performance evaluation was internally facilitated this year. The process, conducted as part of a Board strategy day, concluded that the Board was working cohesively.

Jonathan Lane OBE
Chairman – Nomination Committee

Committee members and attendance

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED (5 HELD)
Jonathan Lane	Chairman	●●●●●
Jill Little	Senior Independent Director	●●●●●
Oliver Marriott	Member	●●●●●
Dermot Mathias	Member	●●●●●
Hilary Riva	Member	●●●●●
Sally Walden	Member	●●●●●

Committee attendees by invitation only

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

Key activities during the year

SUCCESSION

Succession planning for the Board and senior executives

PERFORMANCE AND SKILLS

Considered the Board and Committee performance evaluation results

Reviewed the skills of the directors for re-election

Reviewed training undertaken by directors

Reviewed the annual committee report

REAPPOINTMENT OF DIRECTORS

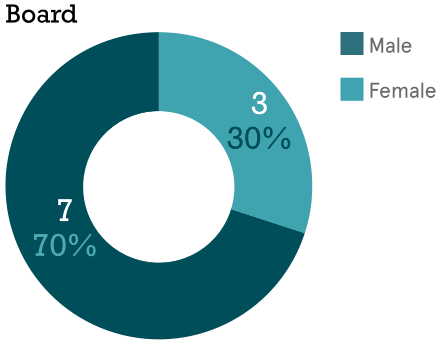
Proposed to the Board directors for re-election

Policy on diversity

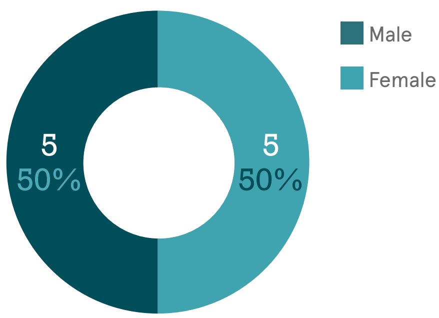
All aspects of diversity, including but not limited to gender, are considered at every level of recruitment. All appointments to the Board are made on merit. The Board policy on diversity is to ensure its composition has an appropriate balance of skills and diversity to meet the requirements of the business. The Board considers that quotas are not appropriate in determining its composition and has therefore chosen not to set targets.

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

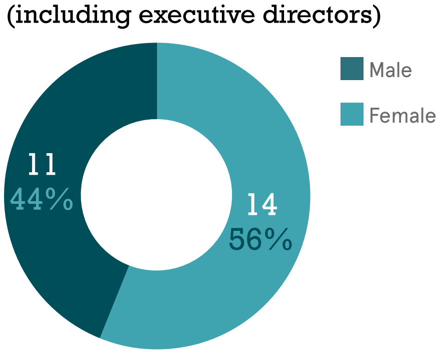
Board



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 forum for LGBT real estate professionals. The Group has committed to the RICS Inclusive Employer Quality Mark scheme which aims to drive behaviour changes by encouraging firms to look carefully at their employment practices and have inclusivity embedded in their operations.

Succession planning

The Board comprises a team of four executive directors, three of whom have an average length of service with the Company of 28 years. Continuity of experience and knowledge, particularly of the unique environment of London's West End, is important in our focused, long-term business. The executive team is complemented by six non-executive directors who have wide business experience and skills and 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 and a development programme has been introduced during the past two years.

The Senior Independent Director is leading a process for the succession of the Chairman, in accordance with the Code.

Directors standing for re-election

All directors will stand for re-election at the 2016 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 tenure of independent non-executives at 30 September 2015 is set out below.

Oliver Marriott	6 years 2 months
Hilary Riva	5 years 9 months
Jill Little	5 years 9 months
Dermot Mathias	3 years
Sally Walden	3 years

SEE PAGES 70 TO 71 AND THE WEBSITE FOR BIOGRAPHICAL INFORMATION ON EACH DIRECTOR

Audit Committee report

Dear shareholder

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 various statements made in the Annual Report, including those on viability, going concern, risk and controls and whether when read as a whole the Annual Report, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

As we stated in last year's report, and in accordance with emerging best practice, the Committee has carried out an audit tender process during the year. PricewaterhouseCoopers LLP will resign as auditors at the completion of this year's audit and Ernst & Young LLP will be appointed by the Board. Their appointment will be subject to their re-appointment at the 2016 AGM.

On behalf of the Board, I thank PricewaterhouseCoopers LLP for the high quality audit service they have provided to the Group since 1987.

Dermot Mathias
Chairman – Audit Committee

COMMITTEE MEMBERS AND ATTENDANCE

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

Dermot Mathias is the member 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 LLP	Independent auditors

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

Key activities during the year

FINANCIAL STATEMENTS

Reviewed and monitored the integrity of the published financial information including the year end results, preliminary announcement, Annual Report and half year results

Reviewed significant issues and areas of judgement which have the potential to have a material impact on the financial statements, making any consequent recommendations to the Board

Met with the Group's valuers to discuss the valuation process and outcome

Considered emerging best practice in relation to corporate reporting

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

Advised the Board on the Viability Statement

Reviewed and approved the Committee Report

AUDIT

Planned for year end and reviewed the audit plan

Considered the independence and objectivity of the auditors

Reviewed the auditors' performance

Tendered the Group audit and made a recommendation to the Board that Ernst & Young LLP be appointed

MISCELLANEOUS

Approved non-audit assignments awarded to the external audit firm, and monitored audit/non-audit fees

Reviewed the whistle-blowing policy

Considered the need for an internal audit function

Reviewed the Committee's performance

Considered the appropriateness of the going concern assumption

Carried out a robust assessment of the principal risks faced by the business

Reviewed the risk and internal control framework, including monitoring the Group's risk management and internal controls systems and assessed the adequacy and effectiveness of controls and disclosures made in the annual report. The review covered all material controls, including financial, operational and compliance controls

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, and the use of any adjusted measures, eg EPRA measures, were adequately explained.

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 104.

Consideration was also given to the Principal Risks and the Viability Statement, set out on pages 61 to 66. The Committee has reviewed the scenario analysis prepared by management including the assumptions made and has recommended the statement to the Board.

The Committee considered the appropriateness of the accounting policies used in preparing the financial statements, and in particular, paid attention to matters it considered to be important by virtue of their impact on the Group's results and remuneration, and those which involve a high level of complexity, judgement or estimation by management. The significant areas considered are set out below:

- **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. 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 five-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 in the Annual Report 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 reviewed the business risks and internal controls' framework during the year. This review included testing by the external auditors and assurance from the Finance Director over certain key controls.

The Group's internal control and risk management procedures, and its principal risks and uncertainties are reported in the Strategic Report.

SEE RISK MANAGEMENT ON PAGES 59 TO 63

External auditors

The Committee remains satisfied with the effectiveness of the external audit.

The Committee tendered the Group audit during the year. The tender process involved a series of meetings with the Committee Chairman and management, including portfolio tours, and each candidate firm presented to the Committee and executive management. The Committee recommended to the Board that Ernst & Young LLP be appointed following the end of the financial year. The Board accepted this recommendation. PricewaterhouseCoopers LLP will resign as auditors at the completion of this year's audit and the Board will appoint Ernst & Young LLP. The Board will recommend that Ernst & Young LLP is re-appointed as Group auditor at the AGM in February 2016.

In accordance with the current regulations, the Group will re-tender the audit every ten years.

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:

	2015 £'000	2014 AS RE-STATED £'000
Audit of the parent company's annual accounts	**58**	56
Audit of the consolidated Group	**98**	93
Total audit services	**156**	149
Audit related assurance services – half year review	**21**	20
Other assurance services	**–**	–
Total assurance services	**21**	20
Total audit and assurance services	**177**	169
Tax compliance services	**39**	32
Tax advisory services	**39**	69
Services related to taxation	**78**	101
Other non-audit services	**–**	7
Total fees related to taxation and other non-audit services	**78**	108
Total fees	**255**	277

Total fees related to taxation and other non-audit services represented 44% of the total fees for audit and assurance services (2014: 64%). Tax advisory services represent various assignments carried out during the year, none of which were individually significant. The comparative figures have been re-stated after the adoption of IFRS 11 'Joint Arrangements' during the year. Further information on this is set out on page 115.

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 year 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.

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

Our remuneration policy sets out our approach to the reward of executive and non-executive directors. It reflects our aim that overall levels of executive remuneration should be fair whilst maintaining stability in the management of this long-term business. The policy we have operated throughout this financial year was approved by shareholders at the 2014 AGM.

Our strong results this year show a growth in portfolio value to £3.1 billion and growth in earnings and income resulting in a 5% increase in the annual dividend per share to 13.75p. TSR, which is one of the measures used in our LTIP, was 36.7% for the year. Progress has been made during the year in advancing a number of schemes in the portfolio. The refinancing of debt facilities due to mature in 2016 was completed increasing the Group's financial resources.

Against the backdrop of this performance, the Committee's main decisions related to:

Review of basic salaries
Salaries were reviewed with effect from 1 December 2015 with average increases in the region of 2%, and in line, with salary increases for all employees.

Annual bonus awards
Annual bonus awards were measured against our KPIs and other performance objectives which contribute to long-term shareholder value. The outcome of performance against these targets is 70%. However, the Committee took into account that the achievement of objectives was made in a year with a continuing buoyant West End economy and felt that an annual bonus award of 60% was more reasonable in the circumstances. The bonus payment equates to 75% of basic salary if taken entirely in shares, which are held in the Deferred Annual Share Bonus Scheme for three years, or 60% of basic salary if taken in cash.

LTIP
A grant of nil cost options was made in December 2014 at 125% of basic annual salary with a three year performance period commencing 1 October 2014. 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 by reference to TSR versus the FTSE 350 Real Estate Index and NAV growth. These performance measures incentivise the creation of value for shareholders and the increase in the value of the Group's portfolio. 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 which were made in 2012 will vest in December 2015, based on a three year performance period which ended on 30 September 2015. The TSR target was partially met and the NAV target was fully met. The total award vesting is 63.5%.

Review of current arrangements
As we reported in 2014, during 2015 we have carried out a review of our current LTIP arrangements, which are due to expire in 2016. As part of this work, we have reviewed our remuneration policy and made a number of changes. The principles of our policy remain the same, though we are aware that, in order to attract and retain employees, we need to remain competitive.

The remuneration policy will be proposed to shareholders for a binding vote at the 2016 AGM.

The changes are summarised below.

- **Renewal of LTIP**
  Our current LTIP was approved in 2006 and is due to expire in 2016. The Committee believes that the current LTIP has been an important factor in incentivising and rewarding the strong performance delivered to shareholders over the life of the scheme. The Committee proposes essentially to renew the LTIP, retaining the existing structure, award size and performance targets.

  The targets for the LTIP were reviewed by the Committee and have remained identical to those in the existing scheme which had been used for the last ten years. The Committee is convinced that these targets remain appropriate, as the Company is a long-term business, and feels that the targets remain stretching throughout the property cycle.
- **Introduction of holding period**
  The only material change is the introduction of a two-year post-vesting holding period, in line with best practice.
- **Clawback and malus**
  Clawback and malus provisions are included in the LTIP.

The approval of the new plan rules is proposed as a separate item at the 2016 AGM and further information may be found in the notice of meeting.

- **Increasing the annual bonus opportunity to 150% of salary**
  In reviewing our remuneration policy, the Committee considered all aspects of the current remuneration package against best practice and market data. To ensure the remuneration package remains competitive in our talent markets, we are proposing to increase the maximum annual bonus opportunity for executive directors from 125% to 150% of salary. To receive the maximum, participants will still be required to defer all of the award into shares for three years. The maximum cash bonus will be unchanged at 100% of salary. Salary levels on which this bonus level is based are not excessive and the change is intended to increase the performance-related element of total potential remuneration, coupled with a demanding deferral period. The Committee will continue to operate the bonus in a robust manner against genuinely stretching performance targets. In recent years, bonus awards have been in the range of 40%-75%.

The annual bonus scheme, and the LTIP are offered to all employees in the Company, and we use both schemes as a mechanism to encourage share ownership and alignment with shareholder interests.

- **Increasing the share ownership guideline from 100% to 200% of salary**
  In line with current market practice, we propose to increase our shareholding guidelines for executive directors to a minimum of 200% of salary.

Sally Walden
Chairman – Remuneration Committee

Context for the group's remuneration approach

The Group has 25 employees, including four executive directors. Of those four, three have an average length of service of 28 years. The combined holdings of these three executive directors stand at just over 2.6 million shares with a current market value of circa £25 million, which equates to individual holdings of between 21 and 26 times their annual salary. They have built up these substantial shareholdings mainly through the retention of shares awarded in employee share schemes, having taken their annual bonus in shares in nine out of the last ten years since the Deferred Annual Share Bonus scheme was introduced and retained shares from the LTIP.

The Group's small team of executive directors and key employees all have a close involvement in the continuing development, and implementation, of the Group's management strategies. Consequently, the Committee considers it appropriate that, in setting objectives and measuring performance, emphasis is placed on team rather than individual performance. Average length of service below the Board is ten years. The stable management team has again had zero staff turnover and the total number of employees increased this year by two.

Remuneration policy

Set out below is the Group's policy on directors' remuneration, which will be proposed for a binding vote at the 2016 AGM. If approved, the policy will be effective from that date.

Changes to the remuneration policy

The main changes to this remuneration policy, from the previous policy approved by shareholders at the 2014 AGM, and as described in the Chairman's introductory statement, are as follows:

- Increase in the maximum annual bonus (when taken in deferred shares) to 150% of salary;
- Incorporation of the terms of the new 2016 Long Term Incentive Plan to include a two-year post vesting holding period; and
- Increase to the minimum shareholding requirement from 100% to 200% of salary.

Executive directors

ELEMENT	LINK WITH STRATEGY	OPERATION
Salary	Fixed remuneration at a level appropriate to skills, experience and complexity of the role	Salaries are normally reviewed annually with effect from 1 December. Any increases are determined with reference to inflation and the salary increases for other employees, unless there is a change of role or responsibility or a new director is recruited (see recruitment policy) Sector and other relevant market data (eg against constituent companies of the FTSE 350 REIT Index) may be requested from remuneration advisors as required The Committee recognises the importance of setting salaries at levels in the context of market median levels in the real estate sector, but which are not excessive in relation to the Group's particular strategy and features. The emphasis in the Group's remuneration policies is to place greater weight on performance-based rewards within the overall remuneration package
Annual bonus	To incentivise performance in the reporting year through the setting of targets at the beginning of the year. These annual targets are consistent with the Group's long-term strategy The opportunity to defer the bonus and take it in shares seeks to align directors' interests with those of shareholders and discourage short-term decision making	Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives At the end of the financial year, the Committee evaluates performance against these objectives, whilst also taking into account overall financial performance and future prospects. The Committee also satisfies itself that short-term targets have not been met at the expense of long-term goals Within the limits of the scheme, the Committee has discretion to adjust bonus outcomes (upwards or downwards) as it considers appropriate, to ensure alignment of pay with overall performance and market conditions Minimum performance required for any part of the bonus to be earned is calibrated so as to be appropriately stretching and achievable Where directors take all or part of the bonus as an award of shares (in the form of a conditional award of shares or a nil-cost option), these awards vest after a minimum of three years from grant under the Company's deferred bonus plan. No further performance conditions apply. Awards may also, at the Committee's discretion, be settled in cash Malus and clawback provisions apply to all elements of the bonus (as described elsewhere in this section)

MAXIMUM POTENTIAL VALUE	PERFORMANCE MEASURES AND PERFORMANCE PERIODS
The Committee does not specify a maximum salary or maximum salary increase Further details on salary levels and any increases are provided in the Annual Remuneration Report	None
Directors have the choice to take a bonus in shares or cash, in full or part as follows: Up to 150% of salary if taken entirely in shares; or Up to 100% of salary if taken entirely in cash	Performance is assessed against a set of key financial and non-financial annual measures which may vary each year depending on the annual priorities of the business. Performance targets are set by the Committee. Measures will be weighted in alignment with the Group's strategy for each year. A substantial part of the total bonus will be based on quantitative KPIs. Further details of the measures, weightings and targets applicable for a given period are provided in the Annual Remuneration Report for that year

Executive directors continued

ELEMENT	LINK WITH STRATEGY	OPERATION
LTIP	To incentivise and reward performance over the long-term, aligning directors' interests with those of shareholders and to encourage the management of the Group's business in accordance with its long-term strategy and goals	A new LTIP is to be put to shareholders for approval at the 2016 AGM Awards may be granted in the form of nil cost options, conditional share awards or, at the Committee's discretion, be settled in cash At the end of the performance period, performance against the targets is calculated, and the percentage of awards that will vest is determined Unless the Committee determines otherwise, vested awards will then be subject to an additional holding period before participants are entitled to receive their shares. A holding period will normally last for two years, unless the Committee determines otherwise Malus and clawback provisions apply to the LTIP (as described elsewhere in this section)
All employee plans	Part of overall package for all employees, encouraging share ownership	Executive directors are eligible to participate in other share plans, which are offered on similar terms to all employees, for example Sharesave and SIP
Pension	Part of overall package for executive directors providing comprehensive remuneration and retirement benefits	Contribution paid into a personal pension plan or taken as a cash equivalent, reduced for any resultant tax liability borne by the Group
Other benefits	Part of overall package for executives providing comprehensive remuneration	Each executive director currently receives: · car allowance · private medical cover · life insurance · permanent health insurance Other benefits may be provided if considered reasonable and appropriate by the Committee, including, but not limited to, housing allowance and relocation allowance

Notes to the table:

Performance measures

1. The performance measures set by the Committee for the annual bonus scheme reflect Group KPIs and short-term measures which are consistent with, and support, the Group's strategic goals of long-term growth in rental income and net asset value. The Committee may make reasonable changes to the measures each year in order to ensure continued alignment with strategy.
2. LTIP performance measures have been selected to align the interests of directors with those of shareholders. Performance targets are set by the Committee to be appropriately stretching and achievable taking into account the Group's strategic priorities and the economic environment in which the Group operates.
3. The Committee may amend or substitute any performance measure applicable to an LTIP award if an event occurs that causes the Committee to determine an amended, or substituted, measure would be more appropriate and not materially less difficult to satisfy.

