Shaftesbury PLC Annual Report 2012

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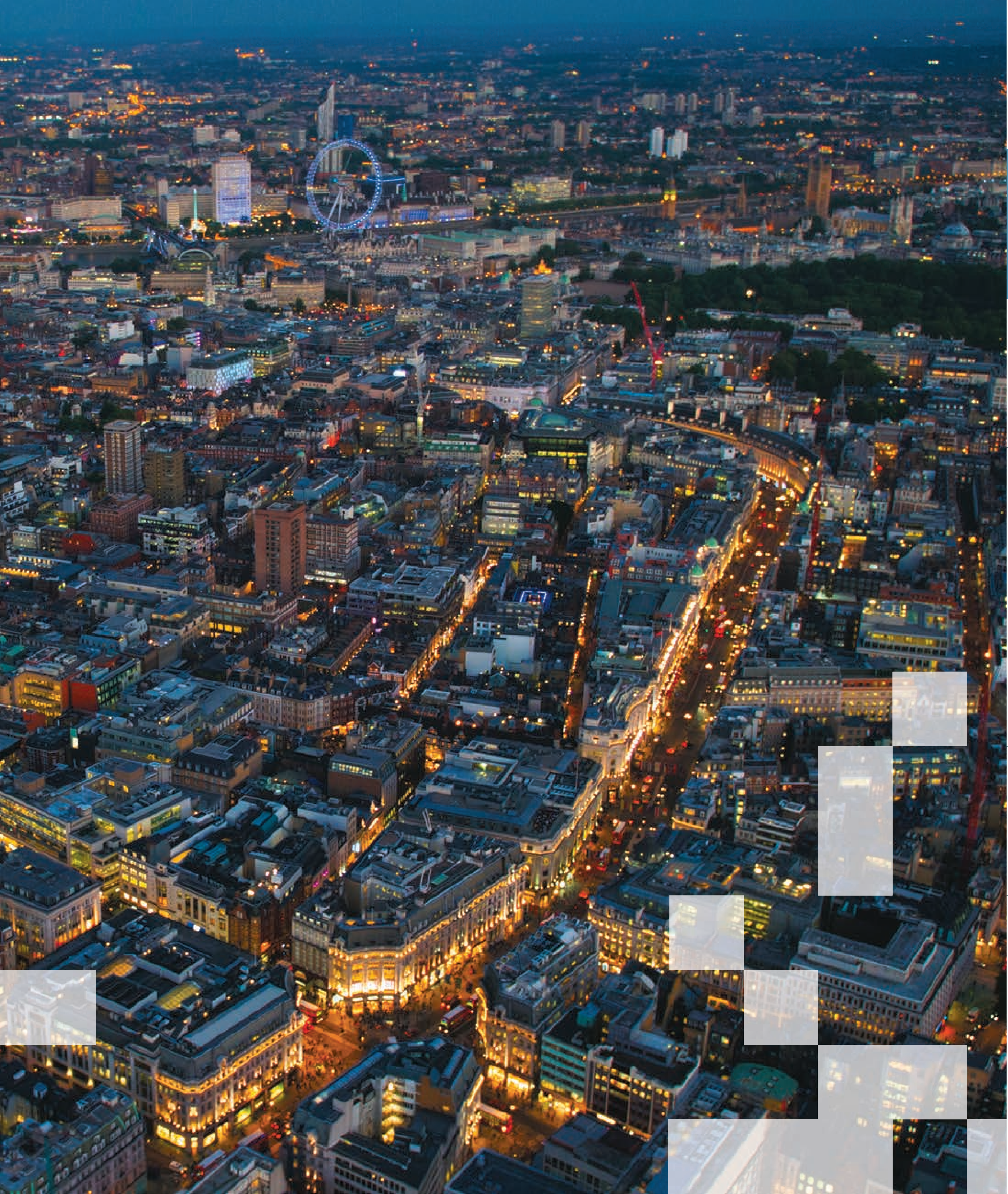


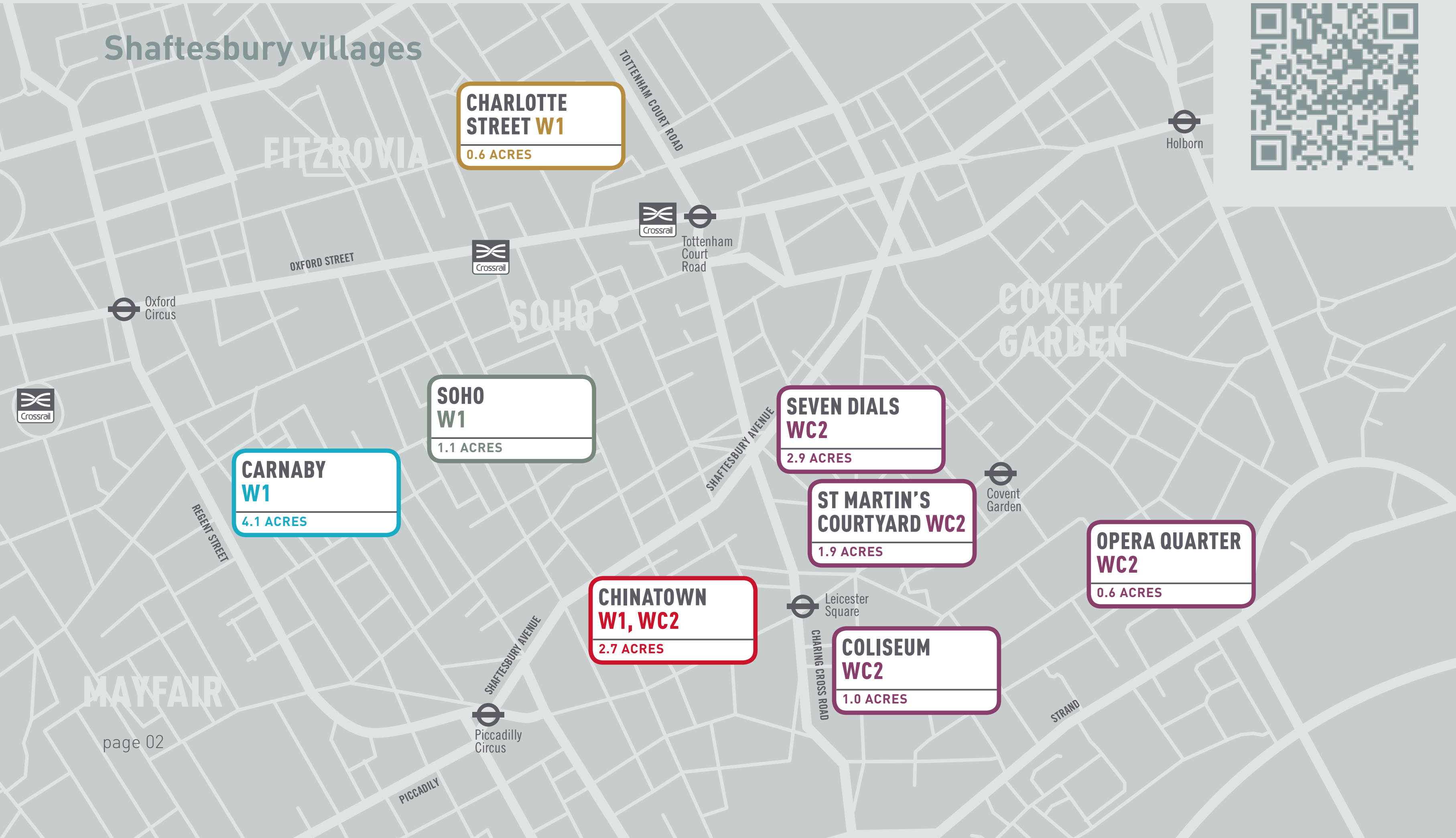
Shaftesbury at a glance

We invest in real estate in London's West End, a location which has many unique features which bring prosperity, resilience and opportunity to the local economy. We focus on central locations close to a renowned concentration of world-class attractions which, together with unmatched shopping and leisure choices, attract huge numbers of domestic and overseas visitors.

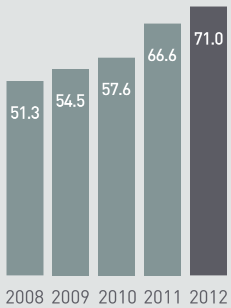
Our wholly owned holdings now extend to 13 acres of freeholds, across more than 500 buildings, and comprise 1.57 million sq.ft. of commercial and residential space. The Longmartin joint venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden with 269,000 sq.ft. of mixed-use space. Shops, restaurants, bars and leisure space now account for 72% of our current income, whilst offices provide 16% and apartments 12%.

Our portfolio is now valued at £1,828.2 million.

Shaftesbury villages



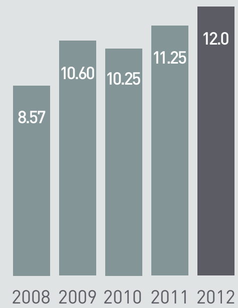
financial highlights



NET PROPERTY INCOME

£71.0 million up 6.6%

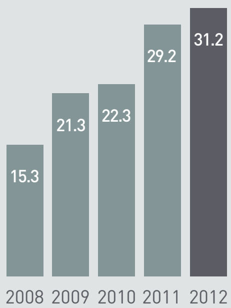
2011: £66.6 million



DIVIDENDS DECLARED IN RESPECT OF FINANCIAL YEAR†

12.0p per share up 6.7%

2011: 11.25p per share



EPRA ADJUSTED PROFIT BEFORE TAX*

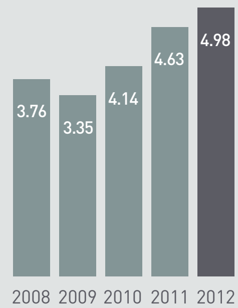
£31.2 million up 6.8%

2011: £29.2 million

EPRA ADJUSTED DILUTED EARNINGS PER SHARE*†

12.1p per share up 1.7%

2011: 11.9p per share



EPRA ADJUSTED DILUTED NET ASSET VALUE*†

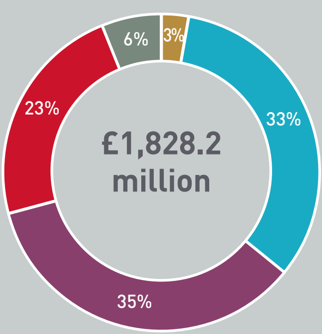
£4.98 per share up 7.6%

2011: £4.63 per share

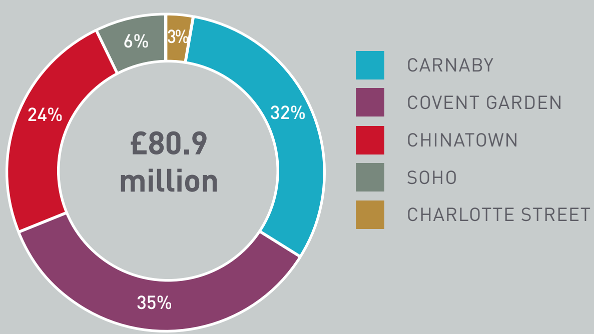
* Adjusted in accordance with the EPRA Best Practice Recommendations. See pages 34 and 35 for a reconciliation to reported numbers.

† 2008 and 2009 EPS/dividends per share and 2008 NAV are adjusted to take into account the Rights Issue in 2009.

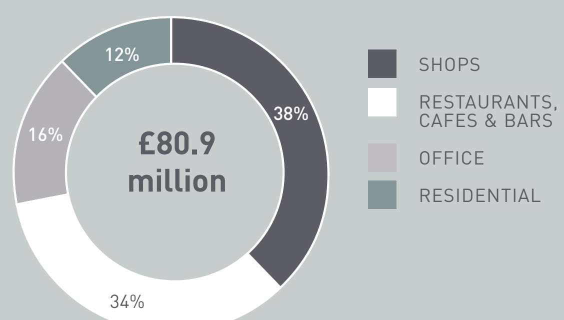
VILLAGES BY FAIR VALUE‡



VILLAGES BY CURRENT INCOME‡



USE BY CURRENT INCOME



‡Data includes our 50% share of the Longmartin joint venture.

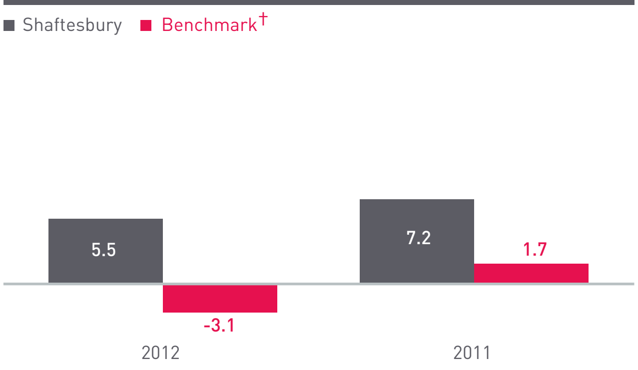
a bit of retail therapy

results overview

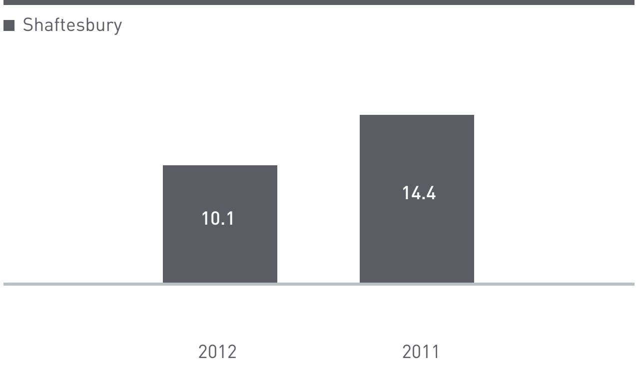
FINANCIAL HIGHLIGHTS		2012	2011	Change
Net property income	£m	**71.0**	66.6	**+6.6%**
Property assets at fair value	£m	**1,828.2**	1,678.5	**+8.9%**
Loan-to-value		**30.5%**	29.5%	
EPRA adjusted results*				
Profit before tax	£m	**31.2**	29.2	**+6.8%**
Diluted earnings per share	Pence	**12.1**	11.9	**+1.7%**
Net assets	£m	**1,259.1**	1,164.0	**+8.2%**
Diluted net asset value per share	£	**4.98**	4.63	**+7.6%**
Dividends				
Interim dividend per share	Pence	**5.95**	5.50	**+8.2%**
Final dividend per share	Pence	**6.05**	5.75	**+5.2%**
Total distribution declared in respect of the financial period	£m	**30.3**	28.4	**+6.7%**
Unadjusted results				
Profit before tax	£m	**94.8**	115.7	**-18.1%**
Diluted earnings per share	Pence	**36.8**	47.0	**-21.7%**
Net assets	£m	**1,119.4**	1,053.7	**+6.2%**
Diluted net asset value per share	£	**4.43**	4.19	**+5.7%**

* Adjusted in accordance with the EPRA Best Practice Recommendations.

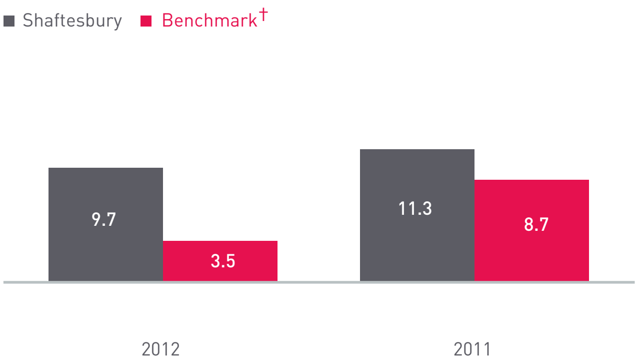
PROPERTY CAPITAL VALUE RETURN (%)



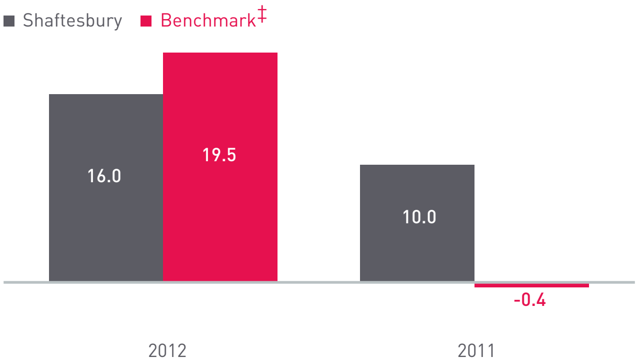
NAV RETURN (EPRA NET ASSETS) (%)



TOTAL PROPERTY RETURN (%)



TOTAL SHAREHOLDER RETURN (%)



† IPD UK Monthly Indices: Capital Growth and Total Return
‡ FTSE 350 Super Sector Real Estate Index

chairman's statement

This time last year we looked ahead to a year of great opportunity for London. Now, in this, my last statement as Chairman, I am delighted to report that 2012 has been a truly memorable year for our city. Following the Diamond Jubilee celebrations, the Olympics and Paralympics put London firmly in the world's spotlight. The successful staging of these major events has greatly enhanced London's reputation and should attract more visitors and businesses, particularly to the West End, in the years ahead.