In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under Listing Rule 9.4.2 R. Such discretion would only be used in the case of recruitment of an executive director for the buyout of existing incentive awards which would be forfeited on leaving a previous employer, in line with the terms of the recruitment policy.

MAXIMUM POTENTIAL VALUE	PERFORMANCE MEASURES AND PERFORMANCE PERIODS
Maximum value 150% of salary at date of grant in normal circumstances Maximum value 200% of salary in exceptional circumstances such as executive recruitment (this has not been used to date)	The awards will be subject to performance targets measured over a three-year period. It is intended that these performance measures are aligned to strategic objectives and shareholder value The current performance measures are: · TSR measured relative to a relevant index of peers; and · NAV growth Threshold vesting is 25% of the award. The detailed targets are set out in the Annual Remuneration Report
The limits are as defined by HMRC from time to time	None
25% of salary	None
There is no maximum value. Benefits are set at a level which the Committee determines is reasonable and appropriate The value may vary depending on service provided, cost and market conditions	None

The Committee reserves the right to make any remuneration payments, and payments for loss of office (including exercising any discretion available to it in connection with such payments), notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before 7 February 2014 (the date the Company's first directors' remuneration policy approved by shareholders in accordance with section 439A of the Companies Act came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the directors' remuneration policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment

Dividend equivalents for share-based awards

Awards granted under the Deferred Annual Share Bonus plan and the LTIP may incorporate the right to receive an amount (in cash or shares) equal to the dividends which would have been paid on the shares that vest in the period up to vesting (or, where LTIP awards are made subject to a holding period, the end of the holding period). This amount may be calculated assuming the dividends were reinvested in the Company's shares on a cumulative basis.

Malus and clawback

In the event of a material misstatement of the financial statements or gross misconduct, the Committee has discretion to exercise the following malus and clawback provisions in respect of the annual bonus and the LTIP. The Committee may:

- reduce a bonus prior to payment;
- reduce the vesting of a deferred share award prior to vesting;
- for awards granted after March 2016, require, at any time prior to the fifth anniversary of grant, a participant to return the value of the cash bonus or deferred share awards he has received;
- reduce the vesting of an LTIP award prior to vesting; and/or
- for LTIP awards granted after March 2016 require, at any time prior to the fifth anniversary of grant, a participant to return the value of the LTIP awards he has received.

Non-executive directors and Chairman

ELEMENT	LINK WITH STRATEGY	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE MEASURES AND PERFORMANCE PERIODS
Fees and benefits	To provide market-competitive director fees	Fees are normally reviewed every two years. Sector and other relevant market data (eg constituent companies in the FTSE 350 REIT Index) may be requested from remuneration advisors where required A further fee is payable to reflect the additional time commitment required for other Board duties, such as chairing Board committees or acting as Senior Independent Director The fee paid to the Chairman is determined by the Committee and fees to non-executive directors are set by the Board No director takes part in discussions regarding their own remuneration Benefits may be provided to non-executive directors if considered reasonable and appropriate by the Board	As with the policy for the executive directors, the policy does not specify a maximum fee or level of increase	Not applicable

Difference between policy for directors and employees

Pay and conditions throughout the Group are taken into consideration when setting remuneration policy. The Group's 21 employees below Board level are offered the same remuneration package elements as executive directors, though not all employees are eligible for all benefits provided to executive directors. Individual salary levels, percentage levels of awards in the annual bonus and LTIP vary according to employees' level of responsibility and their contribution to the business. The same performance criteria, where appropriate, are applied to executive directors and other employees.

As the same remuneration policy is applied to executive directors and all employees, the Committee did not consult employees when drawing up the Group's policy.

Recruitment policy

Executive directors
A newly-appointed director's remuneration would be proposed by the Committee and approved by the Board in line with the Group's policy. The Group offers salary, benefits, annual bonus and awards under the LTIP. If the Group considered it appropriate to buy out any pre-existing variable pay arrangements of an incoming director, it would only be with replacement awards structured on a comparable basis eg in terms of vesting period, performance conditions etc. In doing so, the Committee would consider relevant factors when structuring such awards, including the likelihood of those pre-existing conditions being met. As stated on page 87, the Committee has the discretion to implement a one-off arrangement for the purposes of buy-out awards only, in accordance with Listing Rule 9.4.2 R.

External appointment

ELEMENT	APPROACH	MAXIMUM ANNUAL GRANT VALUE*
Salary	The salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current salary. Where new appointees have initial salaries set below market, any shortfall will be managed with phased increases within three years, subject to the individual's development in the role	
Annual bonus	In line with the limits set out in the policy table. For executive directors joining part way through a year, awards would be pro-rated. The Committee may determine different performance targets for the new recruit, to reflect the shortened period in role	150% of salary
LTIP	New appointees will be granted awards under the LTIP under the limits described in the policy table. The Committee may amend or alter the performance targets for the new recruit, as it considers appropriate	200% of salary
All employee share plans, pension and other benefits	In line with the limits as described in the policy table	

*excludes compensation for variable remuneration lost on leaving a former employer

Internal appointment
In the event of appointing a new executive director by way of internal promotion, the policy will be consistent with that for external appointees as detailed above. Further detail on the policy for employees below board level is set out above.

Non-executive directors
Newly appointed non-executive directors are paid fees at a level consistent with existing non-executive directors. Fees would be paid pro-rata in their first year.

Loss of office payment

Provisions for payments on termination contained in executive directors' service contracts are set out below:

	DATE OF APPOINTMENT	DATE OF CURRENT CONTRACT	NOTICE PERIOD	TERMINATION ARRANGEMENTS
B Bickell	1.10.2011	6.6.2011	One year's notice	One year's salary and benefits payable in event of termination without notice. Director's duty to mitigate loss
S J Quayle	1.10.1997	8.10.1997	One year's notice	Termination by payment of annual salary
T J C Welton	1.10.1997	8.10.1997	One year's notice	Termination by payment of annual salary
C P A Ward	9.1.2012	3.10.2011	One year's notice	One year's salary and benefits payable in event of termination without notice. Director's duty to mitigate loss

Any new executive director would be appointed on the same loss of office terms as Brian Bickell and Christopher Ward, namely twelve months' salary and benefits, with a duty to mitigate loss on termination.

The terms of appointment of non-executive directors are documented in letters of appointment. Non-executive directors have a one-month notice period and their appointment would terminate without compensation if not re-elected at an AGM.

All contracts are available for inspection at the Company's registered office.

Approach to other remuneration payments on termination of employment and change of control

In addition to the contractual provisions regarding payment on termination set out above, the Group's incentive plans and share schemes contain provisions for termination of employment.

COMPONENT	GOOD LEAVER*	BAD LEAVER*	CHANGE OF CONTROL**
Annual bonus	May be eligible, at the discretion of the Committee, to receive an award based on the achievement of the performance targets and reduced pro-rata for time served in the year. Paid in cash with no uplift	Outstanding award forfeited	At the discretion of the Committee
Deferred Annual Share Bonus Plan	Awards vest on the normal vesting date unless the Committee determines the award should vest following cessation of employment	Will receive the lower of the value of the original cash bonus (before any uplift for deferral) or the value of any deferred shares on the date of cessation	Awards vest at date of change of control
LTIP	Unvested awards will vest (and vested awards will be released from any holding period) at the same time as if the individual had not left the Group, unless the Committee determines the award should vest (and be released) following the cessation of employment*** The extent to which an unvested award vests will be determined by the Committee, taking into account normal performance conditions, and, unless the Committee determines otherwise, the proportion of the vesting period the participant has served	Outstanding unvested awards are forfeited	Awards vest (and are released) taking into account, in the case of unvested awards, the performance conditions and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed
All employee plans	In line with HMRC rules	In line with HMRC rules	In line with HMRC rules

* Good leaver provisions relate to termination of office or employment by reason of death, disability, injury, retirement with the agreement of the Company, the participant's office or employment being with a company or business which ceases to be a member of the Group or, in other exceptional circumstances, at the discretion of the Committee (including redundancy). Bad leaver provisions apply under all other circumstances.

** Alternatively, on a change of control, awards may be exchanged for equivalent awards of shares in a different company. In the event of a demerger, delisting, special dividend or other event which, in the Committee's opinion, would materially affect the current or future value of the Company's shares, the Committee may allow awards to vest and be released early on the same basis as for a change of control. Alternatively, in these circumstances or in the event of a variation of the Company's share capital, the Committee may adjust the number of shares subject to an award.

*** If a participant leaves during a holding period for any reason, his award will normally be released at the same time as if he had not left the Group, unless the Committee determines it should be released following his cessation of employment. However, if a participant is summarily dismissed, his award will immediately lapse.

The use of any discretion described above would be disclosed in the Annual Report for the relevant year.

Consideration of shareholder views

Shareholders, representing almost 55% of the Company's issued share capital, have been given the opportunity to comment and question the Committee on the remuneration policy and the proposed changes. The Chairman of the Committee was available to discuss the policy with shareholders and governance bodies. Shareholder responses were reported to, and considered by, the Committee.

Shareholding requirements

Each executive director is required to build up and maintain a minimum shareholding in the Company equivalent to two years' salary at date of appointment to the Board. Newly appointed executive directors are expected to accumulate a fixed shareholding to this value over a period of five years from the date of their appointment and may include shares subject to deferred bonus awards. Shares received under the LTIP and Deferred Annual Share Bonus Scheme, net of deductions for income tax and national insurance, are required to be retained until the minimum shareholding level is attained. There are no shareholding requirements for non-executive directors.

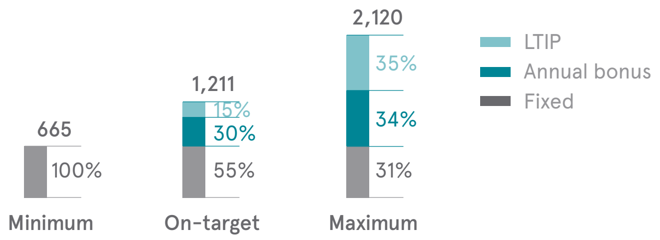
External appointments

Executive directors are permitted to accept external appointments, with the prior approval of the Board, where there is no adverse impact on their role with the Group. Any fees arising from such appointments may be retained by the executive director where the appointment is unrelated to the Group's business.

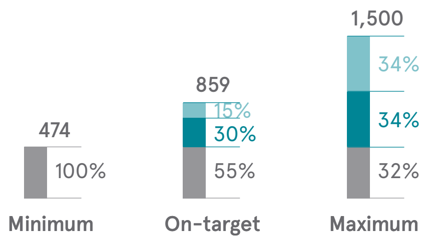
Potential remuneration for directors

The charts below set out the potential remuneration receivable by directors for below threshold, on-target and maximum performance. Potential reward opportunities are based on this policy and applied to salaries as at 1 December 2015. Note that the projected values exclude the impact of any share price movement or dividend accrual.

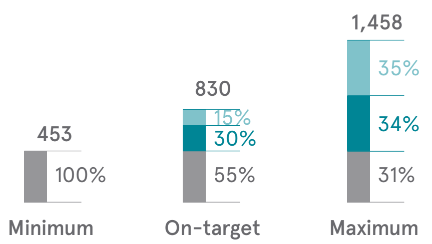
B Bickell (£'000)



SJ Quayle and TJC Welton (£'000)



CPA Ward (£'000)



The minimum scenario reflects salary, pension and benefits (ie fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to future performance.

The on-target scenario reflects fixed remuneration as above, plus bonus payout of 75% of salary and LTIP threshold vesting at 25% of maximum award.

The maximum scenario reflects fixed remuneration, plus full payout of all incentives. It assumes a maximum bonus of 150% of salary which would be receivable fully in shares.

Annual Remuneration report

Set out below is the Annual Remuneration Report on directors' pay for the year ended 30 September 2015. This relates to the remuneration policy currently in operation which was approved by shareholders at the 2014 AGM. This policy may be found on the Group's website.

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)
Sally Walden	Chairman	●●●●●
Jill Little	Member and Senior Independent Director	●●●●●
Oliver Marriott	Member	●●●●●
Dermot Mathias	Member	●●●●●
Hilary Riva	Member	●●●●●

Committee attendees by invitation only

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

The secretary attends all meetings and the Chief Executive and Chairman may be invited to attend meetings as required.

Advisor to the committee

During the year, the Committee appointed Deloitte LLP as independent advisor to the Committee, following a selection process. Deloitte LLP is a member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte LLP engagement partner and team, that provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during the financial year were £128,000 (excluding VAT). Deloitte LLP provided no other services to the Group during the year.

Key committee activities during the year

POLICY

Annual review of remuneration policy and proposals for a new remuneration policy

Consulted with shareholders on the proposed new remuneration policy

Remuneration review including proposing a new LTIP and changes to the annual bonus scheme

OPERATIONAL

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 setting of 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 for the performance period commencing 1 October 2014

Reviewed the Annual Remuneration Report for inclusion in the annual report

ADVISORS AND PRACTICE

Appointment of advisor

Monitored remuneration advisor and fees

Monitored emerging best practice in remuneration 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 2015 and the prior year:

	SALARY		BENEFITS [2]		PENSION BENEFIT [3]		ANNUAL BONUS [4]		LTIP [5]		OTHER [6]		TOTAL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
B Bickell[1]	**473**	421	**59**	60	**104**	92	**356**	431	**598**	440	**1**	1	**1,591**	1,455
S J Quayle	**333**	323	**53**	55	**73**	71	**251**	305	**423**	313	**1**	1	**1,134**	1,068
T J C Welton	**333**	323	**40**	54	**73**	71	**251**	305	**423**	313	**1**	1	**1,121**	1,067
C P A Ward	**323**	296	**34**	30	**76**	70	**246**	281	**369**	273	**1**	1	**1,049**	951

1. Brian Bickell's salary was reduced in 2014 by £38,000 reflecting one month of unpaid leave taken during the year.
2. Benefits comprise car benefit, permanent health insurance, life insurance and health insurance.
3. 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.
4. Payment for performance in respect of the relevant financial year. For 2015, the executive directors received bonuses of 75% of salary in shares or 60% of salary in cash. Each director has elected to take their 2015 bonus entirely in shares, which are deferred for a period of three years. No further performance criteria apply.
5. Reflects the vesting of shares in the LTIP in respect of performance for the relevant financial year. 63.5% of LTIP awards granted in December 2012 will vest on 6 December 2015. The TSR performance condition for the three-year performance period to 30.9.2015 was partially met and resulted in vesting of 27% of this 50% element of the award. NAV performance was met and resulted in full vesting of this 50% element of the award. The value of these awards has been calculated by multiplying the number of shares that will vest by the three-month average share price to 30 September 2015 of £8.974. The 2014 estimated figure has been restated to reflect actual share price at the date of vesting. The value of dividends paid, or to be paid, on vested shares is also included.
6. This relates to sharesave options which have been valued based on the monthly savings amount and the discount provided of 20%. The 2014 figures have been restated as last year the figures included the LTIP dividend equivalent (now included in the LTIP figure) and the Deferred Annual Share Bonus dividend figure which is not required to be included.

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 2015 and the prior year:

	FEE		COMMITTEE CHAIR FEES		OTHER[1]		TOTAL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
J S Lane	**125**	125	**–**	–	**22**	–	**147**	125
J C Little	**53**	53	**8**	8	**–**	–	**61**	61
O J D Marriott	**53**	53	**–**	–	**–**	–	**53**	53
D C A Mathias	**53**	53	**8**	5	**–**	–	**61**	58
H S Riva	**53**	53	**–**	–	**–**	–	**53**	53
S E Walden	**53**	53	**8**	5	**–**	–	**61**	58
W G McQueen[2]	**–**	19	**–**	3	**–**	–	**–**	22

1 Other includes dividend equivalents paid in the year on vested LTIP shares. These relate to Jonathan Lane's previous role as an executive director.