Our EPRA profit before tax for the year ended 30 September 2012 amounted to £31.2 million, an increase of £2.0 million or 6.8%. Demand for all uses across our portfolio has remained strong, resulting in continuing low levels of space available to let, and rising rental income and ERVs. As we expected, the major events in London did result in some short-term disruption, particularly to West End visitor numbers, but there has been no discernible effect on our business.

Your directors are pleased to recommend a final dividend of 6.05p per share, bringing the total payable in respect of the financial year to 12.0p per share. This compares with 11.25p last year and represents an increase of 6.7%. The total distribution will amount to £30.3 million (2011: £28.4 million).

Our portfolio, which has been valued at £1,828.2 million, delivered a capital value return of 5.5%, through a combination of rising current income, growth in ERVs and yield improvement of 14 basis points. This is in contrast to our benchmark, the IPD Monthly Index, which reported a fall in capital values of 3.1%.

EPRA diluted NAV per share stood at £4.98 at 30 September 2012, an increase of 35p or 7.6% over the year. The increase before distributions to shareholders amounted to 46.7p or 10.1%.

Our shares delivered a Total Shareholder Return over the year ended 30 September 2012 of 16.0%. This compares with a return of 19.5% reported by the FTSE 350 Super Sector Real Estate Index. We have out-performed our benchmark index for a number of years so that, with a general narrowing of share price discounts in the sector during the period, a year of relative under-performance in Total Shareholder Return is unsurprising.

Property acquisitions during the year totalled £44.0 million. Our acquisition strategy continues to be focused both geographically and in the type of buildings which interest us. Inevitably, in our prosperous locations owners remain reluctant to sell and there is always competition from others seeking to invest.

In December 2011 we added £60.0 million to our financial resources through a 15-year loan at a fixed rate of 4.43% in the Longmartin joint venture. At the year end we had committed undrawn facilities of £139.3 million. With conservative gearing, and secure and rising income, we are well placed to fund the continuing expansion of our portfolio.

The year has seen a number of important changes in the membership of the Board.

In October 2011 Brian Bickell, previously our Finance Director, became Chief Executive. He was succeeded as Finance Director by Christopher Ward, who joined the Board in January 2012.

John Emly, a non-executive director since 2000, retired in February 2012. In July 2012 we announced the appointment, effective from 1 October 2012, of Dermot Mathias and Sally Walden as non-executive directors. Both have valuable corporate and real estate experience which will usefully augment the Board's skills, knowledge and outlook.

Early in 2012 I advised the Board that I would retire following the annual general meeting in February 2013. After consultation with major shareholders, the Board resolved that Jonathan Lane, our Chief Executive until last year and currently executive Deputy Chairman, will succeed me as non-executive Chairman. Jonathan's knowledge and contribution to the progress of our business over 26 years means he is uniquely well-qualified to lead the Board in the years ahead.

I was appointed to the Board in 1997 and became Chairman in 2004, succeeding our founder Chairman, Peter Levy. My time at Shaftesbury has been great fun and I am glad to say that the Company and its shareholders have prospered. It has been a privilege to work with talented and delightful people and I know that the Company will continue to thrive in excellent hands.

It is clear that the UK and other western economies will continue to face structural challenges for some considerable time. Uncertainty regarding the timing and pace of recovery is causing subdued business and consumer confidence. However, with its unique status as a leading global city, London attracts businesses, visitors and those who wish to live here from across the world, underwriting the long-term prospects for continuing prosperity in the West End. I am confident that, with our proven strategy and long experience of this exceptional location, our portfolio will continue to deliver attractive long-term returns for our shareholders.

John Manser
Chairman

29 November 2012

performance

chief executive's report

This has been a year of solid progress for Shaftesbury, reflected in good growth in our income and profits, and a rise in the value of our portfolio.

Nationally there are signs of economic stability but no early prospects of a return of sustained economic growth. In contrast, London's West End continues to be busy and prosperous. Sustained good demand and occupancy for all our uses underpin our growing rental income, which this year has risen by £5.6 million to £81.0 million.

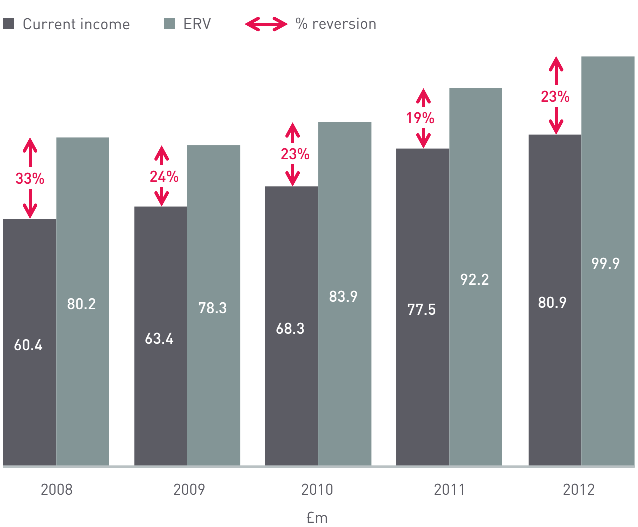
EPRA adjusted profit for the year increased by £2.0 million to £31.2 million. EPRA adjusted diluted net assets per share at the year end stood at £4.98, an increase of 7.6% over the year after payment of dividends.

PORTFOLIO PERFORMANCE

Our portfolio has been valued at 30 September 2012 at £1,828.2 million, producing a surplus on revaluation of £90.2 million. The ungeared capital value return was 5.5%, which contrasts with a decline of 3.1% recorded by the IPD Monthly Index over the same period. Our portfolio delivered a total return of 9.7% compared with 3.5% reported by the IPD Monthly Index.

The objective of our management strategy is to deliver sustained growth in rental income which is the fundamental driver of long-term growth in property values. We have reported steadily rising income over many years and this year is no exception.

PORTFOLIO REVERSIONARY POTENTIAL



At 30 September 2012 our portfolio produced annualised current income of £80.9 million, an increase over the year of £3.4 million. Eliminating the impact of acquisitions, on a like-for-like basis rents receivable rose by 2.5% this year, which follows last year's exceptional increase of 7.5%. Our rents have risen through a combination of lettings, lease renewals, rent reviews and schemes but their effect has been offset by a planned increase in vacant space, particularly in Carnaby, as we prepare for major new schemes.

Importantly the ERV of our portfolio increased over the year by £7.7 million to £99.9 million, of which acquisitions contributed £2.2 million. The like-for-like increase in ERVs was 6.0%, including £2.0 million from the two large new Carnaby schemes.

The reversionary potential of our portfolio now stands at £19.0 million, of which £17.0 million is attributable to our wholly owned portfolio and £2.0 million arises in the Longmartin joint venture's holdings. Of the total reversion, £4.6 million will be added to current income on the expiry of contracted rent free periods and £6.8 million will be crystallised on the letting of space currently vacant which includes schemes now in hand. £7.6 million of the reversionary potential should be realised through the normal cycle of rent reviews and future lettings, bringing rents to market levels currently estimated by our valuers.

Shops, restaurants and leisure uses account for 69% of total ERV and 67% of the reversion which is not yet contracted. In the West End there is a long history of sustained and growing demand for these uses but their availability is restricted, partly as a result of local planning policies. Our experience is that in our locations demand and rental values for these uses are not cyclical, which gives us confidence we shall realise their reversionary potential. At the same time, we expect our management strategies will continue to deliver long-term growth in rental values.

The equivalent yield attributed by our valuers to our wholly owned portfolio at 30 September 2012 was 4.79%, compared with 4.93% at the last year end and 4.92% at 31 March 2012. The overall 13 basis points improvement in yields in the second half of the year reflects strong sustained investor demand for secure, well-let investments in our locations, particularly from those who are less reliant on debt to finance their purchases. There are no signs of this demand abating.

DTZ, the valuers of our wholly owned portfolio, have again commented in their report on the concentration of a high proportion of our properties in adjacent or adjoining locations within our principal villages and the dominance of retail and restaurant uses. They advise that, as a consequence of these unusual factors, some prospective purchasers may consider that parts of the wholly owned portfolio, when combined, may have a greater value than that currently reflected in the valuation that we have adopted in our results.

This year, Carnaby, which represents 33% by value of our portfolio, delivered a capital value return of 7.3%, driven by progress on two important new schemes and a growing reversion across all uses. Our wholly owned holdings in Covent Garden (28% of our portfolio) returned capital growth of 4.5%, benefiting from the completion and letting of a number of schemes, strong demand for restaurants and improved residential values. Chinatown (23% of our portfolio) grew in value by 5.3% largely as a result of uplifts in restaurant values, the dominant use in this location. As in previous years, an absence of transactional evidence in these fully let holdings tempered ERV growth.

Our holdings in Soho (6% of our portfolio) delivered a capital value return of 0.9%. This modest performance is unsurprising as our long-term plans to assemble ownerships and bring improvements to this busy but run down area are still in their early stages. In Charlotte Street (3% of our portfolio), values grew by 3.7% as rental tones for restaurants improved and residential values rose.

Longmartin's portfolio delivered a capital value return of 5.7%. The equivalent yield attributed by its valuers was 4.73%, an improvement of 7 basis points over the year (30 September 2011: 4.80%). Current income has improved as rent free periods have expired and we have seen ERV growth of 4.3% across its mixed use portfolio.

ACQUISITIONS

As we have noted previously, other owners in our prosperous areas are understandably reluctant to sell assets which they will find difficult to replace. When properties do come to the market there is always considerable interest from a variety of potential bidders, often financed with substantial equity rather than debt.

We continue to be very focused in the locations we invest in and the types of building we seek to acquire. We apply strict criteria when considering potential acquisitions to assess their particular potential as well as their impact on our existing holdings.

This year our acquisitions totalled £44.0 million, in line with the average level in the previous four years of £46.0 million. Of this year's purchases £29.5 million was in Soho, £8.9 million in Charlotte Street, £3.1 million in Chinatown and £2.5 million in Covent Garden. Our acquisitions included six restaurants and bars, fifteen shops, 3,500 sq. ft. of offices and eleven apartments.

CAPITAL EXPENDITURE

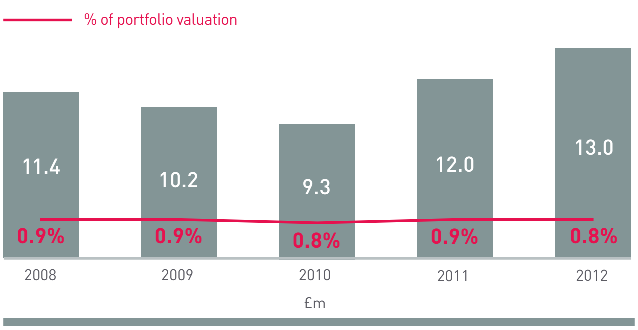
The capital expenditure we bear is generally modest in relation to the overall size and value of our portfolio. Low costs of obsolescence in the buildings we own is an important factor in the good long-term returns our portfolio delivers.

In the case of our dominant uses of retail, restaurant and leisure, we provide space in shell form and tenants are responsible for the costs of fitting out and obsolescence. We also find obsolescence costs are modest in our residential holdings, as we create apartments to a high standard at the outset.

This year capital expenditure totalled £14.9 million of which £13.0 million arose in the wholly owned portfolio and £1.9 million in the Longmartin joint venture. The total represents 0.8% of the portfolio's valuation. The range of schemes during the year included extending retail and restaurant space, creation of new apartments, refurbishing offices, and contributions to public realm improvements across our villages. At any one time we usually have over 30 schemes at various stages from initial ideas, seeking planning approval, awaiting vacant possession or under construction.

With our concentrated ownerships, individual schemes frequently have a beneficial impact on adjacent holdings, bringing cumulative and compound improvements to an area.

CAPITAL EXPENDITURE (WHOLLY OWNED PORTFOLIO)



DEMAND AND OCCUPANCY

Demand for all uses, and across all of our locations, has been generally strong throughout the year. As we anticipated, there was a reduction in enquiries during July and August but interest is now back to an extremely good level. Occupancy levels across the portfolio have remained high throughout the year. New commercial lettings totalled £5.2 million, including £1.6 million from our scheme at 36/39 Carnaby Street which completed at the end of 2011.

The ERV of commercial space in the wholly owned portfolio held for or under refurbishment at the year end amounted to £2.6 million, equivalent to 3.2% of commercial ERV. Of this, £0.8 million related to the first of our schemes in Foubert's Place in Carnaby, which is now under way.

Following completion of the development of 36/39 Carnaby Street in 2011, the level of vacant space under refurbishment fell but has risen recently with the commencement of the first scheme in Foubert's Place. We expect the level to rise further as we start our second scheme here at the beginning of 2013.

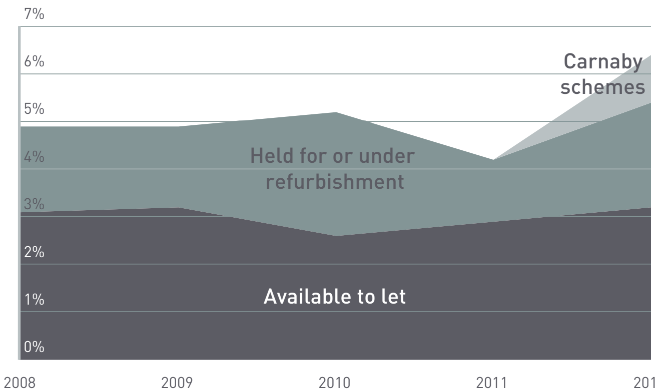
Available commercial space in our wholly owned portfolio has averaged around 3% of commercial ERV over recent years and 2012 is no exception.

At the year end the rental value of available vacant commercial space in the wholly owned portfolio amounted to £2.6 million, representing 3.2% of commercial ERV, of which £0.5 million was under offer. Five large shops (rental value over £100,000 per annum) with a total ERV of £1.0 million were vacant, three of which are now under offer and we have interest in the remaining two.

Fourteen of our 424 wholly owned apartments were vacant and ready to let at year end, reflecting the good level of occupancy we have seen throughout the year. The total includes 38 apartments, with an ERV of £0.8 million, which were being refurbished or were under construction.

In the Longmartin joint venture, 13,000 sq. ft. of offices (ERV £0.8 million) were under offer at the year end and have now been let. One shop (ERV £0.1 million) was vacant.

VACANT COMMERCIAL SPACE - % OF COMMERCIAL ERV (WHOLLY OWNED PORTFOLIO)



VACANT COMMERCIAL SPACE AT 30 SEPTEMBER 2012 (WHOLLY OWNED PORTFOLIO)

Held for or under refurbishment	Shops	Restaurants and leisure	Offices	Total	% of total ERV
Major Carnaby schemes					
ERV - £million	0.8	-	-	**0.8**	**1.0%**
Area - '000 sq.ft.	8	-	-	**8**	
Number of units	3	-			
Other schemes					
ERV - £million	0.3	0.7	0.8	**1.8**	**2.2%**
Area - '000 sq.ft.	5	12	16	**33**	
Number of units	7	7			
Available					
ERV - £million					
Ready to let	1.6	0.3	0.2	**2.1**	2.5%
Under offer	0.4	-	0.1	**0.5**	0.7%
	2.0	0.3	0.3	**2.6**	**3.2%**
Area - '000 sq.ft.	21	4	7	**32**	
Number of units	21	7			

LOOKING AHEAD

We have always held the view that the greatest benefits to London of this year's major public events will be felt in the years ahead. The hosting of what are widely regarded to be the most successful Olympics and Paralympics in their history has greatly enhanced the profile and reputation of London and the West End across the world. The ability to stage successfully such complex events is an achievement in which we should all take pride.

It is no coincidence that since mid-September the West End has become even busier and we are seeing unusually high levels of interest from retailers, restaurateurs and other businesses seeking to come to our areas.

Against this background of strong demand, we are continuing to identify and advance numerous schemes to improve the accommodation we offer, particularly with important projects in Carnaby which are now in hand. In the short-term these projects will temper the growth in our income, particularly in the period to 2014, but they will bring important benefits in the medium-term.

Inevitably, in such prosperous locations as ours, opportunities to add to our holdings will continue to be limited. However, we maintain our focused and disciplined approach to acquisitions which have always been opportunistic and difficult to predict.

The West End continues to attract substantial investment through public projects such as Crossrail as well as private investment in major schemes to develop new buildings and improve areas around us. We welcome all such initiatives and commitments which bring more people – visitors, a growing working population and residents – to the West End.

We are committed to further investment to improve the public realm in our locations.

In the period leading up to the 2007/2008 banking crisis we put in place debt facilities which have proved to be highly beneficial. Inevitably, as some of these facilities come closer to expiry in 2016, they will be replaced with arrangements which are more expensive than those we currently enjoy. With our very secure assets we are well placed to attract long-term finance, as we did in December 2011 with the £120 million 15-year facility we raised in the Longmartin joint venture. In order to take advantage of long-term rates, now at historically low levels, we are considering the early refinancing of some of our current arrangements. Although this will impact our profits in the short-term it will maintain our finances on a stable long-term footing.

Over the last 26 years we have assembled an exceptional portfolio in the prosperous heart of one of the world's most exciting cities. We have a small, highly committed team with a long experience of the West End, and we are supported by an equally experienced and enthusiastic team of advisors who share our philosophy and goals. Together we have an innovative approach to the management of our portfolio, and I am confident our business will continue to evolve and respond to the opportunities and challenges which lie ahead.

Brian Bickell
Chief Executive

29 November 2012

a spot of lunch... inside?

or outside?

business review

WHAT DO WE DO?

We invest in real estate in London's West End, a location which has many unique features which bring prosperity, resilience and opportunity to the local economy. We focus on central locations close to a renowned concentration of world-class attractions which, together with unmatched shopping and leisure choices, attract huge numbers of domestic and overseas visitors.

Our strategy is to:

- Produce sustainable growth in our revenue through long-term investment in, and management of, our property holdings;
- Deliver this growing income stream to shareholders through dividends; and
- Increase the value of our portfolio and of shareholders' investment in our business through a combination of rising income and a concentration on uses which have low levels of obsolescence.

WHY LONDON'S WEST END?

London is one of the world's principal global cities. Its long and exceptional history has created a major location for business as well as an unrivalled variety of heritage and cultural attractions. For generations these unique features have attracted commerce and visitors from all parts of the world, bringing prosperity to the city. Its international appeal means it has a broad economic base which is not reliant on the fortunes of the UK economy alone.

Shaftesbury's management team has a long history of working in the West End. Our experience has been that, as a result of the West End's particular features, real estate in our central locations has shown great resilience. Constrained supply of commercial space, tight planning regulations and demand from a wide variety of occupiers underpin the rental growth prospects and value of our portfolio. Historically, during downturns in the economy or the property market, tenant demand and rental levels, particularly for non-office uses, have been much less affected, and capital values have been much more stable than the wider market.

HOW IS THE WEST END EVOLVING?

The West End's many unique features and attractions have evolved over many generations so that it is now a world-class international tourist destination as well as a mecca for Londoners and visitors from across the UK. It is also an important business centre, particularly for the fashion, media, creative and information technology sectors.

To maintain its wide appeal and continue its record of prosperity, the West End continues to evolve in response to an ever-changing world. It has to meet the rising expectations of those who choose to spend their leisure time here, as well as providing accommodation and the infrastructure required by businesses.

Westminster City Council has recently established a commission to consider the unique operational and strategic challenges faced by the West End. In 2013, it will make recommendations for a long-term framework of policies to ensure the West End continues to meet the needs and expectations of all stakeholders as a place to visit, work and live.

Areas in and around the West End continue to attract considerable investment both in buildings and infrastructure. There are important schemes under way to add to the availability of good-quality office accommodation to cater for the growing number of national and international businesses seeking a base in the West End. Those offices add to the very important local working population of often younger, affluent people who are potential customers for our shops, restaurants, cafes and bars.

LONDON AND THE WEST END

London

- Fifth largest city in the world by GDP
- Largest city in Europe in terms of population and GDP
- One of the largest financial centres in the world
- Generates 30% of United Kingdom GDP
- Current population of 8.2 million and growing
- A multicultural city – 300 languages spoken
- Circa 55% of population under 35
- Attracts more international visitors than any other city in the western world
- An extensive and growing public transport network

The West End

- Estimated 200 million visits annually
- Favourite destination for Londoners and 20 million people in Southern England who are easily able to visit for the day
- World-class visitor attractions – palaces, parks and historical sites
- Unrivalled cultural facilities – over 38 theatres, cinemas, world-class museums and galleries
- Choice of shops and restaurants unmatched by any other city in the world
- A large local working population – a location particularly for media and creative businesses

Accessibility to the West End is a key priority, particularly in our locations. There are estimated to be some 200 million visits to the West End annually and Heathrow alone handles around 35 million passenger arrivals annually. An estimated 210 million passengers pass through the six underground stations closest to our villages every year. We welcome the considerable investment in the existing public transport network to improve capacity, reliability and passenger comfort.

The Crossrail project, which will be of great long-term benefit to the West End, is now under way. This major project will create a new east-west rail route through London, dramatically improving journey times from the provinces and London suburbs into the West End and relieving pressure on the existing transport network. Along with other stations on the route, both Tottenham Court Road and Bond Street stations are being rebuilt to provide significantly increased passenger capacity.

Whilst this much improved transport infrastructure will benefit the West End generally, the majority of our portfolio is within five minutes' walk of these two important interchanges. Our holdings in Seven Dials, Soho and Charlotte Street are close to Tottenham Court Road and its new entrance on Dean Street. Carnaby is close to the new entrance to Bond Street station on Hanover Square.

As well as delivering greater transport capacity, Crossrail is a catalyst for important regeneration around its stations and adjacent streets. Along the eastern end of Oxford Street there are already a number of major development schemes totalling around one million sq. ft. planned or under way.

WHAT DO WE OWN?

Our wholly owned portfolio extends to 13 acres of freeholds and comprises 1,566,000 sq. ft. of commercial and residential accommodation.

The Longmartin joint venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden which includes 269,000 sq. ft. of mixed-use accommodation.

Our ownerships are clustered in villages in the heart of the West End. 35% of our portfolio by value is in Covent Garden in the districts of Seven Dials, Coliseum, the Opera Quarter and St Martin's Courtyard, 33% is in Carnaby and 23% is in Chinatown.

In addition, we have growing holdings in Soho (6% of our portfolio) and in and around Charlotte Street (3%). The concentration of our ownerships in well-known locations, close to the West End's principal attractions reflects the importance of the visitor-based economy.

Our wholly owned portfolio comprises over 500 buildings, virtually all of which contain a mix of uses. Typically, lower floors contain our most valuable uses of retail, restaurants, bars and leisure which together provide 73% of current rental income. Upper floors are either offices, residential or a combination of both.

The areas in which we invest are long-established, with street patterns generally laid out between 1680 and 1720. They are mostly designated as conservation areas and over 20% of our buildings are listed as being of special architectural interest.

HOW DO WE ADD VALUE?

Our management strategy is based on creating long-term prosperity by establishing and fostering areas in which our commercial tenants are able to flourish and which provide desirable places to live.

Using our detailed local knowledge, gained over many years of investing in the West End, we identify well-located areas which have the potential to attract greater footfall and tenant demand because, to date, they have suffered from fragmented ownerships, lack of investment and the absence of a cohesive strategy for uses and tenant mix. Our acquisition strategy is to establish clusters of ownerships which allows us to address these problems through a long-term management strategy across each area. It provides us with great flexibility to accommodate a variety of uses appealing to a broad range of occupiers as well as bringing cohesion and consistency to streets and entire areas.

Reflecting the importance of shopping and leisure in the West End, we choose areas and buildings which have, or have the potential for, a predominance of these uses. Traditionally, demand for these uses has exceeded availability, providing a firm foundation for rental growth. Also, as we generally provide space for these uses to tenants in shell form, our costs of obsolescence are minimal.

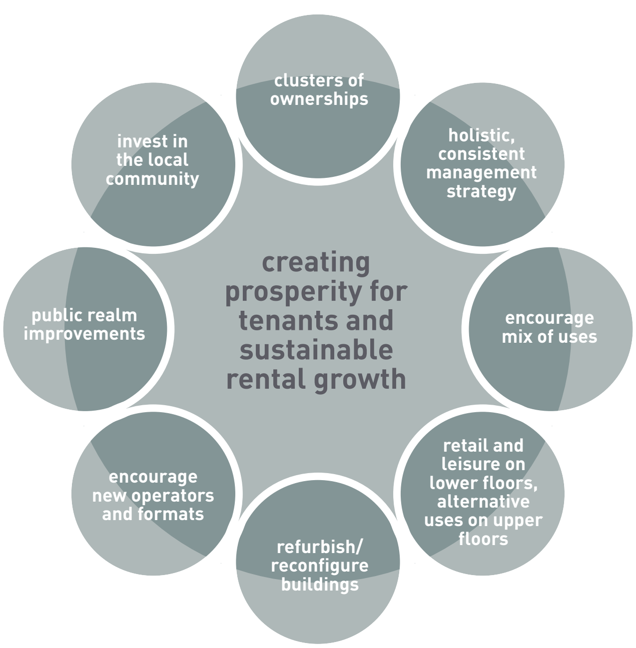
CROSSRAIL

- A £40 billion construction project involving thirteen miles of new tunnels, with seven major transport interchanges between Paddington and Canary Wharf
- High capacity trains – 1,500 seats – up to 24 trains per hour at peak times
- Forecast 200 million journeys annually
- West End will be within 30 minutes of Heathrow and 15 minutes from Canary Wharf
- Major interchanges in the West End at Bond Street and Tottenham Court Road
- Station construction will be completed in 2015-2017; first trains expected to run in 2018
- Adds 10% to London's transport capacity and relieves pressure on existing network

We acquire buildings which offer scope for improvement and have rental levels we consider to be modest. Through reconfiguration and refurbishment, we retain the particular characters of the historic buildings and the areas in which we invest whilst creating accommodation which meets the expectations of today's occupiers and provides an environment which attracts visitors, businesses and residents.

As long-term investors we take a consistent approach to the management of our holdings. In our experience a holistic strategy which fosters and advances all aspects of the character of our villages enhances their appeal. We develop our holdings through a combination of:

- Implementing a comprehensive long-term tenant mix strategy for the dominant retail and leisure aspects of the area, creating distinctive destinations to bring greater footfall and prosperity;
- Encouraging new retail and leisure concepts so that our areas respond to ever-changing tastes and expectations;
- Restoring the fabric of often dilapidated buildings, respecting their traditional features, but extending their useful lives to meet the requirements of modern occupiers;
- Wherever possible, maximising retail and leisure uses within the lower floors of individual buildings to create more efficient and accessible trading space;



- Introducing alternative uses for upper floors to replace smaller offices, which suffer from cyclical demand and obsolescence. In contrast, demand for residential accommodation in our lively, cosmopolitan central locations is growing, so we often convert upper floors to apartments, which we rent rather than sell; and
- Working with local authorities and community stakeholders to improve the public realm in and around our locations. We create safe and welcoming areas which meet the standards of a prosperous, high-profile urban location expected by tenants, their customers and employees, and local residents.

Our office is close to all our investments and we visit our villages every day. This allows us to have a regular dialogue with our tenants, whilst continually adding to our knowledge and understanding of the dynamics of our areas.

HOW DO WE APPROACH SUSTAINABILITY?

Our policy is to extend the useful lives of existing buildings wherever possible. We do this by restoring and preserving their fabric, improving their efficiency and reconfiguring space to meet the expectations of modern-day commercial and residential occupiers.

We invest in historic areas where street patterns were laid out around 300 years ago. In recognition of their collective grouping, as well as their special architectural and historic features, most of our buildings are in designated conservation areas and many are listed. The average age of our buildings is over 150 years. In our locations, we find older buildings offer much greater flexibility than modern structures. We have considerable experience in bringing them up to modern standards of efficiency whilst retaining their character. We introduce a variety of contemporary and appropriate uses to ensure the economic viability of our buildings is improved and sustained.

We work closely with Westminster City Council and the London Borough of Camden, within whose jurisdictions all of our properties are located. We promote and contribute to the costs of up-grading streets in and around our villages, giving priority to pedestrians and improving street lighting, public safety and security. In our experience, investing in public streets and spaces is an important catalyst for regeneration through increasing footfall and accessibility. A better public environment encourages visitors to spend more time in our villages, bringing greater prosperity to our commercial tenants, as well as benefiting the residential community.

In the day-to-day management of our holdings we place great emphasis on minimising the environmental impact of our operations. We work with our advisors and suppliers to ensure environmental standards and targets for improvement are established across our portfolio. Further information is set out in Corporate Responsibility on pages 42 to 46.

HOW DO WE ENGAGE WITH STAKEHOLDERS AND THE COMMUNITY?

We have regular contact with our tenants, community groups and other stakeholders in and around our areas. This provides us with the views of these diverse interest groups and important insights into the challenges faced by the West End, helping us to adapt our plans and co-ordinate with others.

We also work closely with the local authorities in our locations to help 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. Our leases are structured so that we can ensure that our tenants' operations do not detract from the reputation of the West End.

We work with stakeholders in the local community by supporting charities based in our areas and initiatives associated with social issues, community projects and the arts.

KEY PERFORMANCE INDICATORS (KPIs)

The charts on page 5 set out our performance against our chosen benchmarks: the IPD UK Monthly Indices and the FTSE 350 Super Sector Real Estate Index.

- **Property performance**

  Our key financial objectives are sustainable out-performance and growth in rental and capital values. There is no property performance index which relates specifically to a portfolio of mixed-use buildings such as ours. Therefore, we use the IPD UK Monthly Capital Value and Total Return Indices, which track all main commercial property categories across the UK, as our benchmark.

  We have continued to outperform the IPD monthly indices in 2012, as set out on page 5. Since 2007 our values have risen 5%, which is in contrast to our benchmark index which has reported a decline in capital values of 35% over the same period.

  The rental prospects of the portfolio are fundamental to long-term performance. The key non-financial performance indicators we use are the extent to which lettings exceed or meet the ERVs assessed by our valuers at the last valuation and letting space quickly to minimise vacancy. The Board is satisfied that, this year, growth in rents and ERVs has more than met its expectations and that lettings have been at or above valuers' estimates. The growth in rents and ERVs over the past five years is shown in the chart on page 8. Like-for-like growth in rents receivable in the year was 2.5%, bringing the five-year average to 4.8% p.a. ERVs grew on a like-for-like basis by 6.0% in 2012.

  Vacancy continues to remain at low levels, as shown in the chart on page 10, which shows the level of available to let vacancy over the past five years has been around 3%. Where space has become vacant, it has generally been let within acceptable periods.

- **Total Shareholder Return**

  Our Total Shareholder Return for the year was 16.0%, delivering returns of 56.4% and 318.7% over five and ten years respectively.

  By comparison, the FTSE 350 Super Sector Real Estate Index was up 19.5% for the year but was down 35.3% and up 66.8% over five and ten years respectively, as set out below and in the charts on page 62.

  Our demonstrable outperformance over the longer-term reflects the resilience and qualities of our portfolio and our record of delivering consistent income and capital growth.

TOTAL SHAREHOLDER RETURN %

	1 year	5 years	10 years
Shaftesbury	16.0	56.4	318.7
FTSE 350 Super Sector Real Estate Index	19.5	-35.3	66.8
Relative performance	**-3.5**	**+91.7**	**+251.9**

principal risks and uncertainties

The Group's strategy is to operate in a low-risk environment. We invest only in London's West End, where the property market has a long record of resilience and stability, we avoid major speculative schemes and we manage our Balance Sheet on a conservative basis.

Operational and financial risks facing the Group are monitored through a process of regular assessment by the executive team and reported to and discussed at meetings of the Audit Committee and Board.

Our principal strategic risks are those which might prevent us from achieving our goal of long-term sustainable growth in net rental income in our principal use of retail, restaurants and leisure.