2 Gordon McQueen retired from the Board on 7 February 2014.

Annual bonus achievements for year ended 30 September 2015

Retrospective disclosure of the extent to which the targets for the 2015 annual bonus have been met is provided below.

MEASURE	WEIGHTING	TARGET	ACHIEVEMENT	COMMENT	PERCENTAGE AWARDED
Portfolio performance					
· Achieve growth in ERVs[1]	20%	Extent by which commercial lettings or lease renewals exceed valuer's ERV in previous year: Minimum – 3% Maximum – 5%	Commercial lettings exceeded previous year ERV on average by 8.1%[2]		40%
		Annual growth in Group total ERV (like-for-like): Minimum – 3% Maximum – 5%	Annual growth in total ERV 6.8%		
· Let vacant space on a timely basis[1]	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 EPRA vacancy during year: 2.1% of Group ERV[2]		
· 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[2]: 12.8% Rolling three-year average:[2] 12.6%		
Sustainability performance	10%	Maintain relative rankings in key indices: · DJSI · GRESB	DJSI score decreased from 65 (2013 benchmark) to 61, GRESB improved peer group ranking to 2 from 3 and achieved a "green star" rating		5%
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 over more than one year, progress against milestones was demon-strated	25%
Maximum performance target	**100%**				
Actual performance as a % of maximum (see below for the actual amount awarded and explanatory note)					**70%**

1 Group KPIs

2 Wholly-owned portfolio

Note: 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 bonus awards 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 ensure the level of bonus is appropriate. Whilst the achievement against the targets was 70%, the Committee felt that a more reasonable award in view of these external factors was 60%. Accordingly a bonus of 75% of salary is payable in deferred shares or 60% of salary if taken entirely in cash. All the executive directors elected to take their bonus in shares which equates to an award of 75% out of a maximum opportunity of 125% of salary.

LTIP vesting in performance period to 30 September 2015

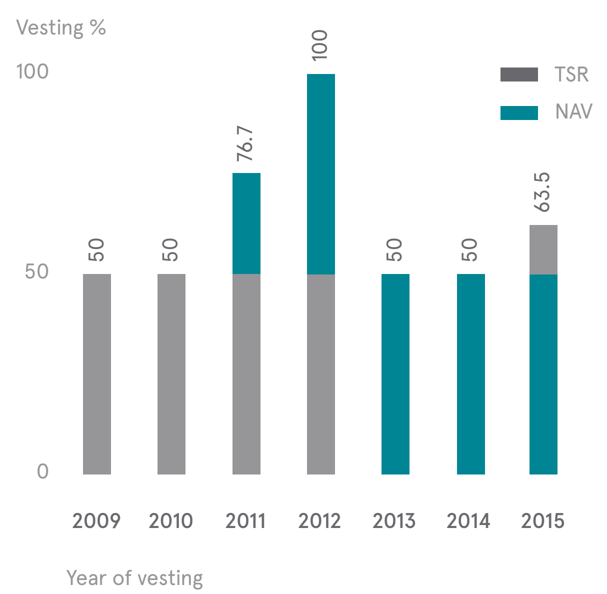
Awards of nil cost options are made by the Committee based on a multiple of salary divided by the average share price over five days prior to the date of grant. Vesting of these options is determined by performance over a three-year period. As a long-term business, a consistent approach to target setting is taken. The performance criteria are, and have been, applied consistently since the current LTIP was approved by shareholders in 2006 and are set out below. This table also provides details of the awards vesting in respect of the financial year.

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%
Performance in three-year period to 30 September 2015*: **22.04%** pa and outperformed the benchmark by 0.5% pa	Vesting outcome (for this half of the award) **27% of maximum**

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%
Performance in three year period to 30 September 2015: **20.4% pa**	Vesting outcome (for this half of the award) **100% of maximum**

* Calculated using the three-month average TSR in the periods before grant and vesting.

Historic LTIP vesting performance



Share scheme interests awarded during the year (audited)

	SCHEME	FACE VALUE AT DATE OF AWARD £'000
B Bickell	LTIP[1]	591
	Deferred Annual Share Bonus Scheme[2]	431
S J Quayle	LTIP[1]	417
	Deferred Annual Share Bonus Scheme[2]	305
T J C Welton	LTIP[1]	417
	Deferred Annual Share Bonus Scheme[2]	305
C P A Ward	LTIP[1]	408
	Deferred Annual Share Bonus Scheme[2]	281

1. Awards of nil cost options were made at 125% of salary. The face value is calculated using the average share price used to determine the number of shares awarded, being 796.6p (the average share price over the five days prior to the date of grant, 8.12.14).The LTIP performance period is 1.10.2014 to 30.9.2017 and the level of threshold vesting is set out on page 95. Performance measures are set out on page 95.
2. Deferred Annual Share Bonus Scheme relates to the annual bonus in respect of the year ended 30.9.2014 taken in shares. The face value is calculated using the price paid to acquire the shares, being 780p. No further performance criteria are applied to share awards under this scheme.

Directors' shareholdings and share scheme interests (audited)

	SHARES OWNED OUTRIGHT	DEFERRED SHARES[1]	OPTIONS VESTED BUT NOT EXERCISED	SHARES UNDER OPTION NOT VESTED AND SUBJECT TO PERFORMANCE CRITERIA[1]	SHARESAVE	SHAREHOLDING REQUIREMENT MET[2]
Executive director						
B Bickell	982,743	130,409	–	269,720	6,383	Yes
S J Quayle	922,789	92,295	–	190,545	6,383	Yes
T J C Welton	738,232	92,295	–	190,545	6,383	Yes
C P A Ward	27,606	75,410	–	175,225	6,547	Yes
Non-executive director						
J S Lane	1,075,000					
J C Little	5,367					
O J D Marriott	5,000					
H S Riva	10,479					
D C A Mathias	16,208					
S E Walden	20,000					

There have been no changes in directors' shareholdings between 30 September 2015 and the date of this report.

1. 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.
2. 100% of salary at date of appointment to the Board, to be accumulated over five years. For Christopher Ward, 100% of salary equates to 54,000 shares from the date of his appointment in January 2012. For the other executive directors their holdings (based on 30.9.2015 share price) are in excess of 20 times annual salary. It is proposed to increase the shareholding requirement with effect from the 2016 AGM to 200%.

Additional details on the share awards summarised in this table are provided below, with further explanation on the operation of the plans set out in the Policy Table.

1. Deferred Annual Share Bonus Scheme

			ENTITLEMENT TO ORDINARY SHARES			
	DATE OF GRANT	MARKET PRICE ON DATE OF GRANT £	AT 1.10.2014	AWARDED IN YEAR[1]	DELIVERED IN YEAR	AT 30.9.2015
B Bickell	21.12.2011	4.64	52,335	–	52,335	**–**
	10.12.2012	5.56	38,867	–	–	**38,867**
	17.12.2013	5.98	36,238	–	–	**36,238**
	22.12.2014	7.80	–	55,304	–	**55,304**
			127,440	55,304	52,335	**130,409**
S J Quayle	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**
	22.12.2014	7.80	–	39,075	–	**39,075**
			103,810	39,075	50,590	**92,295**
T J C Welton	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**
	22.12.2014	7.80	–	39,075	–	**39,075**
			102,939	39,075	49,719	**92,295**
C P A Ward	10.12.2012	5.56	16,948	–	–	**16,948**
	17.12.2013	5.98	22,394	–	–	**22,394**
	22.12.2014	7.80	–	36,068	–	**36,068**
			39,342	36,068	–	**75,410**
J S Lane[2]	21.12.2011	4.64	103,866	–	103,866	**–**

1. In respect of the annual bonus for the year ended 30 September 2014.
2. Jonathan Lane's interests relate to awards made whilst an executive director.

Shares are held in an employee benefit trust which at 30 September 2015 held 439,249 shares.

2. LTIP

			NUMBER OF ORDINARY SHARES UNDER OPTION							
	DATE OF GRANT	MARKET PRICE OF SHARE ON GRANT £	AT 1.10.2014	GRANTED DURING YEAR	VESTED AND EXERCISED DURING YEAR	LAPSED DURING YEAR	AT 30.9.2015	MARKET PRICE OF SHARE ON DATE OF EXERCISE £	PERFORMANCE PERIOD	EXERCISE PERIOD
B Bickell	7.12.2011	4.99	108,150	–	54,075	54,075	**–**	7.80	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
	8.12.2014	7.78	–	74,220	–	–	**74,220**	–	1.10.2014–30.9.2017	12.2017–6.2018
			303,650	74,220	54,075	54,075	**269,720**			
S J Quayle	7.12.2011	4.99	76,750	–	38,375	38,375	**–**	7.80	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
	8.12.2014	7.78	–	52,345	–	–	**52,345**	–	1.10.2014–30.9.2017	12.2017–6.2018
			214,950	52,345	38,375	38,375	**190,545**			
T J C Welton	7.12.2011	4.99	76,750	–	38,375	38,375	**–**	7.80	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
	8.12.2014	7.78	–	52,345	–	–	**52,345**	–	1.10.2014–30.9.2017	12.2017–6.2018
			214,950	52,345	38,375	38,375	**190,545**			
C P A Ward	17.1.2012	4.91	65,800	–	32,900	32,900	**–**	7.95	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
	8.12.2014	7.78	–	51,175	–	–	**51,175**	–	1.10.2014–30.9.2017	12.2017–6.2018
			189,850	51,175	32,900	32,900	**175,225**			
J S Lane[1]	7.12.2011	4.99	19,953	–	9,976	9,977	**–**	7.80	1.10.2011–30.9.2014	12.2014–6.2015

Of the options granted on 6 December 2012, 63.5% will vest on 7 December 2015. The TSR performance condition over the three years ended 30 September 2015 was partially met and resulted in 27% vesting for that element, whilst NAV performance resulted in 100% vesting for that element.

1. Jonathan Lane's interest relates to options granted during his tenure as an executive director.

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 1.10.2014	GRANTED DURING YEAR	LAPSED DURING YEAR	EXERCISED DURING YEAR	AT 30.9.2015	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
		6,383	–	–	–	**6,383**	–	–	
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
		6,383	–	–	–	**6,383**	–	–	
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
		6,383	–	–	–	**6,383**	–	–	
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
		6,547	–	–	–	**6,547**	–	–	

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. In July 2014, 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 in the policy report, which is subject to a shareholder vote. This will be at the 2016 AGM and, therefore, prior to the exercise of these options.

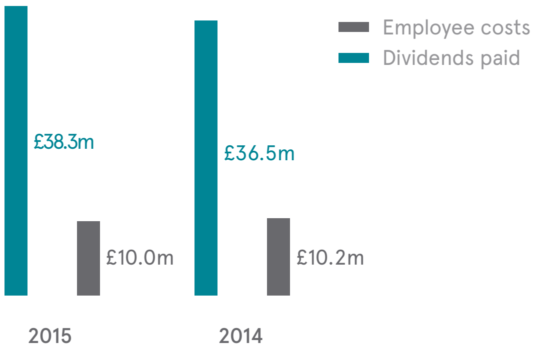
Percentage change in Chief Executive remuneration

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 like-for-like group of employees, ie the same individuals appear in the 2014 and 2015 group and the 2014 figures have been restated on that basis.

	CHIEF EXECUTIVE	OTHER EMPLOYEES
	CHANGE	CHANGE
Base salary[1]	2.8%	6.0%
Taxable benefits	(1.7)%	11.1%
Annual bonus	(17.9)%	(11.9)%
Total	(6.6)%	(1.5)%

1. The figure for Brian Bickell in 2014 is the full annual salary rather than the salary received during the year and reported in the single figure remuneration table on page 93. 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

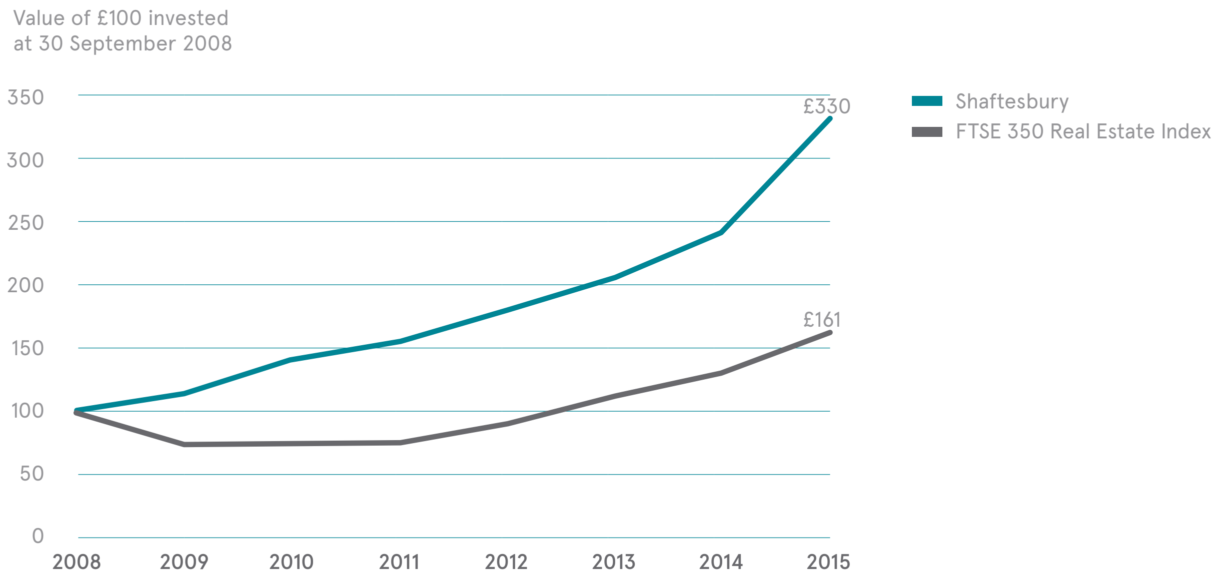


Review of past performance

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 seven 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.

Seven-year TSR chart to 30 September 2015



Seven-year chief executive single figure remuneration[1]

	2009	2010	2011	2012	2013	2014	2015
Chief Executive single figure of remuneration (£'000)	850	1,013	1,650	1,198	1,075	1,455	**1,591**
Annual bonus payout (% maximum)	50%	50%	90%	40%	40%	75%	**60%**
Long-term incentive award vesting (% maximum)	50%	50%	76.7%	100%	50%	50%	**63.5%**

1. 2009-2011: Jonathan Lane; 2012-2015: Brian Bickell

Shareholder voting

At the 2015 AGM, there was an advisory vote on the Annual Remuneration Report. There was no policy vote.

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

	FOR	% FOR	AGAINST	% AGAINST	WITHHELD	TOTAL VOTES
Remuneration Report	235,381,012	99.7%	765,291	0.3%	1,493,004	237,639,307

Statement of implementation of remuneration for the year ending 30 September 2016

Executive directors' salaries from 1 December 2015

The Committee recommended general increases in line with RPI for executive directors and employees with effect from 1 December 2015.

	1.12.2015 £'000	1.12.2014 £'000	INCREASE
B Bickell	**485**	475	2%
S J Quayle	**342**	335	2%
T J C Welton	**342**	335	2%
C P A Ward	**335**	328	2%

Pension and benefits are as described in the policy table.

LTIP awards will be made under the existing LTIP. Each executive director will receive an award of nil cost options to the value of 125% of salary under the LTIP in December 2015, in respect of the performance period 1 October 2015 to 30 September 2018. The performance measures will be as set out on page 95 and are the same targets used in each year since the plan was approved in 2006.

Executive directors will be eligible for a maximum bonus of up to 150% of salary (if taken in shares) and 100% of salary (if taken in cash), in accordance with the Remuneration Policy on pages 84 to 91 if approved at the 2016 AGM. Disclosure of annual bonus targets for the year ending 30 September 2016 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* Let vacant space on a timely basis* Effectively achieve full lettings Manage property expenses as a percentage of rental income	20% 10% 10% 10%	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
Corporate responsibility performance	10%	To match baseline year (2013) corporate responsibility scores (GRESB ranked 3 out of 10 in peer group, EPRA silver sustainability reporting)
Deliver projects/transactions successfully	40%	Specific operational objectives to be met during the year critical to progressing long-term property projects and financing

*Group KPIs.

Non-executive directors' fees from 1 December 2015

Non-executive director fees are reviewed every two years. The previous review was undertaken in 2013. Fees have been reviewed with effect from 1 December 2015:

	FROM 1.12.2015				FROM 1.12.2014			
	BASE FEE £	SENIOR INDEPENDENT DIRECTOR FEE[1] £	COMMITTEE CHAIR FEE £	TOTAL FEE £	BASE FEE £	INDEPENDENT DIRECTOR FEE[1] £	COMMITTEE CHAIR FEE £	TOTAL FEE £
J S Lane	130,000	–	–	130,000	125,000	–	–	125,000
J C Little	55,000	10,000	–	65,000	52,500	8,250	–	60,750
D C A Mathias	55,000	–	10,000	65,000	52,500	–	8,250	60,750
O J D Marriott	55,000	–	–	55,000	52,500	–	–	52,500
H S Riva	55,000	–	–	55,000	52,500	–	–	52,500
S E Walden	55,000	–	10,000	65,000	52,500	–	8,250	60,750

1. 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 2015.

Strategic report

SEE STRATEGIC REPORT PAGES 1 TO 68

Results and dividends

The results for the year ended 30 September 2015 are set out in the Group Statement of Comprehensive Income on page 110.

An interim dividend of 6.825p per ordinary share was paid on 3 July 2015 (2014: 6.5p).

The directors recommend a final dividend in respect of the year ended 30 September 2015 of 6.925p per ordinary share (2014: 6.6p), making a total dividend for the year of 13.75p per ordinary share (2014: 13.1p). If authorised at the 2016 AGM, the dividend will be paid on 12 February 2016 to members on the register at the close of business on 22 January 2016. The dividend will be paid entirely as an ordinary dividend.

SEE PAGE 141 FOR FURTHER INFORMATION ON THE EFFECT OF OUR REIT STATUS ON THE PAYMENT OF DIVIDENDS

SEE PAGE 54 FOR FURTHER INFORMATION ON WHY THE DIVIDEND IS BEING PAID AS AN ORDINARY DIVIDEND

Share capital

During the year, a total of 312,123 ordinary shares were issued at either nil cost or £3.99 on the exercise of employee share options. At 30 September 2015, the Company's issued share capital comprised 278,176,382 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 2015 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 92 to 101.

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 24 November 2015, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules, that the following eight shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital amounting to a total of almost 55%:

	ISSUED SHARE CAPITAL %
Invesco Limited	13.59
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
Royal London Asset Management Limited	4.37
Stichting Pensioenfonds ABP	3.56

Purchase of own shares

The Company was granted authority at the 2015 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2016 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 2015 to 24 November 2015.

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 132 TO 133

Change of control

The Longmartin joint venture and a number of debt financing agreements 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 NOMINATION COMMITTEE REPORT ON PAGES 76 TO 77 AND SUSTAINABILITY REPORT ON PAGES 146 TO 155

Greenhouse Gas Reporting

The Group's carbon emissions are immaterial. However, in compliance with legislation, they are set out in the sustainability report on pages 147 to 148.

Independent auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors to the Company will be proposed at the 2016 AGM. The Board, on the advice of the Audit Committee, recommends their appointment.

SEE PAGE 80 FOR MORE DETAIL ON THE TENDER PROCESS WHICH RESULTED IN ERNST & YOUNG LLP'S APPOINTMENT

2016 annual general meeting

The 2016 AGM will include 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

24 November 2015

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 70 to 71 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 68 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 2015 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 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

The financial statements, included within the Annual Report, comprise:

- the Group and Company Balance Sheets as at 30 September 2015;
- 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.

Our audit approach

Overview

Materiality

- Overall Group materiality: £30.8 million which represents 1% of total assets.
- Specific Group materiality: £3.4 million which represents 5% of profit before tax excluding investment property valuation movements and net finance costs. The specific Group materiality has been applied to certain revenue and expense line items and related working capital balances.

Audit scope

- The Group audit team carries out the statutory audits of all components within the Group and the consolidation.

Area of focus

- Valuation of investment properties.

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 was evidence of bias by the directors that represented 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 that follows. We have also set out how we tailored our audit to address this specific area in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. 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 Refer to pages 78 to 81 (Audit Committee Report), pages 125 to 126 (Notes to the financial statements – note 12) and pages 115 to 121 (Significant Accounting Policies). 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 Group's investment properties were held at £2,908.0m as at 30 September 2015 with a gain in revaluation of investment property of £432.0m (2014 as restated: £394.0m). In addition, the Group financial statements reflect £215.0m of investment properties representing the Group's 50% share of its joint venture and a gain in revaluation of these properties of £34.6m (2014: £32.4m). The valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and IFRS 13. A summary of the third party valuer's report covering the wholly-owned portfolio can be found on pages 144 to 145 of the Annual Report. The Group's investment properties are carried at fair value using a market approach. There are significant judgements and estimates to be made in relation to the valuation of the Group's investment properties. Where available, the valuations take into account 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. Where the Group owns a significant number of properties in close proximity, these valuations are performed on a lotted basis (as allowed by the provisions of the RICS Valuation – Professional Standards). This reflects the manner considered most likely to be adopted in the case of an actual sale and reflects that a potential purchaser could capitalise on the estate management advantages and opportunities available from the comprehensive ownership. 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 most significant judgements and estimates affecting the valuations included assumptions regarding yield movements and estimated rental value ("ERV") growth, both of 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. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in a material misstatement, is why we gave specific audit focus and attention to this area.	The valuers used by the Group, DTZ, for the wholly-owned portfolio and Knight Frank for the joint venture portfolio, 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. Based on this work, we were satisfied that the firms remain independent and competent, and that the scope of their work was appropriate. We agreed the data inputs underpinning the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure, by agreeing them to the underlying property records held by the Group to assess the reliability, completeness and accuracy of the underlying data. The underlying property records were assessed for reliability by reviewing signed and approved lease contracts or sale/purchase contracts and by reviewing approved third party invoices. All leases and contracts are held by independent lawyers. We met with the external valuers independently of management and obtained the valuation reports to discuss and challenge the assumptions used and the reasons behind the significant movements in the valuations. These related primarily to yield compression and ERV growth. We involved our internal valuation specialists to compare the valuations of each property 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. Generally, we found the assumptions and valuations to be in line with our expectations. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuations was appropriate. Variances were predominantly due to rent reviews or new lettings at higher rents or movements in ERV and yield to reflect market transactions in close proximity. We verified the movements to supporting documentation. We discussed the upward movements in the valuation with the Directors and Audit Committee and found they were able to provide explanations and refer to appropriate supporting evidence.

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 seven statutory entities. The Group financial statements are a consolidation of the seven entities, the parent company and two holding companies, and include the Group's joint venture on an equity accounting basis.

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. Entities holding investment properties (including the joint venture) were considered relevant due to the significant judgement around the investment property valuation. Holding companies were considered relevant due to third party borrowings which are material in size and nature. 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 was 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 on the individual financial statement line items and disclosures. It also helped in evaluating 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 follows:

Overall Group materiality	£30.8 million (2014: £22.0 million)
How we determined it	1% of total assets
Specific materiality	£3.4 million (2014: £3.3 million)
How we determined it	Consistent with last year, 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 to evaluate certain revenue and expense line items and related working capital balances

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (2014: £1.1 million) for financial statement line items where overall materiality applied and £170,000 (2014: £165,000) for line items where specific materiality applied as well as misstatements below these amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 114, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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 75 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
  - otherwise misleading.

We have no exceptions to report.

- the statement given by the directors on page 104, 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.

- the section of the Annual Report on pages 78 to 81, 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.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the Annual Report, in accordance with Provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

- the directors' explanation in the Annual Report, in accordance with Provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group, set out on pages 59 to 66. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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 ten further provisions of the 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 Statement set out on page 104, 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
24 November 2015

Financial statements

Group statement of comprehensive income

For the year ended 30 September 2015

	NOTES	2015 £M	AS RESTATED 2014 £M
Revenue	4	**98.7**	91.2
Property charges	5	**(19.9)**	(17.1)
Net property income		**78.8**	74.1
Administrative expenses		**(8.8)**	(8.0)
Charge for annual bonuses		**(2.2)**	(2.6)
Charge in respect of equity settled remuneration	7	**(3.0)**	(3.2)
Total administrative expenses		**(14.0)**	(13.8)
Operating profit before investment property valuation movements		**64.8**	60.3
Net surplus on revaluation of investment properties	12	**432.0**	394.0
Operating profit	6	**496.8**	454.3
Finance income		**0.1**	0.1
Finance costs	8	**(30.8)**	(29.6)
Change in fair value of derivative financial instruments	20	**(28.5)**	(12.0)
Net finance costs		**(59.2)**	(41.5)
Share of post-tax profit from joint venture	14	**29.7**	27.6
Profit before tax		**467.3**	440.4
Tax charge for the year	9	**–**	–
Profit and total comprehensive income for the year		**467.3**	440.4
Earnings per share:	10		
Basic		**168.0p**	165.2p
Diluted		**167.4p**	164.6p
EPRA		**13.0p**	12.2p

Please see page 156 for an explanation of the EPRA measures used in these financial statements.

Balance sheets

As at 30 September 2015

		GROUP			COMPANY	
	NOTES	**2015 £M**	AS RESTATED 2014 £M	AS RESTATED 2013 £M	**2015 £M**	2014 £M
Non-current assets						
Investment properties	12	**2,908.0**	2,425.5	1,901.4	**–**	–
Accrued income	13	**9.5**	7.5	6.2	**–**	–
Investment in joint venture	14	**129.6**	101.5	76.6	**59.0**	59.0
Property, plant and equipment		**1.5**	1.6	0.6	**1.5**	1.6
Other receivables	17	**3.7**	1.5	–	**–**	–
Investment in subsidiaries	15	**–**	–	–	**997.9**	786.0
		3,052.3	2,537.6	1,984.8	**1,058.4**	846.6
Current assets						
Trade and other receivables	16	**21.7**	21.4	17.4	**118.2**	425.0
Cash and cash equivalents	17	**7.7**	3.4	0.5	**–**	–
Total assets		**3,081.7**	2,562.4	2,002.7	**1,176.6**	1,271.6
Current liabilities						
Trade and other payables	18	**36.8**	36.7	30.5	**6.8**	8.9
Non-current liabilities						
Borrowings	19	**640.3**	553.7	545.7	**267.9**	429.9
Derivative financial instruments	20	**79.2**	78.8	95.8	**79.2**	78.8
Total liabilities		**756.3**	669.2	672.0	**353.9**	517.6
Net assets		**2,325.4**	1,893.2	1,330.7	**822.7**	754.0
Equity						
Share capital	22	**69.6**	69.5	63.1	**69.6**	69.5
Share premium	23	**124.7**	124.6	124.3	**124.7**	124.6
Share based payments reserve	23	**4.0**	4.0	3.0	**4.0**	4.0
Retained earnings	23	**2,127.1**	1,695.1	1,140.3	**624.4**	555.9
Total equity		**2,325.4**	1,893.2	1,330.7	**822.7**	754.0
Net asset value per share:	24					
Basic		**£8.36**	£6.81	£5.27		
Diluted		**£8.32**	£6.79	£5.26		
EPRA		**£8.69**	£7.13	£5.67		

On behalf of the Board who approved and authorised for issue the financial statements on pages 110 to 139 on 24 November 2015.

Brian Bickell
Chief Executive

Christopher Ward
Finance Director

Cash flow statements

For the year ended 30 September 2015

	NOTES	GROUP 2015 £M	GROUP AS RESTATED 2014 £M	COMPANY 2015 £M	COMPANY 2014 £M
Cash flows from operating activities					
Cash generated from operating activities	25	**67.4**	64.6	**(11.2)**	(9.2)
Interest received		**0.1**	0.1	**0.1**	–
Interest paid		**(30.1)**	(27.5)	**(21.1)**	(26.3)
Net cash generated from operating activities		**37.4**	37.2	**(32.2)**	(35.5)
Cash flows from investing activities					
Investment property acquisitions		**(25.8)**	(105.8)	**–**	–
Capital expenditure on investment properties		**(25.1)**	(23.8)	**–**	–
Purchase of property, plant and equipment		**(0.3)**	(1.4)	**(0.3)**	(1.4)
Dividends received from joint venture		**1.6**	2.7	**1.6**	2.7
Net cash used in investing activities		**(49.6)**	(128.3)	**1.3**	1.3
Cash flows from financing activities					
Net proceeds from share placing		**–**	153.2	**–**	153.2
Proceeds from exercise of share options		**0.1**	–	**0.1**	–
Repayment of borrowings	26	**(160.9)**	(123.6)	**(162.8)**	(122.8)
Proceeds from secured term loans	26	**250.0**	134.8	**–**	–
Increase in cash held in restricted accounts and deposits	17	**(2.2)**	(1.5)	**–**	–
Facility arrangement costs	26	**(3.4)**	(4.2)	**–**	(2.2)
Termination of derivative financial instruments	20	**(28.1)**	(29.0)	**(28.1)**	(29.0)
Equity dividends paid	11	**(39.5)**	(33.8)	**(39.5)**	(33.8)
Decrease in loans to subsidiaries		**–**	–	**260.7**	70.7
Decrease/(increase) in loans to joint venture		**0.5**	(1.9)	**0.5**	(1.9)
Net cash from financing activities		**16.5**	94.0	**30.9**	34.2
Net change in cash and cash equivalents		**4.3**	2.9	**–**	–
Cash and cash equivalents at the beginning of the year	17	**3.4**	0.5	**–**	–
Cash and cash equivalents at the end of the year	17	**7.7**	3.4	**–**	–

Statements of changes in equity

For the year ended 30 September 2015

	NOTES	SHARE CAPITAL £M	MERGER RESERVE £M	SHARE PREMIUM £M	SHARE BASED PAYMENTS RESERVE £M	RETAINED EARNINGS £M	TOTAL EQUITY £M
Group							
At 1 October 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	11	–	–	–	–	(33.9)	(33.9)
Shares issued in connection with share placing	22	6.3	150.3	–	–	–	156.6
Transfer to retained earnings		–	(150.3)	–	–	150.3	–
Transaction costs associated with share placing		–	–	–	–	(3.4)	(3.4)
Shares issued in connection with the exercise of share options	22	0.1	–	0.3	–	(0.3)	0.1
Fair value of share based payments	7	–	–	–	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**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**467.3**	**467.3**
Transactions with owners:							
Dividends paid during the year	11	**–**	**–**	**–**	**–**	**(37.5)**	**(37.5)**
Shares issued in connection with the exercise of share options	22	**0.1**	**–**	**0.1**	**–**	**–**	**0.2**
Fair value of share based payments	7	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Transfer in respect of options exercised		**–**	**–**	**–**	**(2.2)**	**2.2**	**–**
At 30 September 2015		**69.6**	**–**	**124.7**	**4.0**	**2,127.1**	**2,325.4**
Company							
At 1 October 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	11	–	–	–	–	(33.9)	(33.9)
Shares issued in connection with share placing	22	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	22	0.1	–	0.3	–	(0.3)	0.1
Fair value of share based payments	7	–	–	–	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**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**103.8**	**103.8**
Transactions with owners:							
Dividends paid during the year	11	**–**	**–**	**–**	**–**	**(37.5)**	**(37.5)**
Shares issued in connection with the exercise of share options	22	**0.1**	**–**	**0.1**	**–**	**–**	**0.2**
Fair value of share based payments	7	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Transfer in respect of options exercised		**–**	**–**	**–**	**(2.2)**	**2.2**	**–**
At 30 September 2015		**69.6**	**–**	**124.7**	**4.0**	**624.4**	**822.7**

Notes to the financial statements

For the year ended 30 September 2015

1. General information

General information

The consolidated financial statements of the Group for the year ended 30 September 2015 (presented in pounds sterling) were approved by the Board for issue on 24 November 2015.

The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 8 to 34.

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 71.

Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee (IFRIC) 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 £103.8 million (2014: £18.2 million) in the year.

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 8 to 34. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 52 to 56. 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.

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, as the basis for the fair value of its investment properties. Knight Frank LLP value the investment properties owned by the Longmartin Joint Venture.

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 142 to 143. 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 ending 30 September 2015:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
IFRS 10 Consolidated financial statements	1 January 2014
IFRS 11 Joint arrangements	1 January 2014
IFRS 12 Disclosure of interests in other entities	1 January 2014
IAS 27 (revised 2011) Separate financial statements	1 January 2014
Amendments to IFRS 10,11 and 12 on transition guidance	1 January 2014
Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities	1 January 2014
IAS 28 (revised 2011) Associates and joint ventures	1 January 2014
Amendments to IAS 32 Financial instruments asset and liability offsetting	1 January 2014
Amendment to IAS 36 Impairment of assets on recoverable amount disclosures	1 January 2014
Amendment to IAS 39 Financial instruments: Recognition and measurement, on novation of derivatives and hedge accounting	1 January 2014

The only new standard or amendment to have a material impact on the Group is IFRS 11 Joint arrangements.

IFRS 11 Joint arrangements – IAS 31, Interests in Joint Ventures has been replaced by IFRS 11 Joint arrangements. The Group has joint control over Longmartin Properties Limited by virtue of its 50% share in the equity shares of the company and requirement for unanimous consent by both parties over decisions related to the relevant activities of the arrangement. As a result the Group has assessed Longmartin Properties Limited to be a joint venture under IFRS 11.