RISK AND IMPACT	MITIGATION
RISK OF A SUSTAINED FALL IN VISITOR NUMBERS AND/OR SPENDING WHICH AFFECTS:	
1) The West End	
External threats	
Events which discourage visitors, such as threats to security or public safety due to terrorism, health concerns such as an influenza pandemic, or disruption to the public transport network on which the area depends, could reduce visitor numbers. Over time, if a fall in visitors was both sustained and significant, this could lead to a reduction in occupier demand and the rental potential and value of the Group's property assets.	Such events, which are faced by all high-profile locations such as London, are often beyond the Group's control, and are an inherent risk in the Group's geographically-focused investment strategy. However, the Group has an active policy of working with many local bodies and statutory authorities to maximise the safety of visitors to the West End and its villages. The Group has insurance in place which would meet the cost of physical destruction of its property assets resulting from a terrorist event, and would also reimburse the Group for up to four years' loss of income. We have detailed emergency response plans in place for each village. **+ Why London's West End? – page 14** **+ How is the West End evolving? – page 14**
Competing destinations	
Competition from other locations results in long-term decline in footfall and consequently rents and values.	The West End has an enduring appeal – it offers more than just a shopping destination. Its wide variety of theatres, cinemas, parks, museums, galleries and leisure venues mean that visitors can have an experience not available in any other destination. We ensure that our villages are kept special and different. We are not complacent and recognise that visitors have a choice of where to spend their leisure time. We monitor competing areas and seek out new concepts and ideas from around the world to keep our villages interesting for visitors. **+ Why London's West End? – page 14** **+ How is the West End evolving? – page 14** **+ How do we add value? – pages 15 and 16**
2) Our villages	
We fail to maintain the special character and/or tenant mix in our villages which is key to attracting visitors and potential occupiers. Our tenants' prosperity suffers because of a sustained consequential decrease in footfall which results in downward pressure on rents.	We have a consistent strategy on tenant mix, recognising that it needs to evolve over time. Nurturing, developing and promoting the unique character of our villages is a key aspect of our business model. We maintain a regular open dialogue with tenants, and, being close to our portfolio, we have a deep understanding of the environment needed by our tenants to prosper.

principal risks and uncertainties continued

RISK AND IMPACT	MITIGATION
2) Our villages continued	
	The Group invests in areas where rental values are initially low relative to surrounding areas. The overall village management strategies we adopt (eg tenant selection, village reputation management, refurbishment schemes, public realm improvements etc) are designed to create prosperous locations where higher rents are sustainable. Our management team is experienced and, with KPIs focused on rental growth, is incentivised to deliver sustainable growth in rents. The Board reviews village-by-village performance regularly. **+ How do we add value? – pages 15 and 16** **+ Key performance indicators - page 17**
REGULATORY RISK	
Increasing regulation and its unforeseen consequences gives uncertainty. Changes in national and local policies and regulation could increase costs, adversely limit our ability to optimise revenues and affect our values.	
Planning policies	
All of the Group's properties are located within the jurisdictions of Westminster City Council and the London Borough of Camden. Changes to their policies, particularly those relating to planning and licensing, could have a significant impact on the Group's ability to maximise the long-term potential of its assets.	The Group works closely with both local authorities to ensure that its properties are operated in a manner which complies with their local policies and statutes. The Group makes representations to both authorities regarding proposed policy changes so that its views and practical experiences are considered in framing policy. Income comes from a mix of uses so the Group is not reliant on one source of income. **+ How do we add value? – pages 15 and 16** **+ How do we engage with stakeholders and the community? – page 17**
Environmental regulation	
Legislation which is intended to bring about improvements to the environmental standards of buildings may impose obligations on owners of older buildings which conflict with the existing legal requirements governing conservation areas and listed buildings. Such legislation may restrict the future use of older buildings by making them subject to standards of environmental performance which cannot be met because the changes required would be inconsistent with existing legislation for listed buildings and conservation areas.	Our buildings, which on average are over 150 years old, are situated in historic areas of London's West End. All our villages are within conservation areas and many of our properties are listed as being of special architectural interest. We work with English Heritage and local authorities to improve the environmental performance of our buildings within the constraints imposed by current conservation area and listed buildings legislation. We are assisting with studies to identify new approaches to improving the environmental performance of older buildings and to develop refurbishment standards which are appropriate to their special status. **+ How do we engage with stakeholders and the community? – page 17** **+ Corporate responsibility – pages 42 to 46**

our portfolio

Virtually all our buildings contain a mix of uses. Lower floors comprise shops, restaurants, cafes and bars, which together provide 73% of our wholly owned current income. Upper floors contain offices, residential or a combination of both.

SHOPS

Our wholly owned portfolio includes 413,000 sq. ft. of retail accommodation across 330 shops, which provide 38% of current income. We have a wide range of unit sizes and rental tones which reflect the particular location of individual shops. We have 76 larger shops (rents in excess of £100,000 per annum) which provide 61% of current rental income. Our 254 smaller shops, which provide 39% of current income, complement our larger shops. They are an important element of the character and retail mix in our villages, providing shoppers with a wide variety of interesting formats.

Our large shops are generally let on leases of between five and ten years, whilst smaller shops are let for terms of three to five years. The weighted average unexpired lease length of our shops is five years.

We provide retail space in shell form for the tenant to fit out and refit as necessary over their period of tenure. We make no contribution to these costs but do grant appropriate rent-free periods to help tenants to establish their businesses.

Rents payable under the terms of the leases we grant are subject to review to current market levels during their term at a maximum of five-yearly intervals, or effectively on renewal if earlier.

The success of our retail destinations depends on maintaining their appeal to fashion-conscious shoppers. In today's world, new ideas and trends in fashion evolve at an ever-faster rate. We invest considerable time and effort in sourcing new retailers and concepts appropriate to each of our locations. Shorter and flexible leases enable us to respond quickly to shoppers' changing tastes and expectations.

RESTAURANTS, CAFES AND BARS

Within our wholly owned portfolio we have 232 restaurants, cafes and bars totalling 508,000 sq. ft. which provide 35% of our current income. Their weighted average unexpired lease term is twelve years.

As with our shops, these units are provided in shell form and we grant appropriate rent-free periods covering the fit out and initial trading period. Tenants' expenditure to fit out kitchens and trading space is substantial so leases are often granted for up to 25 years, and on terms which allow the tenant the right to renew on expiry of the term. This lease structure provides an incentive for tenants to invest for the long term. Rents are reviewed to market levels generally every five years during the lease term and at renewal.

In the locations we have chosen to invest in, planning policies have, for many years, restricted the creation of new restaurant space in order to preserve a balance with other commercial uses. In the West End's flourishing visitor economy, there is considerable demand for restaurant and leisure accommodation, such that leases for these uses provide a secure income for us as landlord. For the tenant they are a valuable asset so it is unusual for us to obtain vacant possession of our restaurants but, when we do, there is considerable demand from a wide range of potential occupiers. Often new operators will open in our locations by taking an assignment of a lease from an existing tenant, making a substantial initial investment by paying a premium to acquire the interest.

The extensive range of dining and leisure choices is a feature of the West End and is a draw for many visitors. As with our shops, we seek out and encourage new food and beverage concepts both from the UK and abroad to add to the appeal of our villages.

OFFICES

Offices in our wholly owned portfolio extend to 388,000 sq. ft. and provide 16% of current income with a weighted average unexpired lease term of three years.

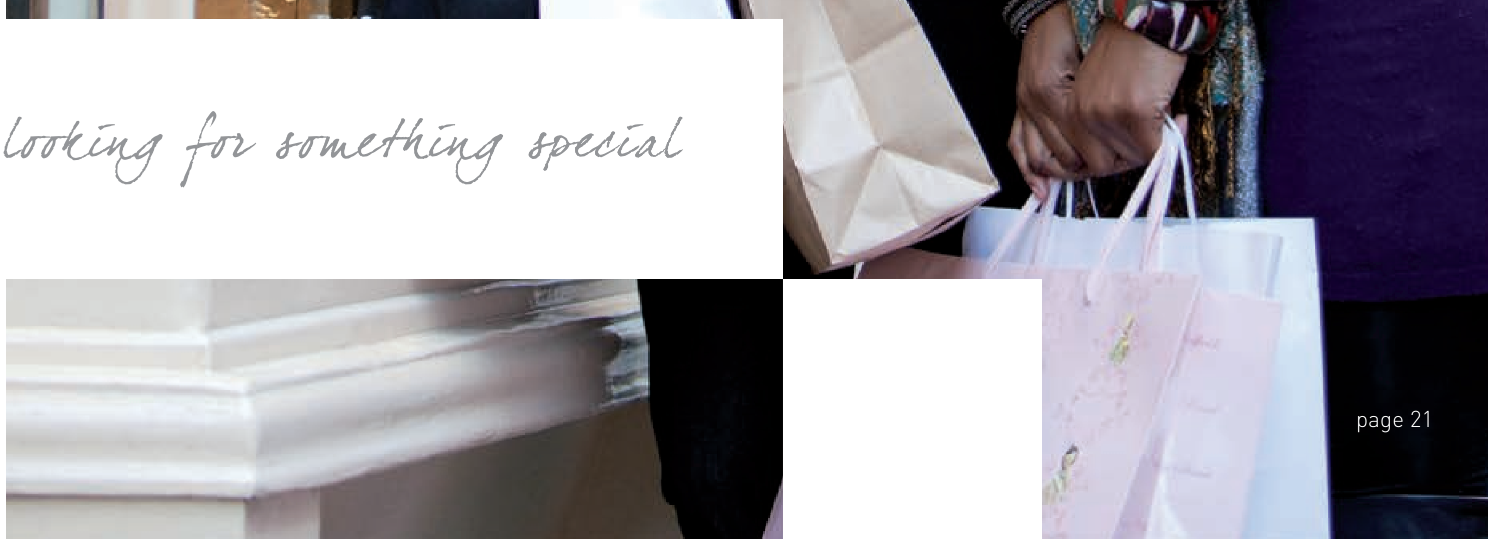
Offices are an integral part of the mix of uses, bringing an important working population who contribute to the local economy in our villages. However, in many of our older buildings, office floor plates are relatively small, and occupancy and rents are cyclical. Offices generally give rise to unavoidable costs of obsolescence for the landlord, particularly where leases are short. For these reasons we often seek alternative uses to replace offices where it is not practical to up-grade them to provide better space and more secure income.

58% by floor area of our offices are in Carnaby and include some of our more modern space. At an average of 1,500 sq. ft., they are relatively large compared with our other areas. There is a long-established concentration of occupiers from the fashion and creative industries which, in this location, to some degree counteracts the cyclicality of demand.

23% by floor area of our offices are in Covent Garden. We have some of our oldest and smallest buildings in this area so, over time, we have returned many upper floors to their original residential use. Today, residential area and income in Covent Garden exceed that of offices.

In Chinatown, which accounts for 9% of our office space, units are small (average size 600 sq. ft.) but are essential for the Far Eastern business community which is concentrated here.

looking for something special



pamper yourself

RESIDENTIAL

Our wholly owned portfolio includes 424 apartments, extending to 257,000 sq. ft., which provide 11% of our current income.

Many of our apartments have been created from the conversion of upper floors of our buildings, an important aspect of our strategy to extend the useful lives of existing buildings. A resident population in our villages is an important ingredient of the overall mix, bringing an additional strand of life and activity. We provide stylish, characterful apartments which appeal particularly to those who work or study close by and who appreciate the many benefits of living in our lively, central locations. In our experience, demand and occupancy is not cyclical and the costs of obsolescence are low.

Other than in exceptional situations, we do not sell our apartments as we believe to do so would inhibit the management flexibility necessary to realise the long-term potential of the valuable commercial uses in our buildings and villages. We find that letting not only provides a reliable and increasing source of income, but also adds to the vibrancy of the local residential community, making the area accessible to those who wish to live here but are unable or unwilling to buy.

LONGMARTIN

The Longmartin joint venture owns a 1.9 acre island site in Covent Garden. A major refurbishment and reconfiguration scheme, completed in 2011, created at its centre St Martin's Courtyard, a new shopping and restaurant destination in this busy location close to Leicester Square. Longmartin's portfolio comprises 23 shops (69,000 sq. ft.), eight restaurants and bars (43,000 sq. ft.), 102,000 sq. ft. of office accommodation and 75 apartments (55,000 sq. ft.). These uses share the characteristics of our wholly owned portfolio.

PORTFOLIO SUMMARY

Wholly owned portfolio	Fair Value £m	% of portfolio	Current income £m	ERV £m
Carnaby	610.1	33%	25.3	36.4
Covent Garden	508.5	28%	23.2	26.5
Chinatown	412.3	23%	19.4	20.6
Soho	118.0	6%	5.2	6.5
Charlotte Street	50.1	3%	2.5	2.6
Wholly owned portfolio	**1,699.0**	**93%**	**75.6**	**92.6**
Longmartin joint venture*	129.2	7%	5.3	7.3
Total portfolio	**1,828.2**	**100%**	**80.9**	**99.9**

*Group's 50% share.

	Wholly owned portfolio			Longmartin joint venture †		
	Number	Area sq.ft.	% of current income	Number	Area sq.ft.	% of current income
Shops	330	413,000	38%	23	69,000	46%
Restaurants, cafes and leisure	232	508,000	35%	8	43,000	19%
Offices		388,000	16%		102,000	16%
Residential	424	257,000	11%	75	55,000	19%
Total		**1,566,000**	**100%**		**269,000**	**100%**

† The Group has a 50% interest of the above.

carnaby.co.uk

carnaby

valuation
£610.1m

acquisitions during the year
£nil

capital expenditure during the year
£5.7m

capital value return
7.3%

Carnaby is our largest single village, which covers 4.1 acres across twelve streets. It has a number of high profile flagship stores as well as a wide variety of smaller, often independently owned shops. With a long-established focus on youth fashion, we are always seeking to introduce new retailers and concepts to refresh its appeal to occupiers and shoppers. We ensure the structure of our retail leases allows us to accelerate change, which is essential in a market where consumer tastes move quickly.

Carnaby has a world-renowned reputation for fashion retail, dating back to the early 1960s, when it became synonymous with "swinging London" and the emerging youth fashion and pop music culture. Shops currently provide 54% of current income, of which 73% comes from the 38 larger shops which front Carnaby Street itself. We continue to see considerable interest from retailers throughout Carnaby.

We have two important schemes in hand – one on site and one commencing in January 2013 – to add 12,500 sq. ft. of retail space on Foubert's Place, a busy pedestrian thoroughfare linking Regent Street and Carnaby Street.

On the north side of Foubert's Place, we are reconfiguring and extending existing shops to create three larger units totalling 10,800 sq. ft., of which 5,000 sq. ft. has been added from conversion of offices. The scheme will complete in early summer 2013, and we already have considerable interest in this much improved and extended space. We pre-let the remaining 15,000 sq. ft. of office space in Lasenby House to the adjacent Liberty department store for a term of 30 years. The estimated cost of the scheme is £4.25 million.

On the south side of Foubert's Place, we will commence work in January 2013 on an intricate development to demolish existing structures which link through to Kingly Street. An existing restaurant use will be relocated from Foubert's Place to a new 6,500 sq. ft. unit on Kingly Street, allowing us to introduce 7,500 sq. ft. of retail space to Foubert's Place itself. Upper floors of the scheme will include 7,000 sq. ft. of offices and twelve apartments. The scheme, which will complete in autumn 2014, is estimated to cost £13.5 million.

Restaurant and leisure uses are of growing importance, drawing footfall from busy areas in the vicinity. We have 44 restaurants, bars, and cafes across 83,000 sq. ft.

Kingly Street, which runs parallel to Regent Street to the west, and to Carnaby Street to the east, now has a much improved concentration of good quality restaurants following the pedestrianisation and repaving of the street in 2011. The northern end of the street will be further enhanced by the new large restaurant we will be creating in our Foubert's Place scheme. In Kingly Court we are now in the process of strengthening and adding to the food and beverage choices, introducing new, contemporary formats. In particular, we have secured consent to change 3,400 sq. ft. of retail space to restaurant use on the lower floors, which will be available for occupation in spring 2013.

Having completed the repaving of the western end of Ganton Street, from its junction with Kingly Street, in 2013 we will be carrying out an innovative new lighting scheme to further enhance the ambience of this busy leisure street.

Offices have always been an important aspect of the village, producing 26% of its current income. The area is popular with businesses from fashion retailing as well as those in the media, creative and IT sectors. Demand for space from these sectors remains strong. By the end of 2012 we will have 24,000 sq. ft. of office space with an ERV of £1.1 million under refurbishment, which will begin to become available in autumn 2013.

shops	restaurants and leisure	offices	residential
126	44		68
175,000 sq.ft.	83,000 sq.ft.	225,000 sq.ft.	42,000 sq.ft.
54% of current income	14% of current income	26% of current income	6% of current income

sevendials.co.uk

covent garden

valuation
£637.7m*

acquisitions during the year
£2.5m

capital expenditure during the year
£5.1m*

capital value return
4.7%*

* Includes the Group's 50% share of the Longmartin joint venture.

Covent Garden has a diverse and eclectic mix of commercial activities, cultural attractions and a flourishing residential community. Together with its historic street patterns and architecture, the area has a distinctive character and bohemian atmosphere which appeal to visitors. We foster and encourage the area's diversity and features, and welcome the efforts of neighbouring owners who share our approach.

Our wholly owned holdings in Covent Garden extend to 4.5 acres in the districts of Seven Dials, Coliseum and the Opera Quarter. Together with our 50% interest in the Longmartin joint venture, Covent Garden is our largest investment location.

Most of the shops in our wholly owned Covent Garden holdings are in and around Seven Dials, which is already benefiting from improved footfall from major new office schemes close by. Crossrail is fuelling a number of important developments in and around Tottenham Court Road which will raise further the profile of streets around Seven Dials as their importance as pedestrian routes grows. In anticipation, we are already refreshing the retail choice on Earlham Street and Monmouth Street. We are also liaising with the London Borough of Camden to bring forward traffic management and public realm improvements to create a more pedestrian-friendly environment.

Restaurants and leisure uses are an important aspect of Covent Garden's lively atmosphere, and are the dominant uses in our Coliseum and Opera Quarter districts. As in our other villages, we are keen to introduce new operators and concepts to improve the variety and quality of choices available. We are aware of considerable unsatisfied demand from independent operators and multiples from the UK and overseas who wish to open in these busy districts.

Our plans include reconfiguration and refurbishment of buildings to provide more efficient trading space for retailers and restaurant operators on lower floors, and often to convert upper floors to meet the continuing strong demand for apartments to rent.

Longmartin's St Martin's Courtyard, owned by our 50/50 joint venture with the Mercers' Company, is progressing well since its completion some 18 months ago. 71% of its retail income comes from the eight large shops which front Long Acre, part of an exceptionally busy and improved route between Regent Street, through Piccadilly Circus and Leicester Square to central Covent Garden. Footfall into the Courtyard is growing and, as visitor demographics evolve, we expect to instigate some changes to the initial retail mix. The five restaurants in the Courtyard and on St Martin's Lane are well established.

Longmartin's offices are fully let, having now completed the letting of 10,000 sq. ft. which was under offer at the year end. We are advancing a number of schemes to improve unmodernised buildings on the periphery of the site.