Under IAS 31 the Group accounted for its share of its joint venture's results and balance sheet using proportional consolidation. IFRS 11 precludes the use of proportional consolidation, with equity accounting being the only permitted option. The Group's net interest in its joint venture is now disclosed as a single line item in both the Group Statement of Comprehensive Income and Group Balance Sheet. Accompanied by this the Group Cash Flow Statement excludes cash flows generated by the joint venture but now includes loans received/(advanced) and dividends received in separate line items.

The impact on the Group Statement of Comprehensive Income and the Group Balance Sheet is purely presentational and does not affect the Group's reported net assets nor profit after tax. Cash and cash equivalents in the Group Cash Flow Statement are reduced by the Group's share of cash held in the joint venture.

As the impact of the transition to IFRS 11 has a material impact on the presentation of the Group's financial statements the prior year figures have been restated. The tables below show the impact of the change in accounting policy on the Group Statement of Comprehensive Income, the Group Balance Sheet and Group Cash Flow Statement.

Apart from IFRS 11, no material changes to accounting policies arose as a result of these new standards and amendments.

2. Accounting policies continued

Impact on Group Statement of Comprehensive Income

	AS PREVIOUSLY STATED YEAR ENDED 30.9.2014 £M	IFRS 11 ADJUSTMENTS £M	AS RESTATED YEAR ENDED 30.9.2014 £M
Revenue	98.2	(7.0)	**91.2**
Property charges	(18.5)	1.4	**(17.1)**
Net property income	79.7	(5.6)	**74.1**
Administrative expenses	(8.2)	0.2	**(8.0)**
Charge for annual bonuses	(2.6)	–	**(2.6)**
Charge in respect of equity settled remuneration	(3.2)	–	**(3.2)**
Total administrative expenses	(14.0)	0.2	**(13.8)**
Operating profit before investment property valuation movements	65.7	(5.4)	**60.3**
Net surplus on revaluation of investment properties	426.4	(32.4)	**394.0**
Operating profit	492.1	(37.8)	**454.3**
Finance income	–	0.1	**0.1**
Finance costs	(32.8)	3.2	**(29.6)**
Change in fair value of derivative financial instruments	(12.0)	–	**(12.0)**
Net finance costs	(44.8)	3.3	**(41.5)**
Share of post-tax profit from joint venture	–	27.6	**27.6**
Profit before tax	447.3	(6.9)	**440.4**
Tax charge for the year	(6.9)	6.9	**–**
Profit and total comprehensive income for the year	440.4	–	**440.4**

Impact on Group Balance Sheet

30 SEPTEMBER 2014	AS PREVIOUSLY STATED 30.9.2014 £M	IFRS 11 ADJUSTMENTS £M	AS RESTATED 30.9.2014 £M
Non-current assets			
Investment properties	2,605.1	(179.6)	**2,425.5**
Accrued income	10.3	(2.8)	**7.5**
Investment in joint venture	–	101.5	**101.5**
Property, plant and equipment	1.6	–	**1.6**
Other receivables*	–	1.5	**1.5**
	2,617.0	(79.4)	**2,537.6**
Current assets			
Trade and other receivables	21.2	0.2	**21.4**
Cash and cash equivalents	7.7	(4.3)	**3.4**
Total assets	2,645.9	(83.5)	**2,562.4**
Current liabilities			
Trade and other payables	39.8	(3.1)	**36.7**
Non-current liabilities			
Borrowings	618.4	(64.7)	**553.7**
Derivative financial instruments	78.8	–	**78.8**
Deferred tax liabilities	15.7	(15.7)	**–**
Total liabilities	752.7	(83.5)	**669.2**
Net assets	1,893.2	–	**1,893.2**

*Adjustment relates to the reclassification of cash held on deposit, see note 17 for further details.

30 SEPTEMBER 2013	AS PREVIOUSLY STATED 30.9.2013 £M	IFRS 11 ADJUSTMENTS £M	AS RESTATED 30.9.2013 £M
Non-current assets			
Investment properties	2,046.6	(145.2)	**1,901.4**
Accrued income	9.3	(3.1)	**6.2**
Investment in joint venture	–	76.6	**76.6**
Property, plant and equipment	0.6	–	**0.6**
	2,056.5	(71.7)	**1,984.8**
Current assets			
Trade and other receivables	19.7	(2.3)	**17.4**
Cash and cash equivalents	5.7	(5.2)	**0.5**
Total assets	2,081.9	(79.2)	**2,002.7**
Current liabilities			
Trade and other payables	35.8	(5.3)	**30.5**
Non-current liabilities			
Borrowings	610.5	(64.8)	**545.7**
Derivative financial instruments	95.8	–	**95.8**
Deferred tax liabilities	9.1	(9.1)	**–**
Total liabilities	751.2	(79.2)	**672.0**
Net assets	1,330.7	–	**1,330.7**

2. Accounting policies continued

Impact on Group Cash Flow Statement

	AS PREVIOUSLY STATED YEAR ENDED 30.9.2014 £M	IFRS 11 ADJUSTMENTS £M	**AS RESTATED YEAR ENDED 30.9.2014 £M**
Cash flows from operating activities			
Cash generated from operating activities	71.4	(6.8)	**64.6**
Interest received	–	0.1	**0.1**
Interest paid	(30.3)	2.8	**(27.5)**
Corporation tax	(0.3)	0.3	**–**
Net cash generated from operating activities	40.8	(3.6)	**37.2**
Cash flows from investing activities			
Investment property acquisitions	(108.0)	2.2	**(105.8)**
Capital expenditure on investment properties	(26.3)	2.5	**(23.8)**
Purchase of property, plant and equipment	(1.4)	–	**(1.4)**
Dividends received from joint venture	–	2.7	**2.7**
Net cash used in investing activities	(135.7)	7.4	**(128.3)**
Cash flows from financing activities			
Net proceeds from share placing	153.2	–	**153.2**
Repayment of borrowings	(123.6)	–	**(123.6)**
Proceeds from secured term loan	134.8	–	**134.8**
Increase in cash held in restricted accounts and deposits*	–	(1.5)	**(1.5)**
Facility arrangement costs	(4.2)	–	**(4.2)**
Termination of derivative financial instrument	(29.0)	–	**(29.0)**
Payment of head lease liabilities	(0.5)	0.5	**–**
Equity dividends paid	(33.8)	–	**(33.8)**
Increase in loans to joint venture	–	(1.9)	**(1.9)**
Net cash from financing activities	96.9	(2.9)	**94.0**
Net change in cash and cash equivalents	2.0	0.9	**2.9**
Cash and cash equivalents at the beginning of the year	5.7	(5.2)	**0.5**
Cash and cash equivalents at the end of the year	7.7	(4.3)	**3.4**

*Adjustment relates to the reclassification of cash held on deposit, see note 17 for further details.

b) The following Annual Improvements that are relevant to the Group are not yet effective in the year ending 30 September 2015 and are not expected to have a significant impact on the Group's financial statements:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
Annual Improvements 2011–2013	1 January 2015

c) There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Accounting policies continued

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 and net assets of its joint venture, prepared up to the Balance Sheet date.

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. Investments in joint ventures are accounted for using the equity method. On initial recognition the investment is recognised at cost, and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss and dividends of the joint venture after the date of acquisition. The Group's investment in joint ventures is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in joint ventures may be impaired the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

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 finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is held in the Balance Sheet at fair value, gross of the finance lease liability.

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.

2. Accounting policies continued

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.

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.

Cash which is held on deposit that has certain conditions restricting its use is assessed to determine whether it meets the IFRS criteria of cash and cash equivalents. Where it does not meet the definition of being available on demand, liquid or readily convertible, it is classified as other receivables.

Share capital

Share capital is 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.

2. Accounting policies continued

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 29. 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.

(ii) Pension contributions

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

Leases

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.

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 a 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

	2015 £M	AS RESTATED 2014 £M
Rents receivable	**91.8**	85.3
Recoverable property expenses	**6.9**	5.9
	98.7	91.2

Rents receivable includes lease incentives recognised of £2.4 million (2014 as restated £1.6 million).

5. Property charges

	2015 £M	AS RESTATED 2014 £M
Property operating costs	**6.1**	4.8
Fees payable to managing agents	**2.1**	1.9
Letting, rent review, and lease renewal costs	**3.0**	3.1
Village promotion costs	**1.8**	1.4
Property outgoings	**13.0**	11.2
Recoverable property expenses	**6.9**	5.9
	19.9	17.1

6. Operating profit

	2015 £M	AS RESTATED 2014 £M
The following items have been (credited)/charged in arriving at operating profit:		
Administrative fees receivable from joint venture	**(0.4)**	(0.4)
Depreciation	**0.4**	0.4
Operating lease rentals – office premises	**0.4**	0.4

AUDITOR REMUNERATION	2015 £000	AS RESTATED 2014 £000
Audit of the Company	**58**	56
Audit of the consolidated Group	**98**	93
Total audit services	**156**	149
Audit related assurance services, including the interim review	**21**	20
Total audit and assurance services	**177**	169
Tax compliance services	**39**	32
Tax advisory services	**39**	69
Services related to taxation	**78**	101
Other non-audit services	**–**	7
Total fees related to taxation and other non-audit services	**78**	108
Total fees	**255**	277

Total fees related to taxation and other non-audit services represented 44% (2014: 64%) of the total fees for audit and assurance services. 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.

EMPLOYEE COSTS (GROUP)	2015 £M	2014 £M
Wages and salaries	**3.9**	3.6
Annual bonuses (including social security costs)	**2.2**	2.6
Social security costs	**0.5**	0.5
Other pension costs	**0.4**	0.3
Equity settled remuneration (see note 7)	**3.0**	3.2
	10.0	10.2

6. Operating profit continued

AVERAGE MONTHLY NUMBER OF EMPLOYEES (GROUP)	2015 NUMBER	2014 NUMBER
Executive directors	**4**	4
Head office and property management	**18**	17
Estate management	**1**	2
	23	23

A summary of directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Annual Remuneration Report on pages 92 to 101.

7. Charge in respect of equity settled remuneration

	2015 £M	2014 £M
Charge for share based remuneration	**2.3**	2.7
Employer's national insurance in respect of share awards and share options vested or expected to vest	**0.7**	0.5
	3.0	3.2

Included in the charge for share based remuneration is £2.2 million (2014: £2.7 million) for the fair value of share options.

A summary of the principal assumptions made at the last grant date are set out in note 29.

8. Finance costs

	2015 £M	AS RESTATED 2014 £M
Debenture stock interest and amortisation	**5.0**	5.0
Bank and other interest	**15.6**	11.2
Facility arrangement cost amortisation	**0.8**	0.8
Facility arrangement costs written-off on refinancing	**0.2**	0.3
Amounts payable under derivative financial instruments	**9.2**	12.3
	30.8	29.6

9. Tax charge for the year

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.

10. Earnings per share

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

	2015			As restated 2014		
	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	**467.3**	**278.1**	**168.0**	440.4	266.6	165.2
EPRA adjustments:						
Investment property valuation movements – wholly-owned portfolio	**(432.0)**		**(155.3)**	(394.0)		(147.8)
Investment property valuation movements – joint venture	**(34.6)**		**(12.4)**	(32.4)		(12.2)
Movement in fair value of derivative financial instruments	**28.5**		**10.2**	12.0		4.5
Deferred tax on property valuations and capital allowances – joint venture	**6.9**		**2.5**	6.6		2.5
EPRA	**36.1**	**278.1**	**13.0**	32.6	266.6	12.2
Diluted	**467.3**	**279.2**	**167.4**	440.4	267.6	164.6

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.

11. Dividends paid

	2015 £m	2014 £m
Final dividend paid in respect of:		
Year ended 30 September 2014 at 6.60p per share	**18.5**	–
Year ended 30 September 2013 at 6.25p per share	**–**	15.9
Interim dividend paid in respect of:		
Six months ended 31 March 2015 at 6.825p per share	**19.0**	–
Six months ended 31 March 2014 at 6.50p per share	**–**	18.0
Dividends for the year	**37.5**	33.9
Timing difference on payment of withholding tax	**2.0**	(0.1)
Dividends cash paid	**39.5**	33.8

A final dividend of 6.925p per share was recommended by the Board on 24 November 2015. Subject to approval by shareholders at the 2016 AGM, the final dividend will be paid on 12 February 2016 to shareholders on the register at 22 January 2016. The dividend will be paid entirely as an ordinary dividend. The dividend totalling £19.3 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2016.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 439,250 (2014: 497,891) ordinary shares during the year.

12. Investment properties

Property reconciliation

	2015 £M	AS RESTATED 2014 £M
At 1 October	**2,425.5**	1,901.4
Acquisitions	**25.8**	105.7
Refurbishment and other capital expenditure	**24.7**	24.4
Net surplus on revaluation of investment properties	**432.0**	394.0
Book value at 30 September	**2,908.0**	2,425.5
Fair value at 30 September:		
Properties valued by DTZ Debenham Tie Leung Limited	**2,919.5**	2,434.6
Less: Lease incentives recognised to date (note 13)	**(11.5)**	(9.1)
Book value at 30 September	**2,908.0**	2,425.5

The investment properties valuation comprises:

	2015 £M	AS RESTATED 2014 £M
Freehold properties	**2,691.4**	2,238.6
Leasehold properties	**228.1**	196.0
	2,919.5	2,434.6

External valuers

Investment properties were subject to external valuation as at 30 September 2015 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, working for DTZ Debenham Tie Leung Limited, Chartered Surveyors, 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 Standards – Professional Standards 2014 and IFRS 13. When considering the highest and best use a valuer considers its actual and potential uses which are physically, 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 pages 79 to 80.

A summary of the DTZ Debenham Tie Leung Limited report can be found on pages 144 to 145.

External valuation fees

	2015 £M	2014 £M
Annual and half year valuations	**0.3**	0.3
Bank security valuations	**0.4**	0.2
	0.7	0.5

Fees were agreed at fixed amounts in advance of the valuations being carried out. DTZ Debenham Tie Leung Limited was not engaged by the Group in any capacity other than as valuers during the year. The fees payable by the Group to the valuer do not constitute a significant part of their fee income.

12. Investment properties continued

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 current rental income, market comparatives, occupancy and timing of 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 142 to 143.

Sensitivity analysis

As noted in the critical judgements, assumptions and estimates section of note 1 on page 114, the valuation of the Group's property portfolio is inherently subjective. 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.

The Group's properties are all located in the West End 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 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	**134.3**	**(129.0)**	**(191.8)**	**220.0**

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.

At 30 September 2015, the Group had capital commitments of £16.4 million (2014 as restated £15.0 million).

13. Accrued income

	2015 £M	AS RESTATED 2014 £M
Accrued income in respect of lease incentives recognised to date	**11.5**	9.1
Less: included in trade and other receivables (note 16)	**(2.0)**	(1.6)
	9.5	7.5

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 years.

14. Investment in joint venture

	2015 £M	2014 £M
Group		
At 1 October	**101.5**	76.6
Share of profits	**29.7**	27.6
Dividends received	**(1.6)**	(2.7)
Book value 30 September	**129.6**	101.5

	2015 £M	2014 £M
Company		
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 71.

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

The summarised Statement of Comprehensive Income and Balance Sheet are presented below:

	2015 £M	2014 £M
Statement of Comprehensive Income		
Rents receivable (adjusted for lease incentives)	**13.4**	12.6
Recoverable property expenses	**1.6**	1.4
Revenue from properties	**15.0**	14.0
Property outgoings	**(1.6)**	(1.4)
Recoverable property expenses	**(1.6)**	(1.4)
Property charges	**(3.2)**	(2.8)
Net property income	**11.8**	11.2
Administrative expenses	**(0.6)**	(0.6)
Operating profit before investment property valuation movements	**11.2**	10.6
Net surplus on revaluation of investment properties	**69.2**	64.8
Operating profit	**80.4**	75.4
Net finance costs	**(6.6)**	(6.4)
Profit before tax	**73.8**	69.0
Current tax	**(0.6)**	(0.6)
Deferred tax	**(13.8)**	(13.2)
Tax charge for the year	**(14.4)**	(13.8)
Profit and total comprehensive income for the year	**59.4**	55.2
Profit attributable to the Group	**29.7**	27.6

14. Investment in joint venture continued

	2015 £M	2014 £M
Balance Sheet		
Non-current assets		
Investment properties at book value	**430.0**	359.2
Accrued income	**4.4**	5.6
	434.4	364.8
Cash and cash equivalents	**5.9**	5.7
Current assets	**3.5**	3.3
Total assets	**443.8**	373.8
Current liabilities	**9.8**	10.0
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**54.8**	40.8
Total liabilities	**184.6**	170.8
Net assets	**259.2**	203.0
Net assets attributable to the Group	**129.6**	101.5

15. Investment in subsidiaries

	2015 £M	2014 £M
Shares in Group undertakings		
At 1 October	**786.0**	626.0
Additional share capital issued by subsidiary	**211.9**	160.0
At 30 September	**997.9**	786.0

During the year Shaftesbury AV Investment Limited, a wholly-owned subsidiary of the Company, issued 211.9 million ordinary shares of £1 each to the Company at par value.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Carnaby Estate Holdings Limited	Shaftesbury CL Investment Limited
Carnaby Investments Limited	Shaftesbury CL Limited*
Carnaby Property Investments Limited*	Shaftesbury Covent Garden Limited
Charlotte Street Estate Holdings Limited	Shaftesbury Investments 1 Limited
Chinatown Estate Holdings Limited	Shaftesbury Investments 2 Limited
Chinatown Property Investments Limited*	Shaftesbury Investments 4 Limited
Covent Garden Estate Holdings Limited	Shaftesbury Investments 5 Limited
Covent Garden Property Investments Limited*	Shaftesbury Investments 6 Limited
Shaftesbury AV Investment Limited	Shaftesbury Investments 7 Limited
Shaftesbury AV Limited*	Shaftesbury Investments 8 Limited
Shaftesbury Carnaby Limited	Shaftesbury Investments 9 Limited
Shaftesbury Charlotte Street Limited	Shaftesbury Investments 10 Limited
Shaftesbury Chinatown Limited	Shaftesbury Soho Limited

* The share capital of these subsidiaries are held by other Group companies.

All of the companies are either engaged in property investment or dormant. They are incorporated in Great Britain and are registered in England and Wales.

16. Trade and other receivables

	GROUP		COMPANY	
	2015 £M	AS RESTATED 2014 £M	**2015 £M**	2014 £M
Amounts due from tenants	**11.3**	11.5	**–**	–
Provision for doubtful debts	**(0.6)**	(0.4)	**–**	–
	10.7	11.1	**–**	–
Accrued income in respect of lease incentives (note 13)	**2.0**	1.6	**–**	–
Amounts due from subsidiaries	**–**	–	**116.1**	422.4
Amounts due from joint venture	**1.4**	1.9	**1.4**	1.9
Other receivables and prepayments	**7.6**	6.8	**0.7**	0.7
	21.7	21.4	**118.2**	425.0

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 at 30 September 2015, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2015, totalled £1.9 million (2014: £1.0 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.5 million (2014: £0.3 million). The remaining balance is not considered to be impaired.

At 30 September 2015, cash deposits totalling £17.4 million (2014 as restated £15.1 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents.

17. Cash and cash equivalents

Cash and cash equivalents at 30 September 2015 were £7.7 million (2014 as restated £3.4 million).

Other receivables of £3.7 million at 30 September 2015 relates to cash held 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. £1.5 million of cash and cash equivalents in the prior year has been reclassified to other receivables to reflect this presentational change.

18. Trade and other payables

	GROUP		COMPANY	
	2015 £M	AS RESTATED 2014 £M	**2015 £M**	2014 £M
Rents and service charges invoiced in advance	**20.7**	18.9	**–**	–
Trade payables and accruals in respect of capital expenditure	**1.9**	2.3	**–**	–
Other payables and accruals	**14.2**	15.5	**6.8**	8.9
	36.8	36.7	**6.8**	8.9

19. Borrowings

	2015			AS RESTATED 2014		
	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**	**2.2**	**63.2**	61.0	2.3	63.3
Secured bank loans	**199.7**	**(2.3)**	**197.4**	360.6	(3.2)	357.4
Secured term loans	**384.8**	**(5.1)**	**379.7**	134.8	(1.8)	133.0
Debenture and secured loans	**645.5**	**(5.2)**	**640.3**	556.4	(2.7)	553.7
Company						
Debenture Stock	**61.0**	**2.2**	**63.2**	61.0	2.3	63.3
Secured bank loans	**207.0**	**(2.3)**	**204.7**	369.8	(3.2)	366.6
Debenture and bank borrowings	**268.0**	**(0.1)**	**267.9**	430.8	(0.9)	429.9

Net debt (Group)

	2015 £M	AS RESTATED 2014 £M
Nominal borrowings – gross	**652.8**	565.5
Cash balances set-off against certain borrowings	**(7.3)**	(9.1)
	645.5	556.4
Cash and cash equivalents (note 17)	**(7.7)**	(3.4)
	637.8	553.0

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. Two 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. Additionally, the two shareholders of their subsidiaries have granted a charge over the shares in these companies.

19. Borrowings continued

Availability and maturity of group borrowings

	2015 FACILITIES		AS RESTATED 2014 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	**275.0**	**150.3**	150.0	58.3
Repayable between 5 and 10 years	**136.0**	–	261.0	31.1
Repayable between 10 and 15 years	**384.8**	–	134.8	–
	795.8	**150.3**	695.8	139.4

Interest rate profile of interest bearing borrowings (Group)

	2015		AS RESTATED 2014	
	DEBT £M	INTEREST RATE	DEBT £M	INTEREST RATE
Floating rate borrowings				
LIBOR-linked loans (including margin)	**19.7**	**1.75%**	110.6	1.66%
Hedged borrowings				
Interest rate swaps (including margin)	**180.0**	**6.01%**	250.0	6.06%
Total bank borrowings	**199.7**	**5.59%**	360.6	4.71%
Fixed rate borrowings				
Secured term loans	**384.8**	**3.85%**	134.8	4.47%
8.5% First Mortgage Debenture Stock – book value	**63.2**	**7.93%**	63.3	7.93%
Weighted average cost of drawn borrowings		**4.78%**		5.02%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2015, the weighted average charge on the undrawn facilities of £150.3 million (2014: £139.4 million) was 0.70% (2014: 0.46%).

At 30 September 2015, the weighted average credit margin on the Group's current bank facilities was:

	2015	2014
Drawn facilities	**1.16%**	1.11%
If facilities were fully drawn	**1.35%**	1.24%

The Group has in place interest rate swaps to hedge £180.0 million of floating rate bank debt, at fixed rates in the range 4.64% to 5.16%, with a weighted average rate at 30 September 2015 of 4.85%. The swaps, which are settled against three month LIBOR, expire between August 2028 and November 2038. If mutual break or counterparty early termination options are exercised the weighted average term is 4.1 years (2014: 4.9 years).

20. Financial instruments

CATEGORIES OF FINANCIAL INSTRUMENTS	2015 BOOK VALUE £M	AS RESTATED 2014 BOOK VALUE £M
Group		
Interest rate swaps	**(79.2)**	(78.8)
Financial assets: receivables and cash and cash equivalents		
Trade and other receivables (note 16)	**10.7**	11.1
Loan receivable from joint venture (note 16)	**1.4**	1.9
Other receivables (note 17)	**3.7**	1.5
Cash and cash equivalents (note 17)	**7.7**	3.4
	23.5	17.9
Financial liabilities at amortised cost		
Trade and other payables – due within one year (note 18)	**(16.1)**	(17.8)
Interest bearing borrowings (note 19)	**(640.3)**	(553.7)
	(656.4)	(571.5)
Net financial instruments	**(712.1)**	(632.4)
Company		
Interest rate swaps	**(79.2)**	(78.8)
Financial assets: loans and receivables		
Loans receivable from subsidiaries (note 16)	**116.1**	422.4
Loan receivable from joint venture (note 16)	**1.4**	1.9
	117.5	424.3
Financial liabilities at amortised cost		
Trade and other payables – due within one year (note 18)	**(6.8)**	(8.9)
Interest bearing borrowings (note 19)	**(267.9)**	(429.9)
	(274.7)	(438.8)
Net financial instruments	**(236.4)**	(93.3)

Other receivables relates to cash held on deposit, that have certain conditions restricting their use which are due between 2 May 2029 and 31 July 2035.

The Group's trade and other payables are all due within one year (2014: all due within one year).

Fair value of derivative financial instruments (group and company)

	2015 £M	2014 £M
Interest rate swaps		
At 1 October – deficit	**(78.8)**	(95.8)
Swap contracts terminated	**28.1**	29.0
Fair value deficit charged to the Statement of Comprehensive Income	**(28.5)**	(12.0)
At 30 September – deficit	**(79.2)**	(78.8)

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'.

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 19. During the year the Group terminated interest rate swaps with a notional principal of £70.0 million at a cost of £28.1 million.

20. Financial instruments continued

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 12 for definition). The swaps are valued by J.C Rathbone Associates Limited.

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 £39.1 million (2014 as restated £22.3 million). The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy (see note 12 for definition).

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 2 May 2029, 19 March 2030, and 31 July 2035.

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), 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 2015	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	**79.2**	**95.1**	**6.4**	**7.1**	**17.7**	**24.7**	**39.2**
Financial liabilities							
Interest bearing borrowings:							
Principal (note 19)	**640.3**	**645.5**	**–**	**–**	**124.7**	**136.0**	**384.8**
Interest	**–**	**294.3**	**23.5**	**23.5**	**69.0**	**92.7**	**85.6**
Total	**719.5**	**1,034.9**	**29.9**	**30.6**	**211.4**	**253.4**	**509.6**

	AS RESTATED						
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	78.8	96.7	9.1	8.8	19.6	26.0	33.2
Financial liabilities							
Interest bearing borrowings:							
Principal (note 19)	553.7	556.4	–	100.0	91.8	229.8	134.8
Interest	–	164.4	17.2	17.2	46.3	56.1	27.6
Total	632.5	817.5	26.3	126.0	157.7	311.9	195.6

The prior year figure for the book value of the interest rate swaps has been corrected by £1.3 million in the table above to amend a disclosure inconsistency in the equivalent table in the 2014 Annual Report.

21. 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 16. The Group has a large and diverse tenant base so that tenant credit risk is widely spread.

Provision is made in full where recovery of financial assets is, in the opinion of the directors, uncertain. The carrying amount of financial assets, net of provisions for impairment, represents the Group's maximum exposure to credit risk. Financial instruments that are neither past due nor impaired are expected to be fully recoverable.

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 34 and 56.

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 20.

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	(0.2)	(0.1)	0.1
Decrease/(increase) in fair value deficit of interest rate swaps	35.6	17.8	(17.8)
Increase/(decrease) in profit and shareholders' equity	35.4	17.7	(17.7)

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 19 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 34 and 56.

22. Share capital

	2015 NUMBER MILLION	2014 NUMBER MILLION	2015 £M	2014 £M
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**277.9**	252.3	**69.5**	63.1
Issued in connection with the exercise of share options	**0.3**	0.3	**0.1**	0.1
Issued in connection with share placing	**–**	25.3	**–**	6.3
At 30 September	**278.2**	277.9	**69.6**	69.5

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

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 2015:

DATE OF GRANT	NUMBER OF SHARES UNDER OPTION OUTSTANDING 1.10.2014	AWARDED	EXERCISED	LAPSED	NUMBER OF SHARES UNDER OPTION OUTSTANDING 30.9.2015	EXERCISABLE 30.9.2015	OPTION EXERCISE PRICE	EXERCISE PERIOD
Sharesave Scheme								
8.7.2011	16,537	–	–	–	16,537	–	£4.29	2016
5.7.2012	27,964	–	(16,687)	–	11,277	–	£3.99	2017
2.7.2014	39,305	–	–	–	39,305	–	£5.38	2017–2019
3.7.2015	–	19,270	–	–	19,270	–	£6.94	2018–2020
LTIP								
7.12.2011	525,660	–	(262,536)	(263,124)	–	–	Nil cost	2014–2015
17.1.2012	65,800	–	(32,900)	(32,900)	–	–	Nil cost	2015
6.12.2012*	570,862	–	–	(537)	570,325	–	Nil cost	2015–2016
20.12.2013	462,500	–	–	–	462,500	–	Nil cost	2016–2017
8.12.2014	–	416,450	–	–	416,450	–	Nil cost	2017–2018
	1,708,628	**435,720**	**(312,123)**	**(296,561)**	**1,535,664**	**–**		

* 362,156 options over ordinary shares will vest in December 2015, following satisfaction of performance targets in respect of the three years ended 30 September 2015.

The weighted average remaining life of share options outstanding at 30 September 2015 is 1.1 years (2014: 1.2 years).

The weighted average exercise price of share options outstanding at 30 September 2015 was £0.30 (2014: £0.23).

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	7.12.2011	8.12.2014	258,927	£7.80
	7.12.2011	22.4.2015	3,609	£8.47
	16.1.2012	19.1.2015	32,900	£7.95
Sharesave	5.7.2012	3.8.2015	14,432	£9.33
	5.7.2012	8.8.2015	2,255	£8.93

A summary of the rules of the schemes referred to above is set out in the Remuneration Report on pages 86 to 88. The remuneration policy, which includes more detail, is available on the Group's website.

23. Reserves

The Statement of Changes in Equity is set out on page 113.

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.

24. Net asset value per share

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

	2015			AS RESTATED 2014		
	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	**2,325.4**	**278.2**	**8.36**	1,893.2	277.9	6.81
Additional equity if all vested share options are exercised	**0.4**	**1.2**		0.4	1.1	
Diluted	**2,325.8**	**279.4**	**8.32**	1,893.6	279.0	6.79
Fair value deficit in respect of Debenture and secured term loans	**(39.1)**		**(0.14)**	(22.3)		(0.08)
EPRA triple net	**2,286.7**	**279.4**	**8.18**	1,871.3	279.0	6.71
Fair value deficit in respect of Debenture and secured term loans	**39.1**		**0.14**	22.3		0.08
Fair value of derivative financial instruments	**79.2**		**0.29**	78.8		0.28
Deferred tax on property valuations and capital allowances – joint venture	**22.6**		**0.08**	15.7		0.06
EPRA	**2,427.6**	**279.4**	**8.69**	1,988.1	279.0	7.13

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 shareholders' equity which would arise on the exercise of those options.

25. Cash flows from operating activities

	GROUP		COMPANY	
OPERATING ACTIVITIES	2015 £M	AS RESTATED 2014 £M	2015 £M	2014 £M
Profit before tax	**467.3**	440.4	**103.8**	18.2
Adjusted for:				
Lease incentives recognised (note 4)	**(2.4)**	(1.6)	**–**	–
Charge for share based remuneration (note 7)	**2.3**	2.7	**2.3**	2.7
Depreciation and losses on disposals (note 6)	**0.4**	0.4	**0.4**	0.4
Investment property valuation movements (note 12)	**(432.0)**	(394.0)	**–**	–
Net finance costs	**59.2**	41.5	**50.0**	39.1
Administrative charges, finance charges, and dividends received from subsidiaries settled through inter-company indebtedness	**–**	–	**(165.6)**	(68.3)
Dividends received from joint venture	**–**	–	**(1.6)**	(2.7)
Share of profit from joint venture (note 14)	**(29.7)**	(27.6)	**–**	–
Cash flows from operations before changes in working capital	**65.1**	61.8	**(10.7)**	(10.6)
Changes in working capital:				
Change in trade and other receivables	**(0.5)**	(1.8)	**(0.2)**	–
Change in trade and other payables	**2.8**	4.6	**(0.3)**	1.4
Cash generated from operating activities	**67.4**	64.6	**(11.2)**	(9.2)

26. Movement in borrowings

	AS RESTATED 1.10.2014 £M	CASH FLOWS £M	NON-CASH ITEMS £M	30.9.2015 £M
Group				
8.5% First Mortgage Debenture Stock 2024	(63.3)	–	0.1	**(63.2)**
Secured bank loans	(360.6)	160.9	–	**(199.7)**
Secured term loans	(134.8)	(250.0)	–	**(384.8)**
Facility arrangement costs	5.0	3.4	(1.0)	**7.4**
	(553.7)	**(85.7)**	**(0.9)**	**(640.3)**
Year ended 30 September 2014 – as restated	(545.7)	(7.0)	(1.0)	(553.7)
Company				
8.5% First Mortgage Debenture Stock 2024	(63.3)	–	0.1	**(63.2)**
Secured bank loans	(369.8)	162.8	–	**(207.0)**
Facility arrangement costs	3.2	–	(0.9)	**2.3**
	(429.9)	**162.8**	**(0.8)**	**(267.9)**
Year ended 30 September 2014	(554.1)	125.0	(0.8)	(429.9)

27. 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:

	2015 £M	AS RESTATED 2014 £M
Not later than one year	**80.3**	72.7
Later than one year but not later than five years	**221.4**	196.4
Later than five years but not later than ten years	**143.8**	131.3
Later than ten years	**108.6**	100.3
	554.1	500.7

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 24 to 27.

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:

	2015 £M	2014 £M
Not later than one year	**0.4**	0.4
Later than one year but not later than five years	**1.6**	1.6
Later than five years but not later than ten years	**2.0**	2.0
Later than ten years	**1.4**	1.8
	5.4	5.8

The Company leases its head office accommodation from a wholly-owned subsidiary.

28. 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. The Company leases its office accommodation from a wholly-owned subsidiary. These transactions are summarised below:

	2015 £M	2014 £M
Transactions with subsidiaries:		
Administrative fees receivable	**11.1**	11.1
Dividends receivable	**134.7**	30.9
Interest receivable	**20.4**	26.4
Rent payable	**0.4**	0.2
Net amounts receivable from subsidiaries	**116.1**	422.4
Transactions with joint venture:		
Administrative fees receivable	**0.4**	0.4
Dividends receivable	**1.6**	2.7
Interest receivable	**0.1**	0.1
Amount due from joint venture	**1.4**	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 92 to 101, there were no other transactions with directors.