WHOLLY OWNED

shops	restaurants and leisure	offices	residential
104	84		178
130,000 sq.ft.	156,000 sq.ft.	91,000 sq.ft.	109,000 sq.ft.
36% of current income	33% of current income	14% of current income	17% of current income

LONGMARTIN JOINT VENTURE

shops	restaurants and leisure	offices	residential
23	8		75
69,000 sq.ft.	43,000 sq.ft.	102,000 sq.ft.	55,000 sq.ft.
46% of current income	19% of current income	16% of current income	19% of current income

chinatownlondon.org

chinatown

valuation
£412.3m

acquisitions during the year
£3.1m

capital expenditure during the year
£1.0m

capital value return
5.3%

Chinatown is at the heart of the West End's entertainment district, close to Piccadilly Circus and the important cluster of theatres and cinemas in and around Shaftesbury Avenue and Leicester Square. Although busy throughout the day, the area's long-established night-time leisure economy also attracts large numbers of visitors. These long hours of trading, particularly at weekends, underpin the prosperity of the local economy.

Our holdings in this location extend to around 2.75 acres and encompass around two-thirds of the district generally known as "Chinatown".

Unsurprisingly, catering is the dominant use in our Chinatown holdings, with 65 restaurants totalling 188,000 sq. ft. providing 62% of current income. They offer a wide variety of Far Eastern cuisine which has developed far beyond the tradition of Cantonese cooking which prevailed for many years. Choice today includes food from regions across China as well as Vietnamese, Japanese, Malaysian and Taiwanese cuisine. We encourage this variety, which improves choice and quality, bringing more custom to the area as a whole.

We are aware of a number of substantial restaurant groups based in the Far East which have expressed an interest in bringing their successful trading formats to Chinatown, and we are keen to facilitate their plans as part of the continuing evolution of our holdings.

London's long-established Far Eastern community brings considerable demand for our 62 shops, which extend to 62,000 sq. ft., and 34,000 sq. ft. of offices, which together provide 31% of our current income. Many of our 87 apartments, which provide 7% of current income, are let to people who work in local businesses, particularly those who are involved in the late-night economy and who value living close by.

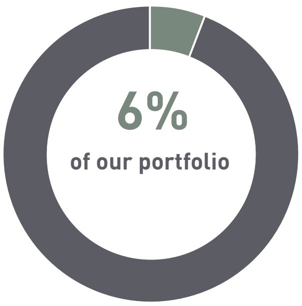
The exceptionally busy and often congested streets in and around Chinatown present particular challenges in maintaining the good standard of public environment expected by today's visitors. We work closely with Westminster City Council and the local community to improve streets and their day-to-day servicing. We have been involved with numerous schemes in recent years and in 2013 we will be part-funding further pedestrianisation at the southern end of Wardour Street and the western part of Lisle Street as well as new public art installations.

Developments close to Chinatown are improving local amenities and add to the attraction of the area for visitors. The recently completed major refurbishment of Leicester Square has greatly improved this high-profile destination and the reopening of the Hippodrome as a new leisure and entertainment venue is attracting much interest. Recent and planned hotel developments close by are bringing considerable investment by others which will benefit this important area of the West End.

shops	restaurants and leisure	offices	residential
62	65		87
62,000 sq.ft.	188,000 sq.ft.	34,000 sq.ft.	59,000 sq.ft.
25% of current income	62% of current income	6% of current income	7% of current income

berwickstreetlondon.co.uk

soho



valuation
£118.0m

acquisitions during the year
£29.5m

capital expenditure during the year
£1.9m

capital value return
0.9%

Soho has a bustling local economy and is home to a wide variety of generally smaller shops, restaurants and bars, many small businesses in the media and creative industries and a long-established residential community.

Our investment in Soho, which was initially centred on Berwick Street alone, has now expanded to adjacent streets, such as Brewer Street, which have many features in common.

Despite Soho's popularity, fragmented ownerships have resulted in an absence of long-term strategy and a lack of investment. Better quality buildings and public realm are needed in order to improve the environment and amenities for visitors, businesses and local residents.

Our contribution to meeting the area's long-term challenges is through our investment and management strategies which have proved successful elsewhere in the West End. Inevitably, change will take a number of years to bring about.

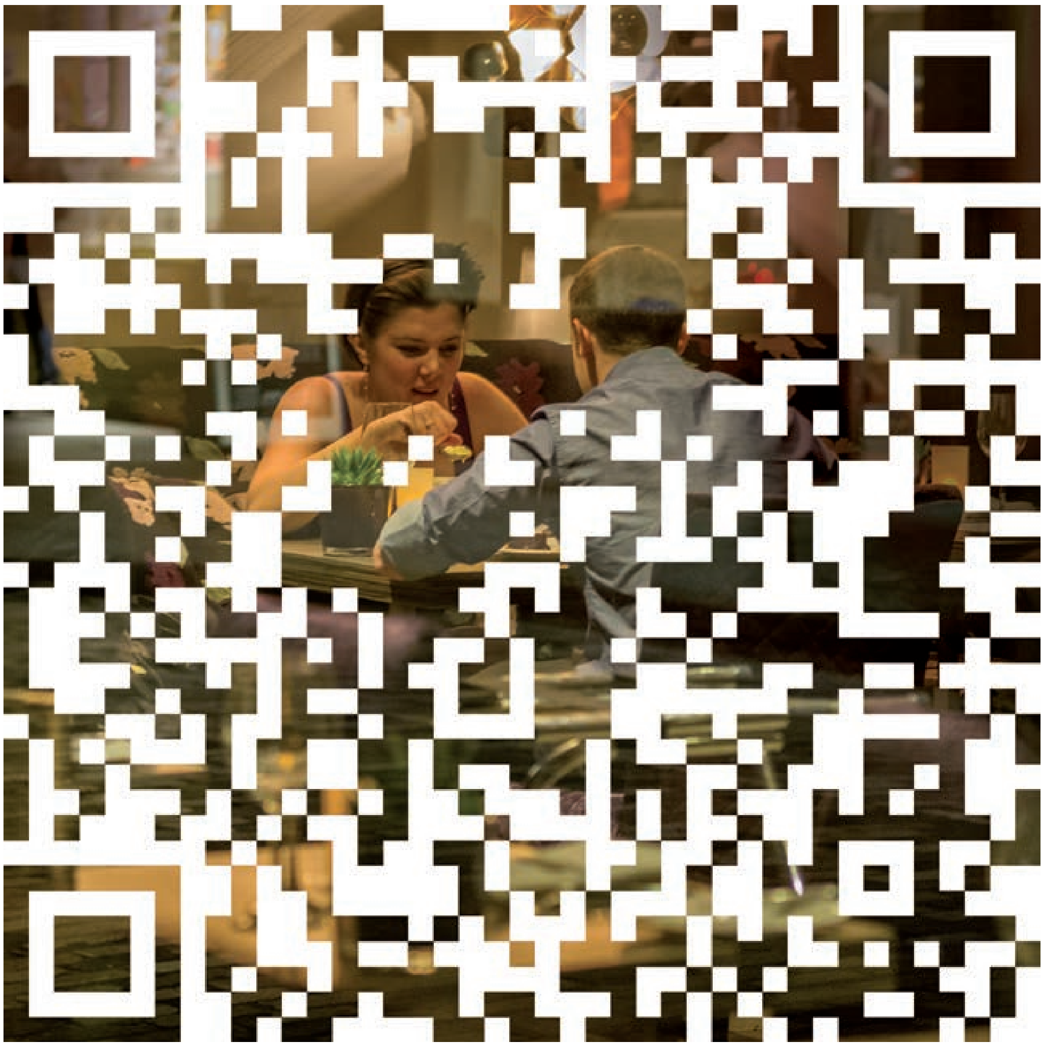
We acquired properties to the value of £29.5 million in the year, comprising eleven shops, four restaurants, four apartments and 3,500 sq.ft. of offices. We expect to add further to our ownerships to help bring cohesion and improvement to the streets in which we are investing.

We welcome schemes and plans by others which, together with our initiatives, should bring significant investment and regeneration in the years ahead. These include:

- The numerous regeneration schemes along the eastern end of Oxford Street in anticipation of the footfall that will result from Crossrail and the redevelopment of Tottenham Court Road station and its new entrance on Dean Street;
- Planning consent for the demolition of Trenchard House on Broadwick Street, which has been derelict for many years, to be replaced by 78 new homes, new shops and a restaurant;
- After much delay, Westminster City Council has entered into an agreement which should lead to the refurbishment of the commercial elements of Kemp House, at the southern end of Berwick Street and investment in surrounding public space;
- Westminster City Council is carrying out a consultation to identify strategies to revive the market in Berwick Street;
- Initial discussions are under way which should improve Walker's Court, which links Berwick Street to Brewer Street and Rupert Street to the south;
- The Crown Estate has recently completed a major mixed-use scheme at the western end of Brewer Street which is bringing more footfall from Regent Street, and now has plans to refurbish an adjoining block on Brewer Street; and
- A major hotel and retail scheme is under construction at Ham Yard, behind Piccadilly Circus, which will particularly benefit our ownerships in Denman Street.

All these projects give us confidence in the future prospects for our chosen locations in Soho. Meanwhile, we are pressing ahead with the improvement of the buildings we already own, providing a range of uses for which there continues to be considerable demand.

shops	restaurants and leisure	offices	residential
34	24		52
38,000 sq.ft.	47,000 sq.ft.	30,000 sq.ft.	29,000 sq.ft.
31% of current income	37% of current income	15% of current income	17% of current income



shaftesbury.co.uk

charlotte street

valuation
£50.1m

acquisitions during the year
£8.9m

capital expenditure during the year
£1.2m

capital value return
3.7%

Charlotte Street is a geographically small neighbourhood, north of Oxford Street and close to Tottenham Court Road. It has an established reputation as a lively and popular restaurant district.

Our holdings in and around Charlotte Street, south of Goodge Street, now represent 3% by value of our portfolio and include fifteen restaurants, bars and cafes which provide 55% of current income. The residential community is growing and we have 39 apartments which produce 28% of current income.

The supply of properties in this close-knit area is always limited but, in the last year, we have added two properties totalling £8.9 million to our holdings. These comprised two restaurants and seven apartments.

We are aware that there is considerable interest from new restaurant operators who wish to locate in or close to Charlotte Street. This demand is driven by several important schemes in the vicinity which will bring more footfall and raise the area's profile.

As well as the impact of the new Tottenham Court Road transport interchange a few minutes' walk away, the development of the former Middlesex Hospital site now under way will create 310,000 sq. ft. of new offices as well as shops, restaurants and 237 apartments. The redevelopment of the Royal Mail site on Rathbone Place is expected to commence in late 2013 and will create a mixed-use scheme of over 400,000 sq. ft. Our holdings are well placed to benefit from these and other schemes nearby.

shops	restaurants and leisure	offices	residential
4	15		39
8,000 sq.ft.	34,000 sq.ft.	8,000 sq.ft.	18,000 sq.ft.
9% of current income	55% of current income	8% of current income	28% of current income

financial review

RESULTS

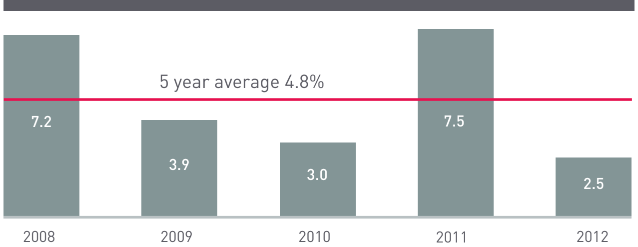
We have continued to grow rents and maintain low vacancy levels throughout the year. EPRA adjusted pre-tax profits increased by £2.0 million (6.8%) to £31.2 million (2011: £29.2 million) and EPRA adjusted diluted EPS grew 0.2p (1.7%) to 12.1p (2011: 11.9p). The lower percentage increase in EPRA adjusted diluted EPS is primarily a consequence of the additional shares in issue as a result of our Share Placing in 2011.

EPRA adjusted profits	2012 £m	2011 £m
Reported profit before tax	**94.8**	115.7
Adjusted for:		
Surplus arising on revaluation of investment properties	**(90.2)**	(110.6)
Profit on disposal of investment properties	**(1.6)**	-
Movement in fair value of financial derivatives	**28.2**	24.1
EPRA adjusted profit before tax	**31.2**	29.2
Tax charge	**(1.8)**	(1.9)
Adjusted for:		
Deferred tax on revaluation surplus and capital allowances	**1.2**	1.5
EPRA adjusted profit after tax	**30.6**	28.8
EPRA adjusted diluted EPS	**12.1p**	11.9p

NET PROPERTY INCOME

Rents receivable increased by £5.6 million (7.4%) to £81.0 million (2011: £75.4 million) including a contribution from acquisitions in 2012 of £0.9 million. The like-for-like increase in rents invoiced from our wholly owned portfolio was 2.5%. This is after the exceptional increase in 2011 of 7.5% and gives an average over the last two years of 5% p.a., broadly in line with our long-term average. The Longmartin joint venture is now virtually fully let and has delivered additional income of £1.3 million.

LIKE-FOR-LIKE INCREASE IN RENTS RECEIVABLE (%)



The Group's property outgoings increased by £1.2 million to £10.0 million (2011: £8.8 million), representing 12.3% of rental income (2011: 11.7%). We continue to bear a greater proportion of service charge costs in respect of smaller offices and shops and also from our growing residential portfolio. In the current year there has been an unusual incidence of external renovation schemes, the cost of which is only partly recoverable through service charges.

ADMINISTRATIVE COSTS

Total administrative costs for the year amounted to £10.0 million (2011: £9.6 million). Reflecting our growing business and activity within our portfolio, administrative costs, excluding the annual bonus provision and share option charge, increased this year by £1.2 million to £7.2 million. This was mainly as a result of an increase in the number of employees, rising employment costs and additional external advisory fees. We do not capitalise any of our administrative costs.

The provision for annual bonuses this year fell by £0.8 million to £1.2 million (2011: £2.0 million). The non-cash accounting charge for share options was £1.6 million, unchanged from last year.

PROPERTY VALUATION

The property revaluation gain was £90.2 million (2011: £110.6 million). This was driven by like-for-like ERV growth of 6.0% and yield compression of 14 basis points across the wholly owned portfolio and 7 basis points in the Longmartin joint venture. Realised gains, which totalled £1.6 million (2011: £nil), arose from the disposal of an apartment and premiums received on granting long leasehold extensions.

NET FINANCE COSTS

With higher debt levels resulting from acquisitions and capital expenditure projects during the year, net finance costs (excluding the change in fair value of derivative financial instruments) were up £2.0 million to £29.8 million (2011: £27.8 million). In addition, whilst the new 15-year loan raised by Longmartin increased our debt maturity profile, the proceeds were used to repay cheaper short-term existing bank revolving credit facilities, increasing the interest cost in the year.

Net finance costs were covered 2.05 times by operating profit before property valuation gains (2011: 2.05 times) which is comfortably above the minimum of 1.5 times which we are required to maintain by our bank loan agreements.

Reflecting the macro-economic environment, gilt and low-risk bond yields have fallen even further over the year and consequently the fair value deficit of our long-term interest rate swaps has increased by £28.2 million to £132.8 million (2011: £104.6 million). The position is sensitive to movements in long-term rates. The deficit increased by £21.5 million in the first quarter of the year, fell £21.2 million in the second quarter and grew by £27.9 million in the second half. This accounting charge is a non-cash item and is excluded from our banking covenants. The Board does not see the commercial benefit from crystallising this position at present but keeps it under review.

TAX CHARGE

As a REIT, the Group's activities are largely exempt from tax. The Longmartin joint venture is not part of the REIT group and so our share of its profits is subject to tax. Our share of its tax charge in the year was £1.8 million (2011: £1.9 million) of which £1.2 million (2011: £1.5 million) was in respect of deferred tax on the revaluation of the property and capital allowances.

DIVIDENDS

The Board has declared a final dividend of 6.05p per share, up 5.2% on the 2011 final dividend (5.75p). This brings the total dividend for the year to 12.0p per share, an increase of 6.7% on 2011 (11.25p). The dividends for the year are payable as PIDs.

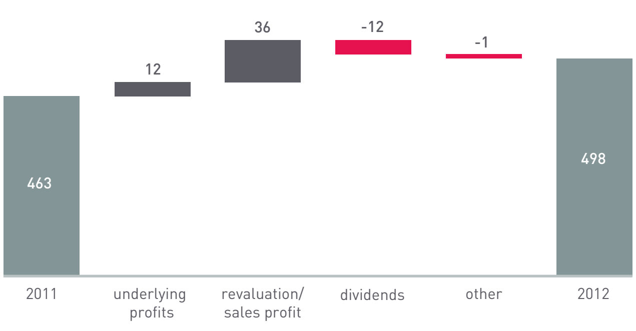
We expect the rate of growth of future dividends to reflect the underlying long-term growth in the Group's net rental income and profits.

NET ASSET VALUE

EPRA adjusted net assets	2012 £m	2011 £m
Reported net assets	**1,119.4**	1,053.7
Adjusted for:		
Fair value adjustment in respect of financial derivatives	**132.8**	104.6
Deferred tax on revaluation surplus and capital allowances	**6.9**	5.7
EPRA adjusted net assets	**1,259.1**	1,164.0
EPRA adjusted diluted NAV per share	**£4.98**	£4.63

EPRA adjusted net assets have increased by £95.1 million to £1,259.1 million (2011: £1,164.0 million), resulting in an increase in EPRA adjusted diluted NAV per share of 7.6% to £4.98 (2011: £4.63). The main factors in this increase were the property revaluation gains in the year and underlying profits less dividends paid.

MOVEMENT IN EPRA NAV PER SHARE (PENCE)



CASH FLOWS

Cash generated from operating activities after payment of interest and tax totalled £30.3 million (2011: £25.5 million) and covered dividend payments totalling £29.3 million (2011: £24.2 million).

Cash outflows in respect of acquisitions totalled £44.7 million during the year (2011: £64.0 million) and we spent £16.8 million (2011: £15.3 million) on capital expenditure across the portfolio.

In a typical year, capital expenditure is around 0.8% - 0.9% of the wholly owned portfolio value. However, we expect additional capital expenditure of around £9 million in 2013 and £6 million in 2014 as we carry out our two large development schemes in Carnaby.

Borrowings increased during the year by £61.4 million to £562.1 million (2011: £500.7 million), largely to fund acquisitions and capital expenditure. In December 2011, our Longmartin joint venture raised £120.0 million (our share: £60.0 million) through a 15-year secured loan at a fixed rate of 4.43%.

DEBT

Our strategy is to have medium to long-term flexible debt, a large proportion of which has interest rate protection, either through fixed-interest loans or hedging. This matches our funding with our long-term investment strategy, whilst reducing the uncertainty from interest rate movements. In practice we use secured debt which is typically cheaper than unsecured finance.

The Board regularly reviews debt levels and maturities, expected cash needs, interest rate and hedging exposures and the capital structure of the Balance Sheet.

At 30 September 2012, our secured debt, including our share of Longmartin's £120.0 million loan, totalled £556.7 million (2011: £495.3 million), of which £121.0 million was fixed rate borrowing (2011: £61.0 million) and £435.7 million was floating rate (2011: £434.3 million). £360.0 million of the floating rate debt was fixed through interest rate swaps in both years.

At year end we had available undrawn facilities totalling £139.3 million.

Our year end Group loan-to-value was 30.5% (2011: 29.5%) and would rise to a proforma 35.4% if we were to use our undrawn facilities to acquire properties or further invest in the portfolio. This is comfortably within the covenant limits in our loan agreements.

DEBT SUMMARY (INCLUDING OUR 50% SHARE OF LONGMARTIN'S DEBT)	2012 £m	2011 £m
Fixed rate debt*	**121.0**	61.0
Bank debt hedged by swaps	**360.0**	360.0
Total fixed debt*	**481.0**	421.0
Unhedged bank debt	**75.7**	74.3
Total debt*	**556.7**	495.3
Undrawn facilities (floating rate)	**139.3**	140.7
Committed facilities	**696.0**	636.0
Debt ratios		
Loan-to-value*	**30.5%**	29.5%
Gearing*†	**44.2%**	42.6%
Interest cover	**2.05x**	2.05x
Weighted average cost of debt	**5.43%**	5.55%
Weighted average debt maturity	**6.8 years**	6.9 years
% of debt fixed or effectively fixed	**86.4%**	85.0%

*based on nominal value of debt
†measured against EPRA adjusted net assets

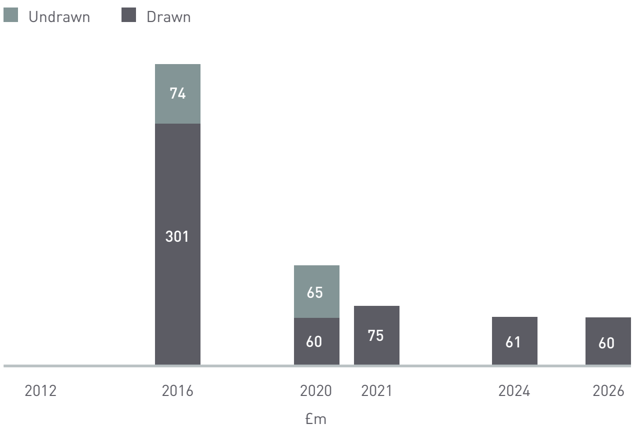
Taking into account the impact of the interest rate hedging, the average cost of debt, including margin and non-utilisation costs for undrawn facilities, at 30 September 2012 was 5.43% (2011: 5.55%). The average margin payable on drawn bank debt was 0.88% at year end (2011: 0.85%) and this would rise to 1.04% if all facilities were fully drawn. Drawings under our bank facilities are all LIBOR-linked and their margins are significantly cheaper than would be available in the market today.

At 30 September 2012, 86.4% of our interest costs were fixed (2011: 85.0%). The current marginal cost of additional drawings under our revolving credit facilities is around 1.70% (2011: 1.75%).

The weighted average maturity of our debt is 6.8 years (2011: 6.9 years), and our earliest maturities are in 2016. We are maintaining a dialogue with our lenders and potential new lenders to ensure that our maturity risk is managed and our debt structure continues to meet the Group's long-term needs.

As we get closer to 2016 we will refinance some of our facilities and, assuming current conditions in the debt markets prevail, the new arrangements will be more expensive than those they replace.

DEBT MATURITY

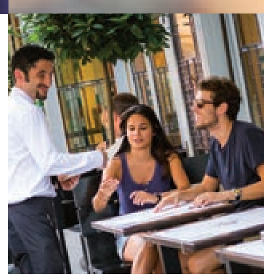


SECURITY AND COVENANTS

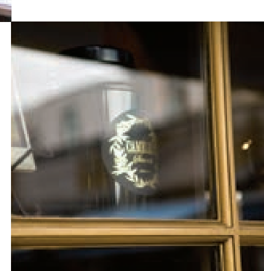
Our bank loans and Debenture stock are secured by fixed charges over specific assets and a floating charge over all of the assets of Shaftesbury PLC and certain of its subsidiaries. The financial covenants in our banking agreements are structured on a Group-wide basis and are broadly similar for each facility. The Debenture covenants are based on the specific property assets charged under the Trust Deed.

The term loan in our Longmartin joint venture is secured by way of a fixed charge over its property and certain of its other assets and a floating charge over the remainder of its assets. There is no recourse to either of the joint venture shareholders.

Actual and forecast performance against loan covenants are reviewed by the Board at least quarterly and we continue to operate with significant headroom over the thresholds set out in our loan agreements.



time for tea



portfolio analysis

At 30 September 2012		Note	Carnaby	Covent Garden	Chinatown
Portfolio	Fair Value	1	£610.1m	£508.5m	£412.3m
	% of total Fair Value		33%	28%	23%
	Current income	2	£25.3m	£23.2m	£19.4m
	ERV	3	£36.4m	£26.5m	£20.6m
Shops	Number		126	104	62
	Area – sq. ft.		175,000	130,000	62,000
	% of current income	4	54%	36%	25%
	% of ERV	4	51%	38%	24%
	Average unexpired lease length – years	5	4	4	8
Restaurants, cafes and leisure	Number		44	84	65
	Area – sq. ft.		83,000	156,000	188,000
	% of current income	4	14%	33%	62%
	% of ERV	4	14%	32%	61%
	Average unexpired lease length – years	5	11	12	13
Offices	Area – sq. ft.		225,000	91,000	34,000
	% of current income	4	26%	14%	6%
	% of ERV	4	29%	13%	6%
	Average unexpired lease length – years	5	3	3	4
Residential	Number		68	178	87
	Area – sq. ft.		42,000	109,000	59,000
	% of current passing rent	4	6%	17%	7%
	% of ERV	4	6%	17%	9%

* Shaftesbury Group's share

basis of valuation

At 30 September 2012	Note	Carnaby	Covent Garden	Chinatown
Overall Initial Yield	7	3.78%	4.18%	4.42%
Initial Yield ignoring contractual rent free periods	8	4.14%	4.24%	4.43%
Overall Equivalent Yield	9	4.99%	4.64%	4.65%
Tone of retail equivalent yields	10	4.60 - 5.50%	4.35 - 5.75%	4.50 - 5.75%
Tone of retail ERV - ITZA £ per sq. ft.	10	£115 - £450	£50 - £450	£140 - £300
Tone of restaurant equivalent yields	10	4.75 - 5.25%	4.50 - 5.75%	4.50 - 5.25%
Tone of restaurant ERV - £ per sq. ft.	10	£85 - £105	£45 - £140	£195 - £338 ITZA
Tone of office equivalent yields	10	6.00 - 6.25%	5.00 - 5.75%	5.75 - 6.25%
Tone of office ERV - £ per sq. ft.	10	£35 - £65	£28 - £48	£30 - £42
Tone of residential ERV - £ per annum	10	£12,200 - £72,800	£12,000 - £101,400	£9,100 - £32,000

Soho	Charlotte Street	Wholly owned portfolio	Longmartin	Total portfolio
£118.0m	£50.1m	£1,699.0m	£129.2m*	£1,828.2m
6%	3%	93%	7%	100%
£5.2m	£2.5m	£75.6m	£5.3m*	£80.9m
£6.5m	£2.6m	£92.6m	£7.3m*	£99.9m
34	4	330	23	
38,000	8,000	413,000	69,000	
31%	9%	38%	46%	
31%	9%	39%	35%	
6	3	5	4	
24	15	232	8	
47,000	34,000	508,000	43,000	
37%	55%	35%	19%	
35%	55%	32%	15%	
8	14	12	14	
30,000	8,000	388,000	102,000	
15%	8%	16%	16%	
16%	8%	18%	35%	
3	2	3	6	
52	39	424	75	
29,000	18,000	257,000	55,000	
17%	28%	11%	19%	
18%	28%	11%	15%	

Soho	Charlotte Street	Wholly owned portfolio	Longmartin
4.08%	4.32%	4.09%	3.48%
4.08%	4.32%	4.24%	3.87%
4.99%	4.57%	4.79%	4.73%
5.00 - 8.00%	5.25 - 6.00%		4.25 - 6.00%
£95 - £250	£85 - £115		£94 - £440
4.90 - 5.29%	4.75 - 5.25%		5.00 - 6.00%
£60 - £110	£64 - £82		£37 - £67
5.00 - 6.00%	6.00 - 7.00%		5.00 - 6.00%
£28 - £43	£30 - £35		£33 - £58
£13,000 - £54,600	£10,600 - £31,200		£18,200 - £85,800

Notes

1. The Fair Values at 30 September 2012 (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 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 or 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, estimated rental values 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 or 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.
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. All floor areas are stated as existing at the valuation date.
12. For presentation purposes percentages have been rounded to the nearest integer.
13. The wholly owned residential portfolio has been re-measured. Changes in reported floor areas have not materially affected values advised by our valuers.
14. Properties in Denman Street have been reclassified from Chinatown to Soho during the year.

time for entertainment

and an intimate dinner

corporate responsibility

Corporate responsibility is about how we operate, our impact on our environment and how we engage with our stakeholders. The Board has ultimate responsibility for corporate responsibility but the ethos is embedded in the day-to-day operations of our business. Our remuneration policy is closely aligned with our corporate responsibility strategy and specific Group corporate responsibility objectives are reflected in executive remuneration.

TEN YEARS OF CORPORATE RESPONSIBILITY REPORTING

It is ten years since we first undertook a benchmark report with an action plan to address corporate responsibility matters. In that time, key achievements have included:

- The improvement of management and reporting of energy use and carbon emissions in the portfolio resulting in their progressive reduction over the past four years;
- Achieving almost 100% diversion from landfill of waste generated from both the managed portfolio and refurbishment projects;
- Progressive improvement in the management of refurbishment projects as measured by the Considerate Constructors Scheme;
- An increase in the proportion of certified sustainably sourced timber used in refurbishment projects; and
- Close involvement with the local community and significant charitable contributions as measured in accordance with the London Benchmarking Group's criteria.

We have been a constituent of the FTSE4 Good Index since 2004, which is designed to measure the performance of companies meeting globally recognised corporate responsibility standards. This year we were one of the regional leaders in the UK and the only real estate company listed.

We are a member of the Dow Jones Sustainability Index and are listed in the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies. We are a member of the Global Real Estate Benchmark survey and prepared a report in line with the Global Reporting Index this year, our first report to this standard.

SUSTAINABILITY

The essence of our sustainability strategy is to extend the useful life of buildings and, in doing so, preserve and enhance the heritage of London's West End in which all our buildings are located. An essential aspect is to provide economically sustainable environments through a mix of uses.

The average age of our buildings is over 150 years. When unmodernised properties need refurbishing or when we acquire buildings, we reconfigure and refurbish them within the constraints of current regulations governing listed buildings and conservation areas. This extends their useful lives and improves their environmental performance whilst creating value over the long-term.

Our corporate responsibility policies, updated annually, are available on our website. The full report on our corporate responsibility performance for the year ended 30 September 2012 is also available on our website together with our action plan for 2013.

STATEMENT OF PRINCIPLES

Our policy is to minimise any adverse environmental impact of our business and operate in a sustainable manner. In order to achieve this we have set the following overall environmental and corporate responsibility objectives:

- Operate in an environmentally sustainable manner and minimise the environmental impact of our operations, including climate change;
- Wherever practical, extend the economic useful lives of our buildings through changes of use and reconfiguration;
- Comply with all legal and regulatory requirements, and, where feasible, exceed minimum compliance;
- Establish annual targets and encourage continual improvement in environmental performance;
- Engage with advisors, suppliers, tenants and stakeholders to disseminate the Group's corporate responsibility policies and requirements;
- Invest in our local community;
- Conduct our business with integrity and in an open and ethical manner; and
- Invest in the welfare and development of our employees.

IMPLEMENTING OUR POLICY

We invest in and refurbish existing buildings which is in line with the Government's policy for maximising the re-use of existing land and buildings. Recent studies have highlighted the importance of embodied energy contained within the fabric of existing buildings, recognising the overall environmental benefits of extending the useful lives and efficiency of existing buildings rather than demolition and reconstruction. Significant regulatory emphasis is placed on carbon emissions of buildings throughout their operational lifetime, with focus on improvements in Building Regulations, Energy Performance Certificates and BREEAM/Code for Sustainable Homes. We support and implement these requirements wherever practical.

Refurbishment projects

Almost all of our buildings are within conservation areas and many are listed. Within these constraints, we seek to refurbish buildings in a sympathetic manner re-using existing timber and original building fixtures and fittings where possible. When installing new fixtures and plant, consideration is given to environmental performance as well as building regulations. For the small amount of timber that is purchased, the aim is to use sustainably sourced products, particularly those certified to the Forestry Stewardship Commission or Programme for the Endorsement of Forest Certification schemes.

Through contractor management procedures, including checklists and supporting information, we require the appropriate disposal of waste, segregation and recycling where possible and collation of information on waste quantities produced. Sample sites were audited for good practice against duty of care for waste management and were confirmed to be operating satisfactorily.

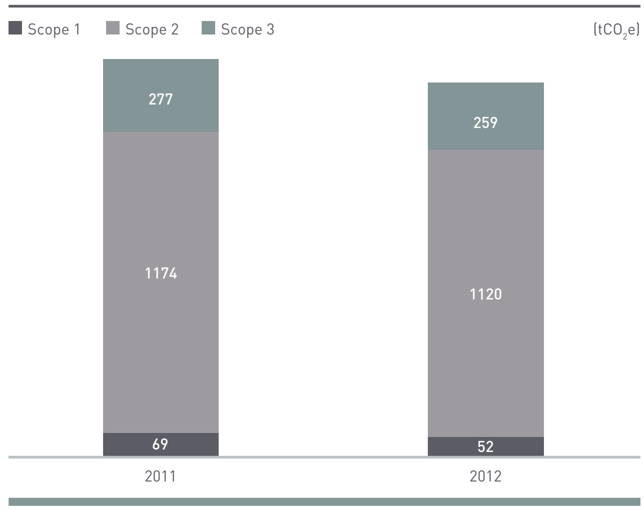
Day-to-day management

In the day-to-day management of our portfolio, energy consumption and waste management are the key environmental issues.

We manage the waste on behalf of our tenants at Carnaby, Seven Dials and St Martin's Courtyard. The emphasis is on encouraging recycling with increased proportions recycled this year and all of the remaining waste was diverted from landfill to energy from waste. In other parts of the portfolio, space limitations restrict the opportunity to offer waste management facilities, however, we work with the local authorities to optimise the waste collection process in these areas.

Our energy consumption is principally in the common parts of our portfolio where we have direct responsibility for stairwell lights and shared facilities, so the environmental impact is small. Tenants are responsible for their own activities and emissions and for reporting on them and are encouraged to be aware of their own environmental impact.

Greenhouse gas emissions for the head office and the portfolio (including 50% of the Longmartin joint venture) are set out below which shows a 6% reduction over the year:



Emission types as follows:

Scope 1 Direct eg gas boilers.

Scope 2 Energy indirect eg emissions associated with consumption of purchased electricity.