29. 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	8.12.14
Share price at date of grant	£7.93
Exercise price	£Nil
Expected life – years	3
Performance condition	NAV and TSR
Assumed return volatility per annum – TSR performance condition	18%
Assumed dividend yield per annum	1.65%
Risk free discount rate per annum – TSR performance condition	0.98%
Assumed index return volatility* – TSR performance condition	17%
Assumed correlation between the Company's shares and those in the index* – TSR performance condition	0.83
Basis of option pricing:	
NAV performance condition	Modified binomial
TSR performance condition	Monte Carlo
Fair values:	
NAV	£7.54
TSR	£4.41

* 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 95.

Other information

Shareholder information

Corporate timetable

Annual General Meeting	5 February 2016
AGM statement	5 February 2016
2016 half year results to be announced*	May 2016

* We no longer issue a hard copy of our half year statement to shareholders. The statement is issued electronically and is available on our website.

See the website for dates of all future company announcements.

Dividends and Debenture Interest

Proposed 2015 final dividend:	
Ex-dividend	21 January 2016
Record date	22 January 2016
Payment date	12 February 2016
2016 interim dividend to be paid	July 2016
Debenture stock interest to be paid	31 March 2016 and 30 September 2016

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 2015 final dividend is 22 January 2016.

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.

SEE PAGE 54 FOR DETAILS OF CURRENT YEAR DIVIDENDS

Registrar

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

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2294 (International +44 121 415 7047).
Lines open 8.30am to 5.30pm, Monday to Friday.

Shareholder accounts may be accessed online through www.shareview.co.uk. This gives secure access to account information instructions. There is also a Shareview dealing service which is a simple and convenient way to buy or sell shares in the Group.

Portfolio analysis

AT 30 SEPTEMBER 2015		NOTE	CARNABY	COVENT GARDEN	CHINATOWN	SOHO
Portfolio	Fair value	1	£1,109.9m	£808.6m	£693.8m	£215.8m
	% of total fair value		35%	26%	22%	7%
	Current income	2	£34.6m	£26.7m	£23.3m	£7.3m
	ERV	3	£45.7m	£32.8m	£27.3m	£8.8m
Shops	Number		98	108	66	36
	Area – sq. ft.		181,000	137,000	89,000	40,000
	% of current income	4	49%	31%	25%	27%
	% of ERV	4	46%	32%	28%	26%
	Average unexpired lease length – years	5	4	4	5	4
Restaurants, cafés and pubs	Number		51	84	72	30
	Area – sq. ft.		97,000	162,000	203,000	55,000
	% of current income	4	15%	38%	60%	38%
	% of ERV	4	15%	34%	57%	35%
	Average unexpired lease length – years	5	11	10	12	9
Offices	Area – sq. ft.		251,000	83,000	39,000	35,000
	% of current income	4	29%	10%	5%	16%
	% of ERV	4	33%	15%	5%	19%
	Average unexpired lease length – years	5	4	4	2	3
Residential	Number		92	211	112	67
	Area – sq. ft.		54,000	126,000	71,000	36,000
	% of current passing rent	4	7%	21%	10%	19%
	% of ERV	4	6%	19%	10%	20%

1 Shaftesbury Group's 50% share

Basis of valuation

AT 30 SEPTEMBER 2015	NOTE	CARNABY	COVENT GARDEN	CHINATOWN	SOHO
Overall initial yield	7	2.83%	2.96%	3.00%	3.03%
Initial yield ignoring contractual rent-free periods	8	3.23%	3.06%	3.01%	3.12%
Overall equivalent yield	9	3.69%	3.55%	3.56%	3.62%
Tone of retail equivalent yields	10	3.35 – 4.25%	3.60 – 5.25%	3.50 – 4.50%	3.80 – 4.75%
Tone of retail ERVs – ITZA £ per sq. ft.	10	£120 – £485	£75 – £475	£140 – £340	£120 – £250
Tone of restaurant equivalent yields	10	3.75 – 5.00%	3.50 – 4.50%	3.50 – 3.75%	3.75 – 4.10%
Tone of restaurant ERVs – £ per sq. ft.	10	£105 – £125	£55 – £179	£200 – £390 ITZA	£85 – £112 (£240 ITZA)
Tone of office equivalent yields	10	4.00 – 4.50%	4.00 – 4.25%	4.25 – 4.75%	4.40 – 4.50%
Tone of office ERVs – £ per sq. ft.	10	£55 – £78	£50 – £63	£43 – £53	£45 – £65
Average residential ERVs – £ per sq. ft. per annum	10	£48	£50	£40	£48

CHARLOTTE STREET	WHOLLY OWNED PORTFOLIO	LONGMARTIN	TOTAL PORTFOLIO
£91.4m	£2,919.5m	£212.5m[1]	£3,132.0m
3%	93%	7%	100%
£2.8m	£94.7m	£7.9m[1]	£102.6m
£3.9m	£118.5m	£9.3m[1]	£127.8m
5	313	22	
9,000	456,000	67,000	
9%	35%	37%	
8%	35%	37%	
3	4	5	
20	257	11	
42,000	559,000	45,000	
62%	35%	17%	
54%	32%	15%	
10	11	15	
10,000	418,000	102,000	
10%	17%	31%	
10%	21%	35%	
4	4	5	
46	528	75	
21,000	308,000	55,000	
19%	13%	15%	
28%	12%	13%	

CHARLOTTE STREET	WHOLLY OWNED PORTFOLIO	LONGMARTIN
2.66%	2.91%	3.19%
2.78%	3.11%	3.28%
3.52%	3.61%	3.75%
4.25 – 4.75%		3.25 – 4.15%
£93 – £168		£78 – £608
3.60 – 4.25%		3.85 – 4.15%
£75 – £100		£90 – £133
4.50 – 5.00%		4.00 – 4.50%
£45 – £55		£48 – £75
£50	£47	£46

Notes

1. The fair values at 30 September 2015 (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 Valuers

To the Directors of Shaftesbury PLC

In accordance with your instructions, we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30th September 2015 (the "date of valuation") held by Shaftesbury Carnaby Limited, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown Limited, Shaftesbury Soho Limited, Shaftesbury AV 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 16 November 2015 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between January and October 2015 and a number were subject to internal inspections.

We confirm that the valuations have been prepared in accordance with the appropriate sections of the RICS 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, (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 2.3.7 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 valuations.

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 fifth time that he has been signatory of valuation reports addressed to the Subsidiary Companies. DTZ Debenham Tie Leung ("DTZ") 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.

On 2 September 2015, DTZ and Cushman & Wakefield ("C&W") combined under a common brand. Notwithstanding our new branding, our legal entities have not changed, including their names. Prior to 2 September 2015, there had been no fee-earning instructions between DTZ and the Company or the Subsidiary Companies, other than valuation instructions, for in excess of three years. Prior to 2 September 2015, C&W were appointed as retail agents by Shaftesbury Soho Limited and Shaftesbury Carnaby Limited and these instructions have continued since then.

DTZ was a UGL Company until 5 November 2014. 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%. The DTZ group became a stand-alone, private global property services company on 5 November 2014, following the sale to a consortium of investors led by TPG Capital Management. On 1 September 2015, DTZ acquired C&W and the combined group now trades under the C&W brand. C&W's financial year end is 31 December. We anticipate that the proportion of fees payable by the Company to the C&W group in the financial year to 31 December 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. 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 30th September 2015, 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 £11,362,000 and details of the individual sums are included in our Reports.

As referred to above, we have lotted together certain individual properties to form a number of separate Properties. In the case of three Properties which comprise a number of individual properties, the majority of such properties are held freehold but certain of them are held on long leases. In order to divide our valuation of these Properties between the categories of freehold and long leasehold, we have undertaken notional apportionments of value between the freehold elements and the long leasehold elements which together comprise the relevant Properties. The amounts arising from these notional apportionments of value have been included in the figures representing the freehold and long leasehold categories below. The amounts arising from the notional apportionments do not themselves represent the 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 30th September 2015, of the freehold and long leasehold property interests owned by the Company and the Subsidiary Companies, subject to the Assumptions and comments in our Reports dated 16 November 2015, were as follows:-

Freehold Properties	£2,691,420,000 (Two billion, six hundred and ninety-one million, four hundred and twenty thousand pounds)
Long leasehold Properties	£228,100,000 (Two hundred and twenty-eight million, one hundred thousand pounds)
Total	**£2,919,520,000** **(Two billion, nine hundred and nineteen million, five hundred and twenty 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, Shaftesbury AV 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

As of 2 September, 2015, DTZ Debenham Tie Leung and Cushman & Wakefield have combined under a new common brand. Notwithstanding our new branding, our underlying legal entities have not changed, including their names.

Sustainability

This is a condensed version of the report which is available on our website

Our approach to sustainability and corporate responsibility is embedded within the day-to-day management of our portfolio and our business.

All our buildings are in conservation areas and around 25% are listed. Within the often strict constraints imposed by legislation which govern these designations, we improve and maintain our buildings, with the aim of maximising their environmental performance. Our management strategy also extends the economic useful lives of our buildings through changes of use and reconfiguration, so they continue to meet the expectations of modern occupiers. In our view, this emphasis on restoration and repair has less environmental impact than demolition and development.

We also recognise that while the West End is a busy and lively place, there are social issues in the community we work in and the problems common in city centres, such as noise and rough sleeping. We concentrate our social investment activities on supporting organisations that tackle these problems in the West End. Our commitment is to be a good long-term, socially responsible neighbour and investor in our area, integrated into the community. We measure our involvement in accordance with the London Benchmarking Group methodology.

We have made a commitment to support the United Nations Global Compact and its ten principles in the areas of human rights, labour, environment and anti-corruption. We have reviewed our policies to reflect this commitment and are implementing programmes internally and throughout our supply chain and engaging with our principal suppliers.

To assist in our ongoing commitment to improving our performance and understanding of the sustainability issues that affect our buildings, we have become members of the Better Building Partnership. This enables us to engage with peer group companies and begin to benchmark our performance against others in our sector. We have also joined Wild West End, a biodiversity initiative in conjunction with other landowners in the West End. The aim is to create a network of green infrastructure in London's West End for both environmental and community benefit.

A highlight of this year was our performance in the Global Real Estate Sustainability Benchmark where, for the first time, we achieved Green Star status. Going forward, we aim to build on our progress throughout our operations, in particular with major refurbishments planned within the portfolio.

This report forms part of our UNGC Communication on Progress against the ten principles. More detail on our strategy and data performance can be found on our website.

Brian Bickell,
Chief Executive
24 November 2015

Sustainability indices

In order to measure and benchmark our performance against our peers we have continued to participate in the key sector indices. We have maintained or improved our relative performance this year.

GRESB Green Star 2015	GRESB Green Star Scored 72 (2014: 57), and was 2 out of 6 in our peer group (2014: 3 out of 8).	Dow Jones Sustainability Indexes Member 2012/13	Listed on Dow Jones Sustainability Index for eighth year. Scored 61 (68 in 2014).
EPRA European Public Real Estate Association	Silver award winner for sustainability reporting (2014: silver).	Included in Ethibel Sustainability Index Excellence Europe	Continued Member of Ethibel Excellence
FTSE4Good	Continued listing in the FTSE4Good		CDP – Continued listing on Carbon Disclosure Project scoring 94 (2014: 84%) for disclosure and a grade C for performance (2014: B)

Environment

Energy performance

Overall, energy consumption for the wholly-owned portfolio, Longmartin and the head office increased by 6% with small increases throughout the portfolio that can primarily be attributed to increased tenant activity and, changes resulting from new acquisitions and building refurbishment.

A comparison of like-for-like performance between 2014 and 2015 shows that the portfolio as a whole has a year-on-year increase of just over 4% which reflects increased activity in the portfolio.

We continue to purchase green tariff electricity throughout the portfolio with the majority of the villages making purchases with at least 40% renewable proportion, which is above the electricity supply industry average.

Absolute energy consumption within operational control

Usage (KWh)

	TOTAL NUMBER OF PROPERTIES	2011	2012	2013	2014	2015	2014-2015 % CHANGE
Total	217	3,270,051	3,043,584	3,159,818	3,270,522	3,460,978	6.0%

Like-for-like energy consumption within operational control

Usage (KWh)

	NUMBER OF PROPERTIES REPORTED ON 2014 (TOTAL PROPERTIES)	NUMBER OF PROPERTIES REPORTED ON 2015 (TOTAL PROPERTIES)	2014	2015	DIFFERENCE	2014–2015 CHANGE
Total	201(214)	201(219)	3,253,724	3,391,546	137,823	4.2%

Greenhouse gas emissions

For the year ended 30 September 2015 we have again followed the 2013 UK Government environmental reporting guidance and used 2015 UK Government's Conversion Factors for Company Reporting. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of landlord and tenant consumption:

Scope 1 – direct emissions includes whole building gas data in Opera Quarter and Longmartin. Fugitive emissions from air conditioning are included where it is the landlord's responsibility within the common parts. There are no company vehicles to report within Scope 1.

Scope 2 – indirect energy emissions include purchased electricity for the head office and landlord controlled common areas and a small number of buildings where the occupied areas and common parts are on the same meter. Electricity used in refurbishment projects has also been recorded.

Scope 3 – other indirect emissions, which includes emissions associated with electricity losses and generation. It also includes business air travel and rail, but no other business travel as, given the central London location of the group's operations, this is considered negligible.

Greenhouse gas emissions for the portfolio, head office and refurbishment sites (tCO_2e) show a 6.7% decrease for Scope 2 emissions and no change for Scope 1 emissions.

Data for the previous year is restated for electricity and gas consumed in Longmartin. This equates to a net increase of 59 tonnes for 2014. Data is also restated for buildings in Carnaby due to a change in metering and equates to an increase of 42 tonnes.

Absolute Scope 1 GHG emissions

SCOPE1	2012	2013	2014	2015	2014-2015 CHANGE
Total	68	99	76	76	0.0%

Absolute Scope 2 GHG Emissions

SCOPE 2	2012	2013	2014	2015	2014-2015 CHANGE
Total	1,250	1,196	1,559	1,455	-6.7%

Absolute Scope 3 emissions

SCOPE 3	2012	2013	2014	2015	% DIFFERENCE
Total	112	175	187	147	-21.8%

Like for Like Scope 1 GHG emissions

SCOPE 1	2014	2015	DIFFERENCE	% DIFFERENCE
Total	42	52	9	22.0

Like for Like Scope 2 GHG emissions

SCOPE 2	2014	2015	DIFFERENCE	% DIFFERENCE
Total	1,495	1,438	-56.5	-3.8%

All emisssions above are in Tonnes CO_2e

The chosen emissions intensity is common parts floor areas, which has been measured in 62 of the 135 reported properties with common parts only and the emissions intensity figure has been obtained of 50 $kgCO_2e/m^2$ (0.050 tonnes CO_2e/m^2), a small increase over last year's 46 $kgCO_2e/m^2$ (0.046 tonnes CO_2e/m^2).

GHG Intensity by floor area

	NUMBER OF PROPERTIES	COMMON PARTS FLOOR AREA FT²	FLOOR AREA M²	KWH (ELECTRICITY)	CONSUMPTION INTENSITY	KG CO_2E/M^2
Total	62	38,460	3,573	385,524	108	50

Assurance statement

Our greenhouse gas emissions data has been subject to an independent assurance process. A full copy of the verification opinion statement, including the scope and basis of the work, can be found on our website.

"We have conducted a verification of the greenhouse gas data reported by the above entity in its Annual Report for the year ended 30 September 2015. We have not rechecked prior year data that is reported. On the basis of the verification work undertaken (which is reported in Annex 2 of the full statement) nothing has come to our attention to suggest that this data is not fairly stated, with the exception of a small number of non-material issues." Planet & Prosperity Limited.

Waste

We manage tenant generated waste in Carnaby, Seven Dials and Longmartin. We exceeded our target recycling rate with 47% recycled at Carnaby and Seven Dials and 39% at Longmartin. The improved performance at Longmartin can be attributed to a proactive tenant engagement programme addressing waste management and recycling. In both Carnaby and Longmartin we encourage composting food waste by our restaurant tenants, although the take-up is variable, and is an area for future focus. Residual waste is sent to an energy from waste scheme rather than landfill.

Absolute waste within operational control

	TOTAL RECYCLED				ENERGY FROM WASTE				COMPOSTED			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Totals (tonnes)	574	515	776	1,060	1,240	964	1,081	1,286	–	–	63	13
	31.6%	34.8%	40.4%	44.9%	68.3%	65.1%	56.3%	54.5%	–	–	3.2%	0.5%

Our refurbishment projects on average diverted over 97% from landfill.

Water

Overall consumption across the portfolio has decreased although there have been changes in individual properties reported for Carnaby due to a significant review of the data collection process.