Scope 3 Other indirect eg business travel and losses in transmission of fuels and electricity.

Our aim is to select suppliers of green electricity in our villages where such supplies are available and economically justifiable.

EMPLOYEES

We have 22 employees including executive directors. Employees' experience is important and their contribution to the business plays a key part in the delivery of our strategy. Employee turnover has been minimal in recent years.

Training and development is essential and is monitored and recorded. Professional employees are encouraged to meet the training requirements of their professional bodies. Non-professional employees are also encouraged to undertake training. All employees had an annual personal development review.

HEALTH AND SAFETY

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

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

COMMUNITY ENGAGEMENT

Our long-term prosperity depends on the success of London's West End as a destination for domestic and overseas visitors as well as businesses and residents. We are very clear that our commitment is aligned with the areas in which our villages are situated and in the aspects that benefit the West End both as a community and visitor destination. We work closely with organisations based in the West End in community, leisure or arts fields and in some cases help them to be located in the areas in which they operate but otherwise would be unable to afford.

We have focused on the following this year:

- **Sustainable Restaurant Association**

  We have continued to work to promote this not-for-profit membership association which provides restaurants with advice and support to help them manage sustainability.

- **Working with the creative arts**

  The promotion of the arts, theatre and leisure within the West End is important to our continuing business. We therefore work with arts organisations, theatres and galleries to promote the arts. We worked with the English National Opera and sponsored an Opera Squad day in 2012 which introduced opera to local Westminster schools.

  We provide accommodation on flexible terms to a number of organisations including the Association of British Orchestras, Stage One, National Campaign for the Arts, Yellow Earth Theatre Company, London Chinatown Association and Chinatown Arts Space.

- **Support for charitable, community and educational purposes**

  We provide space in vacant units for periods of time to enable charitable, community and educational events to take place.

  We work with The Connection at St-Martins-in-the-Fields, Make Justice Work and other local community and educational groups.

- **Working with local authorities**

  We work closely with Westminster City Council and the London Borough of Camden, within whose jurisdictions our properties are located, to improve the public realm in and around our villages through contributions to street improvements, pedestrianisation and street lighting schemes.

- **Scholarships**

  We are in the process of establishing a number of scholarships in areas relating to our tenants' businesses of fashion and catering.

We have adopted the London Benchmarking Group methodology for measuring our community contributions. For the year ended 30 September 2012 our contribution totalled £404,000 (2011: £356,000). In addition to this, we contributed £211,000 (2011: £700,000) to works in the public realm.

KEY TARGETS AND PROGRESS IN THE YEAR ENDED 30 SEPTEMBER 2012 AND OBJECTIVES FOR THE YEAR AHEAD

Set out below is a summary of progress against a number of key targets this year and the objectives for the year to 30 September 2013. We are measured against our objectives and targets and independently assessed by RPS Group plc.

The full report is available on our website.

Objectives	Achieved in 2012	Targets for 2013
Stakeholder and community engagement		
Continue to support local community groups and be proactive in working with charitable and other organisations	Membership of the London Benchmarking Group and adoption of their methodology for reporting community involvement has continued for this year	Continue membership of London Benchmarking Group and further develop benchmarking measurements for reporting On-going financial support to key charities and community support for 2012-2013
Engage and raise corporate responsibility awareness and engagement with tenants	For commercial tenants sustainability guidance was included within the insurance pack which is currently being updated	Replace tenants' leaflet with a more detailed sustainability guide for commercial tenants as part of insurance pack
	The residential tenants' leaflet has been updated and is included within a welcome pack	Ensure sustainability leaflet for residential tenants is included in all new letting packs
	Seventeen restaurants originally signed up with the Sustainable Restaurant Association	Provide subsidised two-year membership of the Sustainable Restaurant Association for every new restaurant tenant

corporate responsibility continued

Objectives	Achieved in 2012	Targets for 2013
Environmental responsibility		
Invest in brownfield sites only	100% regeneration of central London sites	Continue to achieve 100% use and regeneration of brownfield sites as our portfolio expands
Operate in an environmentally sustainable manner throughout our activities	For fifteen refurbishment schemes a minimum of 90% of facade was retained and 80% of the primary structure	Maintain BREEAM criteria for re-use of structure and facade in 100% of refurbishment ie a minimum of 50% of the facade and 80% of the primary structure re-used Aim for BREEAM "Very Good" for all new commercial developments
	Out of 37 post refurbishment energy performance certificates, 25 had no baseline certificate. Ten achieved the specific target and two did not achieve the target	Extend the useful life of buildings and improve their sustainability by raising the energy performance certificate rating of properties on refurbishment according to set targets
Manage construction waste to ensure legal compliance and maximise re-use and/or recycling of non-hazardous waste	All eight contracts above £300,000 threshold completed site waste management plans Eleven contracts achieved target of a minimum of 80% recycled construction and demolition waste	Ensure all contracts above the threshold of £300,000 complete a site waste management plan Aim to re-use or recycle 80% non-hazardous demolition and construction waste
Ensure all refurbishment schemes above a specified capital value are registered with the Considerate Constructors' Scheme and continue to achieve 26/40 (above a "satisfactory" score)	93% of eligible schemes were registered 100% of schemes achieved the target score on the first visit. The overall average for the sites visited was a commendable 31 out of 40	Continue to achieve 26/40 (above a "satisfactory" score)
Timber to be sourced where possible from well-managed sources, certified by third party certification bodies	Re-use of timber maximised throughout all schemes 63% of timber has been confirmed as sustainably sourced with full chain of custody	Continue to maximise the proportion of timber that is re-used Source a minimum of 55% of all timber from certified sources and ensure all timber is legal
Monitor and where possible reduce energy consumption and investigate opportunities for the use of renewable energy	Overall energy consumption for the managed portfolio within its operational control including the head office, and its 50% share of the joint venture compared with 2010-2011 shows 14% reduction	Aim for common parts normalised data to not exceed 100 kg CO_2/m^2
	Green tariff electricity usage: 100% of head office 83% of Chinatown 63% of Soho 100% of Seven Dials 100% of Carnaby	Purchase green electricity where costs are within 5% of brown electricity
Monitor water use in Carnaby, Seven Dials and Chinatown and maintain consistent level of usage	Reductions in water consumption in all monitored areas	Continue to monitor water use in Carnaby, Seven Dials and Chinatown and maintain current low usage
Portfolio waste - recycle a minimum of 30% at Carnaby and Seven Dials and divert 80% from landfill	At Carnaby and Seven Dials, 37% of tenants' waste was recycled and, of the remaining waste, 100% was diverted from landfill to energy from waste	Divert from landfill 90% of tenant generated waste at Carnaby, Seven Dials and Longmartin (which account for 70% of the portfolio)
Recycle a minimum of 10% of tenants' waste in Longmartin and divert 80% from landfill	In Longmartin 11% of tenants' waste was recycled and the remaining waste diverted from landfill to energy from waste	
Improve biodiversity appropriate to the company's urban location	Bird boxes and green roof installed	Design and install, where feasible, features to encourage appropriate urban wildlife and planting of trees, where appropriate

Objectives	Achieved in 2012	Targets for 2013
Employees		
Monitor effectiveness of employment legislation and policies	Employee turnover is zero; average employee length of service is thirteen years. 20% of the Board is female and 45% of employees are female	Maintain current benchmarks
Achieve zero reportable health and safety accidents/incidents throughout the portfolio	One reportable health and safety accident recorded in a refurbishment project and none in the day-to-day management of the portfolio	Aim for no reportable accident and incidents throughout the Group's activities

Brian Bickell
Chief Executive

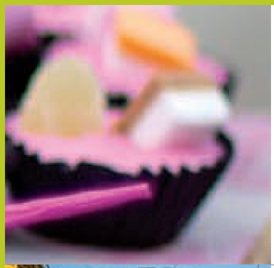
29 November 2012





governance






directors, officers and advisors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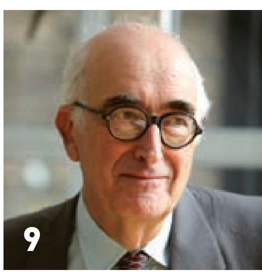
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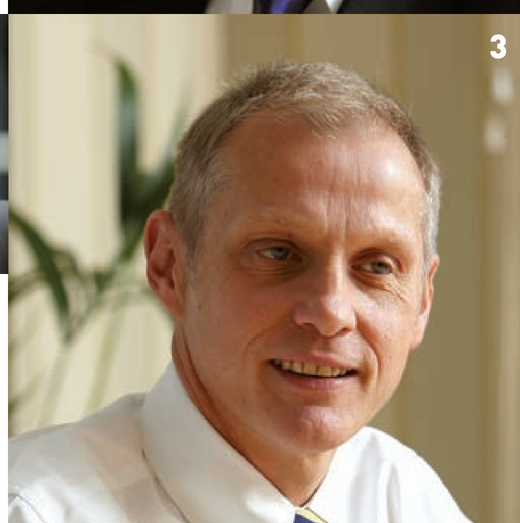
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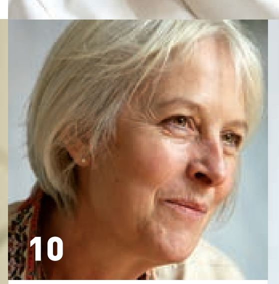
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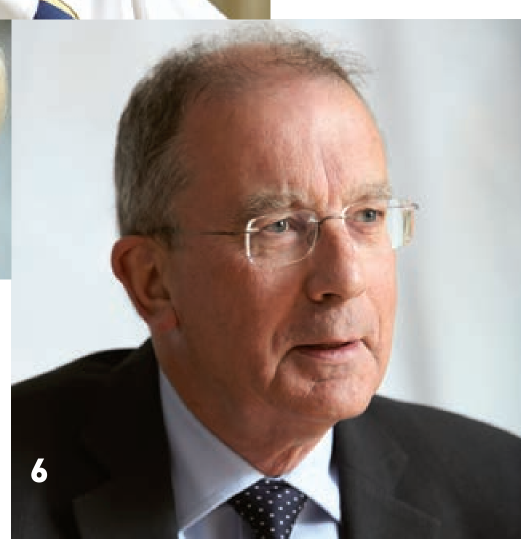
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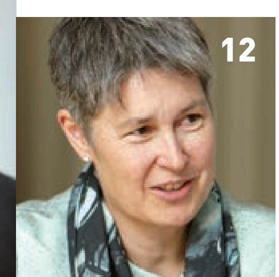
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1 **Brian Bickell**, FCA
Chief Executive

Joined in 1986 and appointed Finance Director on 20.7.1987. Appointed Chief Executive on 1.10.2011. Overall responsibility for the Group's strategy and day-to-day operations.

2 **Simon J Quayle**, BSc, MRICS
Executive director

Joined in 1987 and appointed a director on 1.10.1997. Responsible for strategy and management of the Carnaby village and the Group's holdings in Soho and Charlotte Street.

3 **Thomas J C Welton**, MRICS
Executive director

Joined in 1989 and appointed a director on 1.10.1997. Responsible for strategy and management of Covent Garden villages (including the Longmartin joint venture) and Chinatown.

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

Joined and appointed a director on 9.1.2012. Responsible for financial strategy and all aspects of accounting and taxation.

Previously finance director of Redevco UK Limited responsible for the UK and Nordic region since 2001. Finance director of Asda Property Holdings PLC, then a listed real estate company from 1998-2001. Qualified as a Chartered Accountant at PricewaterhouseCoopers LLP, where he worked from 1990-1998.

5 **P John Manser**, CBE, DL, FCA
Chairman and non-executive director, Chairman of the Nomination Committee

Appointed to the Board on 20.2.1997 and Chairman from 1.10.2004. Non-executive director of SAB Miller plc, member of the Council of Marlborough College and director of Marlborough College (Overseas) Limited. Will retire from the Board at the conclusion of the 2013 AGM.

6 **Jonathan S Lane**, MA, FRICS
Deputy Chairman and executive director

Joined as managing director on 3.11.1986. Chief Executive until 30.9.2011. Executive Deputy Chairman from 1.10.2011 and will become non-executive Chairman at the conclusion of the 2013 AGM and Chairman of the Nomination Committee. Non-executive chairman of The Tennis Foundation and trustee of the Royal Theatrical Support Trust.

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

Appointed to the Board on 25.4.2005 and Senior Independent Director since 1.10.2009.

Non-executive director of Scottish Mortgage Investment Trust plc, JP Morgan Mid-Cap Investment Trust plc and The Edinburgh Investment Trust plc. Previously non-executive director of the Alliance Trust PLC and finance director of Bank of Scotland PLC.

8 **Jill C Little***
Non-executive director and Chairman of the Remuneration Committee

Appointed to the Board on 24.2.2010.

Employed at John Lewis Partnership from 1975 to 2012. Merchandise director on the board of John Lewis from 2002-2011 and Business and Development director of the John Lewis Partnership from 2011-2012. Trustee of the Restorative Justice Council, trustee of Fashion and Textiles Children's Trust and member of the Commercial Panel of the National Trust.

9 **Oliver J D Marriott***
Non-executive director

Appointed to the Board on 23.9.2009.

Previously a financial journalist with roles as property editor on the Investors Chronicle and financial editor of The Times. Former chairman of Churchbury Estates Limited, Ilex Limited and non-executive director of P&O from 1985-1991.

10 **Hilary S Riva**, OBE*
Non-executive director

Appointed to the Board on 12.2.2010.

Non-executive director of London and Partners, a not-for-profit organisation promoting London. 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 brands including Top Shop and Warehouse.

11 **Dermot C A Mathias***
Non-executive director

Appointed to the Board on 1.10.2012.

Partner in the corporate finance department of BDO LLP from 1980. From 2002-2009 was senior partner of the firm and chairman of the policy board of BDO International. Member of the Industrial Development Advisory Board from 2005-2011.

12 **Sally E Walden***
Non-executive director

Appointed to the Board on 1.10.2012.

Spent 25 years with Fidelity International where she held several senior positions which included head of UK Equities. Retired from Fidelity in 2009. Trustee of the Fidelity Foundation.

John R K Emly, FCIS
Non-executive director

Appointed to the Board on 16.10.2000 and retired on 10.2.2012.

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

SECRETARY AND REGISTERED OFFICE

Penny Thomas LLB (Hons), FCIS
Pegasus House
37-43 Sackville Street
London W1S 3DL

Tel: 020 7333 8118
Fax: 020 7333 0660

e-mail: shaftesbury@shaftesbury.co.uk

Registered number: 1999238

STOCKBROKERS

J. P. Morgan Cazenove
Merrill Lynch International
Espirito Santo Investment Bank

DEBENTURE STOCK TRUSTEE

Prudential Trustee Company Limited

LONG TERM FINANCE

Aviva Commercial Finance Limited (Longmartin joint venture)

PRINCIPAL BANKS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

SOLICITORS

Hogan Lovells International LLP
Eversheds LLP
Forsters LLP

VALUERS

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

WEBSITES

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

Includes annual and half year reports library and recent corporate announcements. News alert service allows registered users to receive e-mail alerts of new announcements.

VILLAGE WEBSITES

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

corporate governance

"Your Board is committed to high standards of corporate governance. This year has been a year of management change as Brian Bickell became Chief Executive and Jonathan Lane became Deputy Chairman. In January 2012 Christopher Ward joined the Board as Finance Director.

Earlier this year I advised the Board that I intended to retire at the conclusion of the AGM in February 2013. The Nomination Committee undertook a process to seek my successor which resulted in the recommendation to the Board that Jonathan Lane succeed me as Chairman.

As part of overall succession planning for the Board, two additional non-executive directors joined on 1 October 2012. The changes in the Board's composition will augment the experience and balance of independence of the Board for the future."

John Manser
Chairman

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Group applied the main principles of the UK Corporate Governance Code throughout the year. It did not comply with provision B.1.2. between 1 October 2011 and 10 February 2012 (the date of John Emly's retirement) that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent.

Set out below is an explanation of how the Group applied the principles of the Code and in so doing, how it complied with its provisions.

LEADERSHIP

The Board is responsible to shareholders for the long-term success of the business. The strategy set by the Board is to invest in the West End of London and it ensures that the business follows that course.

The Chairman is responsible for the leadership of the Board ensuring its effectiveness and setting its agenda. The Chief Executive has responsibility for the management of the Group's day-to-day operations. There is a formal statement of the division of responsibilities between the two roles. This was updated in November 2012 and is available on the Group's website.

There is a Senior Independent Director and an executive Deputy Chairman. The role of Deputy Chairman has specific responsibilities agreed by the Board, including deputising for the Chairman and reviewing the Group's succession planning process with particular focus this year on non-executive director recruitment and long-term management succession. The role will cease in February 2013, when the current incumbent becomes non-executive Chairman.

The Board formulates the Group's strategy and monitors and controls operating and financial performance. There is a formal schedule of matters reserved for the Board for decision which is available on the Group's website. Matters include the approval of all acquisitions, all disposals, major contracts over a specified level, major refurbishment proposals, finance and risk management.

Chairman succession

Jonathan Lane will succeed John Manser as Chairman at the conclusion of the AGM in February 2013. Succession is explained in the Nomination Committee Report on pages 53 and 54.