At Longmartin the quality of data collection is improving with actual meter readings available for the second half of the year. The relatively high consumption results from tenant uses such as showers, toilets and kitchens. Installation of more efficient appliances is being researched for 2016.

In Chinatown the small volume of water usage for steam cleaning in South Service Yard remained consistent.

Absolute water consumption with operational control

TOTAL USAGE (M^3)	2012	2013	2014	2015	2014 – 2015 CHANGE
Totals	3,618	3,775	43,134	42,993	-0.3%

Like-for-like water consumption within operational control

	PROPERTIES REPORTED ON 2014	PROPERTIES REPORTED ON 2015	TOTAL USAGE (M^3) 2014	TOTAL USAGE (M^3) 2015	DIFFERENCE	2014 – 2015 DIFFERENCE
Total	9(15)	9 (10)	10,478	6,985	-3,493	-33.3%

Building Certifications

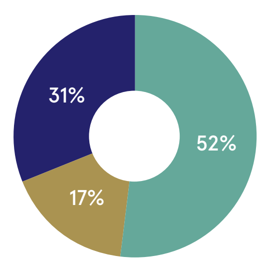
70% of the commercial portfolio, based on lettable floor area of buildings, now has an Energy Performance Certificate (EPC) with the breakdown opposite.

The Energy Act 2011 requires that, by 2016, buildings at the time of letting should be an EPC of grade E or above. There are still a proportion of our properties under the threshold or not yet assessed. The majority of those that have not been assessed are under long term leases which have not undergone a lease transaction since 2008 and therefore not triggered the requirement for an EPC.

Properties with grades F and G are being progressively addressed as part of the ongoing refurbishment programme when vacant possession is obtained. Our objective is to improve the EPC rating of the refurbished property. Out of 14 EPCs obtained, a significant majority (92%) achieved a grade C or above.

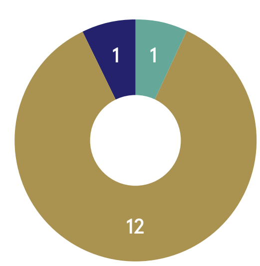
EPC totals (total count of EPC assessments)

EPC grade A–E	585
EPC grade F–G	279
EPC grade – not yet assessed	347



EPC grade (number of refurbishment schemes achieving grade)

- EPC grade B
- EPC grade C
- EPC grade D



Timber

Our approach is to reuse timber where possible. Timber features such as windows, joists, floorboards, staircases and paneling are retained where possible. For the small volume of timber purchased, over 74% was sustainably sourced with full chain of custody and 40% was Forest Stewardship Council certified which is in line with our targets.

	2012	2013	2014	2015
Volume Timber Purchased (m^3)	200	248	190	285
% Sustainably Sourced (with Chain of Custody)	63	64	83	74
% Forest Stewardship Council Certification	36	46	50	41

Biodiversity

We recognise the importance of promoting biodiversity and believe that being in an urban area makes the need for green spaces and the connections between these spaces important for wildlife to survive.

A number of the West End's property owners are working together in a collaboration to install a combination of green roofs, green walls, planters, street trees and flower boxes across buildings and public realm to create a network of 'stepping stones' through the West End.

The aim is to increase habitat diversity and encourage a variety of birds and insects to the area.

As part of the initial stages of the project, we have undertaken an inventory of all the existing habitats within our portfolio which are quantified below.

Further initiatives for next year include the installation of planters on service roofs in Carnaby and Seven Dials and introducing window boxes and hanging baskets to Charlotte Street to increase the habitat provision.

	BIRD BOX	GREEN WALL	GREEN ROOF	HANGING BASKETS	INSECT HOME	PLANTERS	TREES	WINDOW BOXES	BEE HIVES
Total	21	6	8	46	2	96	13	823	3

A further endorsement of our biodiversity activities was the award of an eFIG (trade association of the interior landscape design industry) Silver Leaf Award for the design and implementation of the green roof at our head office in Ganton Street.

Stakeholders and our local community

We continue our approach to engagement with our key stakeholder groups: employees, tenants, lenders and insurers, investors and analysts, local government, regulators, local communities and suppliers.

We have over 800 commercial tenants. We aim for each tenant to have direct contact with at least one director and/or member of the property team and in addition full time estate managers are available to deal with day-to-day concerns. In 2014, a formal customer satisfaction survey was carried out of our tenants in Carnaby and Seven Dials with a 34% response rate. The feedback was largely positive and where any matter was identified the agent responsible for that village followed up with the tenants. The exercise will be repeated in the coming year in Carnaby and Seven Dials and will be extended to other villages.

We provide subsidised membership of the Sustainable Restaurant Association for new restaurant tenants. Fourteen tenants have signed up for this year.

An online Building Guide for commercial tenants is under development with its launch planned for 2016. The Guide will cover all management issues relevant to the tenants, such as emergency response, fire protection and will also include sustainability advice such as optimising recycling within the portfolio.

TENANT SATISFACTION SURVEY RESULTS

PROPERTY NAME	AVERAGE RATING	% SATISFIED
Carnaby – Residential	3.8	75%
Carnaby – Office	3.9	74%
Carnaby – Retail	3.5	58%
Carnaby – Restaurant	3.9	78%

Overall average: 71%

PROPERTY NAME	AVERAGE RATING	% SATISFIED
Seven Dials – Residential	3.4	56%
Seven Dials – Office	4.2	100%
Seven Dials – Retail	3.6	68%
Seven Dials – Restaurant	3.7	83%

Overall average: 77%

Community

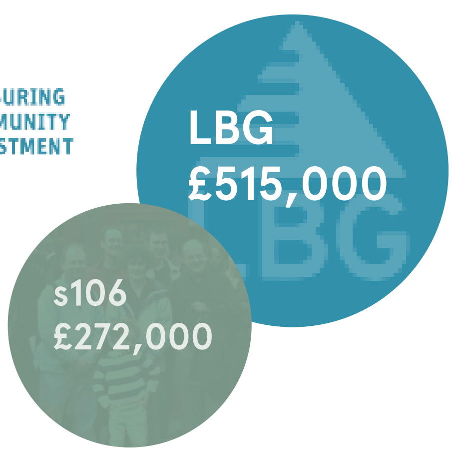
Our long term prosperity depends on the success of London's West End as a destination for domestic and overseas visitors and businesses.

London is one of the world's principal global cities and is the largest city in Western Europe. It has as unrivaled variety of heritage and cultural attractions, which draw huge numbers of domestic and overseas visitors. It is also a world-class business location.

Our engagement is aligned with the areas in which our villages are situated and in the aspects that benefit the West End as a community, (to live and work) and a visitor destination. We work closely with a number of organisations based in the West End based in the community, leisure or arts which allows them to be located close to the areas in which they operate.

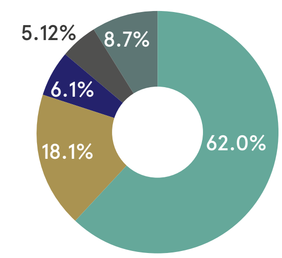
We have continued our membership of the London Benchmarking Group. Our LBG contribution measured in accordance with the criteria equated to £515,000. Our s106 contributions[1] were £272,000 giving an overall total of community investment of £787,000. This equates to 2.2% of EPRA pre-tax profit. We assisted in providing leverage of £113,000.

MEASURING COMMUNITY INVESTMENT LBG



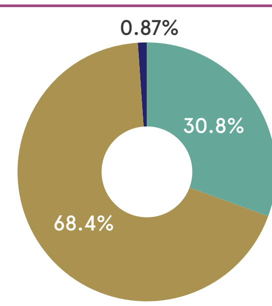
What we contribute

- Cash
- Staff time
- In kind contributions
- In kind
- Management costs



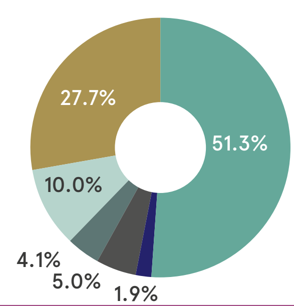
How we contribute

- Charitable gifts
- Community investment
- Commercial initiatives in the community



What we support

- Education
- Health
- Economic development
- Environment
- Arts/culture
- Social welfare



1 S106 contributions relate to payments required to be made by a company to a local council under planning regulations.

Charity Partners

Last year we trialled a charity partner initiative in Seven Dials. By selecting one organisation to focus on each year, we provide targeted assistance and make a real difference to the organisations we work with.

This year we have a charity partner in each of our main villages. The charity selected has a link to the village or local community within which it is situated and may have a secondary link in that it tackles a social issue or supports the uses of our buildings. We partner with the charity at events in that village, using these as platforms to raise funds and promote awareness of their cause. We also promote them on our village websites.

Our partners this year, and the work they do, are set out below.

Seven Dials and St Martin's Courtyard

The Connection at St Martin-in-the-Fields
helping homeless people seven days a week

By helping people to cope with the physical impacts of being homeless along with helping them to rebuild their lives. The Connection strives to provide help to over 200 people in central London everyday by engaging each person with activity programmes and specialist support including day and night centre services for all age groups, employment and training programs and resettlement support.

Chinatown

華人社區中心
Chinese Community Centre

The London Chinese Community Centre (LCCC) is committed to maintaining and developing services and activities to improve the quality of life and wellbeing of the Chinese community, particularly those who are disadvantaged. The LCCC services include Community Development Services: offering various English, Computer, Arts and Cultural classes; Information & Advice Services; Elderly Health Improvement Service; and a Youth Club;

Carnaby

trekstock
YOUNG ADULT CANCER SUPPORT

Trekstock gives young adults living with cancer an authentic voice to ensure they have age-appropriate information and support. Trekstock was selected, because as tenants in Carnaby, we work closely with them on their fundrasing activities.

Soho

The House of St Barnabas
LONDON

The House of St Barnabas's vision is to create a society where lasting employment is a reality for those affected by homelessness and social exclusion.

The House of St Barnabas runs an Employment Academy for those affected by homelessness to give them skills in the catering and hospitality industry.

A detailed list of the other organisations we work with and support is contained in the full version of this report on our website.

Employees

We employ 25 staff including executive directors. Every employee is important and their experience and contributions to the business play a key part in the delivery of our strategy. There continue to be five women in senior executive positions (50% of executive staff excluding directors) and three female non-executive directors.

We believe that training and development of our staff is essential. This year our staff underwent an average of 20 hours training per employee. All staff also underwent a personal development review. We offer flexible working and 12% of employees currently work part-time.

	2012	2013	2014	2015
Percentage of female staff overall	45%	52%	52%	56%
Percentage of female staff in senior positions	50%	50%	50%	50%
Percentage of female board members	20%	27%	30%	30%
Average training hours per employee	15	15	30	20
Number of staff receiving performance reviews	100%	100%	100%	100%
Average length of service	13	12	12	12
Staff turnover	0	0	0	0
Absenteeism average per employee	5 days	4 days	1.4 days	2 days
Proportion of staff with flexible working	13%	13%	13%	12%

Health and Safety

The Board has overall responsibility for health and safety.

Managing agents oversee day-to-day health and safety matters throughout the portfolio. In our refurbishment sites, responsibility for health and safety is identified within all pre-tender documentation and is monitored by site and project managers.

We continued to maintain our record of no reportable health and safety incidents throughout the portfolio. The Accident Frequency Rate for Shaftesbury employees was zero (2014 – zero) and there were no health and safety prosecutions, enforcement actions or fatalities in 2015.

	2012	2013	2014	2015
Number of reportable injuries	0	0	0	0
Work related fatalities	0	0	0	0
Number of Enforcement Agency prosecutions or fines	0	0	0	0
Number of prohibition notices	1	0	0	0
Employee accidents and incidents	0	0	0	0
Number of employee days off work from injury	0	0	0	0

Performance against targets

OBJECTIVE	ACHIEVED IN 2015	TARGETS FOR 2016
Environment		
Aim for legal environmental compliance	No legal non-compliances have been reported	Aim for legal compliance
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 83% of refurbishment schemes, a minimum of 50% of façade and a minimum of 80% of primary structure was retained Of the EPCs obtained 92% were a grade C or above post refurbishment No new commercial schemes were in progress so no BREEAM assessments were required	Extend the useful life of buildings and improve their sustainability by raising the EPC rating of properties being refurbished according to predetermined targets Aim for BREEAM Very Good for all new commercial developments and selected non-domestic refurbishment schemes
Timber to be sourced where possible from well-managed sources, certified by third party certification schemes	Reuse of timber maximised throughout all schemes 74% of timber has been confirmed as sustainably sourced with full Chain of Custody and 40% using Forest Stewardship Council timber	Continue to maximise the proportion of timber that is reused Source a minimum of 60% of all timber from certified sources and ensure all timber is purchased from legal sources
Monitor and, where possible, reduce energy consumption in common parts. Investigate opportunities for the use of renewable energy	Absolute energy consumption increased throughout the wholly owned and managed portfolio by 6% as a result of increased activity across the portfolio. 40% of the portfolio sourced 100% renewable energy and 40% sourced energy from suppliers with above average renewable sources	Achieve a year on year 3% energy reduction throughout the portfolio 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	All the schemes that reported achieved target of a minimum of 80% recycled construction and demolition waste. An average of 97% of waste by weight was diverted from landfill.	Aim to reuse or recycle a minimum of 80% non hazardous demolition and construction waste.
Portfolio waste: Recycle a minimum of 40% at Carnaby and Seven Dials and divert 90% from landfill Recycle a minimum of 30% at Longmartin and divert 90% from landfill	In Carnaby and Seven Dials 47% of tenants' waste was recycled and the remainder was diverted from landfill to energy from waste At Longmartin 39% of tenants' waste was recycled, including food waste composted, and the remaining waste was diverted from landfill to energy from waste	Recycle 40% of tenants' waste at Carnaby, Seven Dials and Longmartin and divert a minimum of 90% of waste from landfill
Improve biodiversity appropriate to the Group's urban location	Joined the Wild West End and continuing to maximise the benefits of using planters and other features through appropriate species selection	Continue membership of Wild West End and increase number of biodiversity features throughout the portfolio

OBJECTIVE	ACHIEVED IN 2015	TARGETS FOR 2016
Stakeholders and our local community		
Maintain membership of various benchmarking indices	Membership of DJSI, Carbon Disclosure Project and FTSE4Good. Participated in GRESB and achieved Green Star Status. EPRA Sustainability reporting Silver award against EPRA reporting requirements Signatory to UN Global Compact	Continue participation in UNGC, 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 2.2% of EPRA pre tax earnings	Continue membership of London Benchmarking Group and further develop benchmarking measurements for reporting
Continue to maintain regular liaison with tenants	Undertook tenant satisfaction surveys in Seven Dials and Carnaby with a 74% overall satisfaction rate Ongoing subsidised offer of membership to the Sustainable Restaurant Association which is included within the Heads of Terms of the leases as a requirement for all new tenants	Repeat tenant satisfaction surveys for Seven Dials and Carnaby and extend to other parts of the portfolio
Ensure all refurbishment schemes above a specified 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 34 out of 50	Continue to achieve 30 out of 50 (above a 'satisfactory' score).
Employees		
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 accidents and incidents throughout the Group's activities
Comply in all respects with key applicable employment legislation	56% of staff are female of which 50% are in senior positions and 30% of the board are female Again the company has had no staff turnover	Continue to measure and improve relevant employment metrics and adhere to the Principles of the RICS Inclusive Employer Quality Mark

Glossary of terms

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 period 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.

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, including 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.

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.

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 period.

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 and chargeable gains relating to the rental business, providing certain criteria obligations set out in tax legislation are met.

The Office of National Statistics (ONS)
The ONS is the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to the UK Parliament. It is charged with the collection and publication of statistics related to the economy, population and society of the UK.

Topped up initial yield
An adjusted initial yield which assumes rent free periods or other unexpired lease incentives, such as discounted rent periods and step ups, have expired.

Total property return
Net property income and the valuation movement and realised surpluses or deficits arising from the portfolio for the year expressed as percentage return on the valuation at the beginning of the period adjusted for acquisitions and capital expenditure.

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 period.

Design: SG Design (sg-design.co.uk)

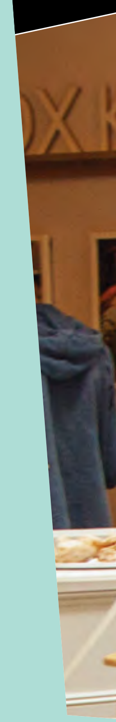
Printed: Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average, 99% of any waste associated with this production will be recycled.

This document is printed on Heaven 42, a paper containing 100% virgin fibre sourced from well managed, responsible, FSC® certified forests. Some pulp in this product is bleached using both elemental chlorine free (ECF) process and using a totally chlorine free (TCF) process.

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C001785



Shaftesbury PLC
22 Ganton Street
Carnaby
London W1F 7FD

T: 020 7333 8118

shaftesbury.co.uk