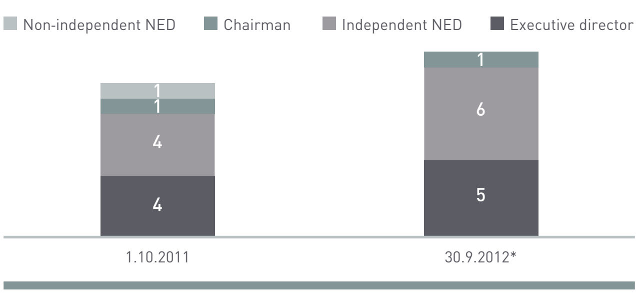
On his appointment as a non-executive director, Jonathan Lane will not meet the Code's independence criteria. He will chair the Nomination Committee but will not be a member of either the Audit or Remuneration Committees.

EFFECTIVENESS

Composition of the Board

The Nomination Committee keeps the composition of the Board under review. As well as managing the Chairman's succession, the Nomination Committee undertook an external search process to identify two new non-executive directors which is explained in the Nomination Committee Report on page 53. Dermot Mathias and Sally Walden joined the Board on 1 October 2012 strengthening the independent membership of the Board.

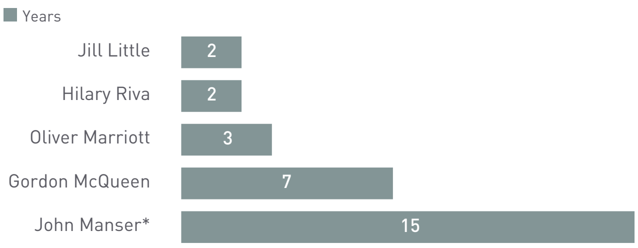
The chart below illustrates the balance of the Board.



*includes two non-executive directors who joined the Board on 1.10.2012.

The Board includes a wide range of non-executive director experience encompassing property, finance, fund management, fashion and retail providing appropriate skills for the business. Each of the current non-executive directors is considered to be independent. The Board's policy on gender diversity is described in the Nomination Committee Report on page 54.

The tenure of non-executive directors as at 30 September 2012 is set out below.



*retiring 8.2.2013

Board and Committee meetings

The Board has three committees: Audit, Remuneration and Nomination. Terms of reference for these committees are on the Group's website. The Company Secretary acts as secretary to each committee. Minutes of meetings are circulated to all directors. Reports from each committee follow on pages 53 to 64.

Set out below is attendance at the scheduled Board and Committee meetings. Additional meetings were held to deal with routine and operational matters as required and are not included in these figures.

	Board	Audit Committee	Remun-eration Committee	Nomination Committee
Number of scheduled meetings	5	3	4	4
	Attended	**Attended**	**Attended**	**Attended**
Executive directors				
B Bickell	5			
S J Quayle	5			
T J C Welton	5			
C P A Ward	4(4)			
J S Lane	5			
Non-executive directors				
P J Manser	5	-	-	4
W G McQueen	5	3	4	4
O J D Marriott	5	3	4	4
J C Little	5	3	4	4
H S Riva	5	3	3	4
J R K Emly	2(2)	-	-	2(2)

Numbers in brackets indicate the maximum number of meetings a director could have attended during their period of appointment.

Hilary Riva missed one Committee meeting due to exceptional circumstances. There was otherwise full attendance.

Training and induction

The Chairman is responsible for the ongoing training of directors and ensuring that they maintain the skills and knowledge required to fulfil their roles as directors. Training records are maintained by the Company Secretary. Directors are expected to maintain their professional skills. Non-executive directors are expected to maintain their familiarity with the business through frequent communication with executive directors and employees and by making regular visits to the Group's portfolio.

Induction of new appointees to the Board is led by the Chairman and administered by the Company Secretary. Upon his appointment to the Board in January 2012, Christopher Ward received a tailored induction programme. During the year he met a substantial number of the Group's major shareholders, all the Group's key advisors and undertook training appropriate to the role, recognising this is not his first directorship of a public company.

Dermot Mathias and Sally Walden, non-executive directors who joined the Board on 1 October 2012, are receiving separate tailored inductions according to their individual experience and skills as well as familiarisation with the business, its employees and portfolio.

Directors may seek independent professional advice at the Group's expense in furtherance of their duties as directors.

Evaluation

The Board undertakes an annual review of its performance and the performance of the Committees to ensure that each continues to operate effectively. Following last year's external evaluation, this year the process was conducted internally. It focused on the areas considered in detail last year including the composition and diversity of the Board and succession planning, particularly for non-executive directors with more than six years' service. The Nomination Committee and the Board considered the results at the July 2012 Board meeting. No issues were identified following this year's process.

ACCOUNTABILITY

Internal control and risk management procedures

The directors are responsible for the Group's systems of internal controls and risk management and for reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risks faced by the business and can provide only reasonable and not absolute assurance against material misstatement or loss. Their adequacy and effectiveness are monitored through the risk management and audit processes which include financial and portfolio management audits.

The principal risks and uncertainties identified by the Board and how they are managed or mitigated are summarised on pages 18 and 19.

Executive directors and senior employees meet regularly to review the risks facing the business, the controls established to minimise those risks and their effectiveness in operation. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified with appropriate action taken at an early stage to mitigate them including insurance being in place where appropriate. Reports on this review are submitted during the year to the Audit Committee and the Board to enable them to assess the effectiveness of the process and ensure that the Group complies with the Turnbull Guidance on Internal Control. This year it also included an additional review of the strategic risks facing the business which was externally facilitated.

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

a) The close involvement of the executive directors in all aspects of day-to-day operations, including regular meetings with employees to review all operational aspects of the business. The small number of employees ensures familiarity with all aspects of the business;
b) Clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision including all acquisitions, all disposals, major contracts and major refurbishment or development proposals;
c) A comprehensive system of financial reporting and forecasting. Group accounts are prepared quarterly and submitted to the Board. Forecasts of profit, cash flow and bank facility covenant compliance are prepared at least quarterly, approved by the Board and used to monitor actual performance;
d) The Finance Director has overall responsibility for the preparation of the financial information which is submitted to the Audit Committee and the Board. The Audit Committee ensures that the internal controls in the financial reporting process are in place and effective;
e) The day-to-day estate 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. The Group also uses the services of an external consultant to review periodically the operational processes and controls of each managing agent; and
f) A comprehensive manual recording the key business processes and related controls across the whole of the Group's business is maintained and regularly updated.

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

The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group have been in place throughout the year under review and up to the date of approval of this Annual Report.

REMUNERATION

This information is contained in the Remuneration Report on pages 55 to 62.

RELATIONS WITH SHAREHOLDERS

The Board considers its relationship with both institutional and private shareholders to be extremely important. The Board encourages contact with all shareholders throughout the year and at the AGM. The Chairman and Committee Chairmen are present at the AGM to deal with any matters raised by shareholders. All directors attended the 2012 AGM.

Institutional shareholders hold approximately 95% of the Group's issued share capital. The Chief Executive and executive directors meet institutional investors regularly during the year to discuss strategic and other issues within the constraints imposed by the Disclosure Rules and Transparency Rules of the UK Listing Authority. The meetings frequently include visits to the Group's portfolio. During 2012, over 200 such meetings were held.

Following the announcement of our annual and half year results, the Chief Executive and executive directors make presentations to institutional investors and analysts. Non-executive directors also attend a number of these presentations. The presentations of annual and half year results are made available on the Group's website in the investor relations section. The Board receives regular reports on shareholder meetings. The Chairman met a number of shareholders during the year.

The Senior Independent Director and a non-executive director met shareholders representing almost 50% of the Group's issued share capital as part of the consultation process for the Chairman's succession.

The Senior Independent Director is available to shareholders as an alternative channel of communication with the Board.

GOING CONCERN

The Group's business activities, together with the factors affecting performance, financial position and future development are set out in the Business Review on pages 14 to 17. The financial position of the Group including cash flow, liquidity, borrowings including undrawn facilities and debt maturity analysis are set out on pages 34 to 36.

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.

nomination committee report

"This has been a year of important changes in the composition of the Board. Brian Bickell became Chief Executive at the beginning of the year. Christopher Ward joined us as Finance Director in January 2012.

After fifteen years with the Company, of which the last eight have been as Chairman, I advised the Board earlier this year of my intention to retire at the AGM in February 2013. The Committee has devoted considerable time this year to finding my successor. As announced on 23 May 2012, the Board chose Jonathan Lane to succeed me as Chairman. Jonathan has spent 25 years as Chief Executive and last year became Deputy Chairman.

John Emly, who had been with us for twelve years, retired at the AGM in February 2012. The Committee's deliberations on Board composition and succession led to a decision that we would benefit from having two additional non-executive directors with differing experience and skills. We undertook an external search process and I am delighted to welcome to the Board Dermot Mathias and Sally Walden, whom the Board recommends for election at the AGM in February 2013."

John Manser
Chairman of the Nomination Committee

COMPOSITION OF THE COMMITTEE

John Manser (Chairman)
Jill Little
Gordon McQueen
Oliver Marriott
Hilary Riva
John Emly (to 10 February 2012)
Dermot Mathias (from 1 October 2012)
Sally Walden (from 1 October 2012)

The composition of the Committee complied with the requirements of the Code throughout the year. Terms of reference are available on the Group's website.

Jonathan Lane will become Chairman of the Committee when he becomes Chairman of the Board at the conclusion of the 2013 AGM.

ACTIVITIES DURING THE YEAR

The Committee met four times during the year to consider:

Standing matters	Additional matters
Succession planning for the Board and management	Appointment of Finance Director
Board and Committee performance evaluation and evaluation of the skills of the directors for re-election	Chairman succession
	Appointment of two non-executive directors
Directors for re-election and election	
Review of the annual Committee report	

APPOINTMENT OF FINANCE DIRECTOR

Following an executive recruitment process during the previous financial year, the announcement of the appointment of Christopher Ward as Finance Director was made on 3 October 2011 and he joined the Board on 9 January 2012.

CHAIRMAN SUCCESSION

The succession process for the Chairman was led by the Senior Independent Director. The Chairman was not present for discussions regarding his succession.

The Committee consulted shareholders representing almost 50% of the Company's issued share capital and ascertained that there would be considerable support should Jonathan Lane be appointed non-executive Chairman. As a result of this consultation and following discussions at the Committee and Board, it was decided that Jonathan Lane be appointed as Chairman at the conclusion of the 2013 AGM. The appointment was made without the use of an external search firm. The Board considered that Jonathan was best placed to lead the Board and ensure its continued effectiveness. He has a long experience with the Group and has been instrumental in the evolution of its very specific and successful long-term strategy. The Board concluded that continuity is essential while its composition continues to evolve.

APPOINTMENT OF TWO NON-EXECUTIVE DIRECTORS

As part of continuing succession planning, the Committee keeps the composition of the Board under review. John Emly retired from the Board at the 2012 AGM having served for twelve years. The Committee considered the balance of skills and diversity of the Board, including gender, and identified that the Board's composition would benefit from the appointment of two additional non-executive directors. The Committee appointed Egon Zehnder, which has no other connection with the Group, to undertake a search process. A detailed role description was prepared.

Shortlisted candidates met executive directors and the Company Secretary to gain insight into the Group's business and its culture. Interviews were then conducted by the Committee which resulted in a recommendation to the Board to appoint Dermot Mathias and Sally Walden. The Committee is satisfied that both candidates have sufficient time to devote to the Group's business.

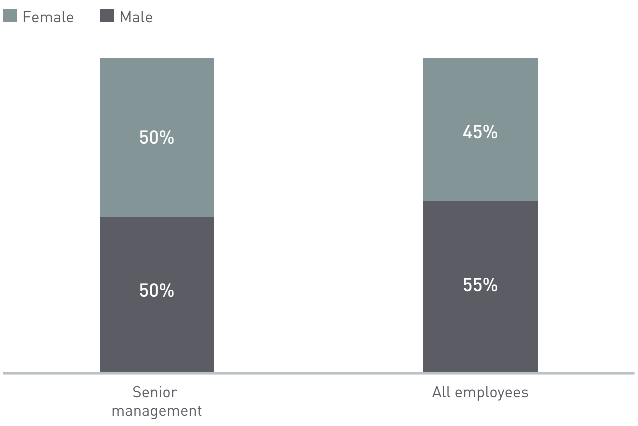
Biographical details of all directors are set out on page 49.

POLICY ON DIVERSITY

All appointments to the Board are made on merit. The Board approved a policy in September 2011 which states that it seeks a composition with the right balance of skills and diversity to meet the demands of the business. Diversity encompasses all aspects including gender and is considered at every level of recruitment. The Board does not consider that quotas are appropriate for Board representation and has therefore not set targets.

During the year gender ratio of the Board was 80% male and 20% female. Following the appointments on 1 October 2012 of Dermot Mathias and Sally Walden the ratio became 75% male and 25% female.

The gender ratio of the Group's employees at 30 September 2012 is set out below.



During the year three employees were recruited including an executive director. Two non-executive director appointments were made after the year end. Of these five appointees, two were female.

SUCCESSION PLANNING

The Committee is responsible for succession planning for the Board and management. Chairman and non-executive director succession has been a priority during the year, but the Committee has also paid particular attention to management succession.

DIRECTORS STANDING FOR ELECTION AND RE-ELECTION

Dermot Mathias and Sally Walden joined the Board on 1 October 2012. They will stand for election at the 2013 AGM.

All other directors will stand for re-election at the 2013 AGM with the exception of the Chairman, John Manser, who will retire from the Board at the conclusion of the meeting.

Following the annual board performance reviews of individual directors, the Chairman considers:

- that each director subject to re-election continues to operate as an effective member of the Board; and
- that each director subject to re-election or election has the skill, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board also considered the continuing role of Gordon McQueen who has been a non-executive director for seven years, including three years as Senior Independent Director, and concluded that he should continue on the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each director standing for re-election.

remuneration report

"The objective of the Group's remuneration policy is to remunerate and incentivise executive directors and management through simple and transparent arrangements which align rewards with the Group's long-term business strategy and goals.

There was no change to the policy or remuneration arrangements during the year and no change is envisaged in the year ahead. However, the Committee is aware of the focus on executive remuneration and is monitoring the evolution of the Government's proposals to improve transparency in reporting and shareholder involvement."

Jill Little
Chairman of the Remuneration Committee

COMPOSITION OF THE COMMITTEE

Jill Little (Chairman)
Gordon McQueen
Oliver Marriott
Hilary Riva
Dermot Mathias (from 1 October 2012)
Sally Walden (from 1 October 2012)

The composition of the Committee complied with the requirements of the Code throughout the year. All members are independent non-executive directors. The Chief Executive and Deputy Chairman may attend meetings at the invitation of the Chairman if required. The Committee's terms of reference are available on the Group's website.

REMUNERATION ADVISORS

During the year, there was a tender process for the provision of external advice. Four advisors were selected by the Committee and invited to tender. Kepler Associates were appointed in February 2012. New Bridge Street (an Aon Hewitt company) advised the Committee in the period from October 2011 to February 2012.

ACTIVITIES DURING THE YEAR

The Committee met six times (four scheduled and two additional meetings) during the year to deal with the following matters which are discussed in detail below.

Standing matters	Additional matters
Determine pay and benefits for the executive directors and Company Secretary and monitor the relationship between pay and benefits of other employees and executive directors	Grant of LTIP awards to Finance Director on appointment in January 2012
Determine awards under the annual bonus scheme for executive directors and the Company Secretary and monitor the relationship between awards for other employees and executive directors	Tender of remuneration advisory services and the appointment of Kepler Associates
Ratify LTIP vesting calculated by reference to the degree of attainment of performance conditions set at the date of award	Offer of savings contracts in June 2012 to buy shares in the Company through the Sharesave scheme
Determine the structure of the annual bonus scheme (including performance objectives) for the executive directors, the Company Secretary and employees for the year ahead	Set the level of fees for Jonathan Lane as non-executive Chairman with effect from 8 February 2013
Determine the performance conditions and LTIP awards for the year ahead	Determine the treatment of Jonathan Lane's share incentives on cessation of his employment as an executive director on 7 February 2013
Appointment of advisors for annual salary review and general advice regarding remuneration structure	
Review Chairman's fees (bi-annually)	
Review the remuneration report	

REMUNERATION

Remuneration policy

The objective of the Group's remuneration policy is to remunerate and incentivise executive directors and management through simple and transparent arrangements which align rewards with the Group's long-term business strategy and goals.

The Group aims to provide a remuneration package which will secure and retain high calibre executive directors and employees who have the skills, experience and motivation necessary to manage the business of the Group in a manner consistent with its long-term strategy. In determining the components of total remuneration, the Committee seeks to incentivise directors and employees by placing emphasis on rewards for performance and sustained delivery of shareholder value. It recognises that under-performance should not be rewarded.

The performance related elements of the annual bonus and long-term incentive scheme can constitute a substantial proportion of every employee's total remuneration if the challenging targets set by the Committee are met.

The Group has a long-established policy of remunerating all employees below Board level in a manner consistent with the arrangements in place for executive directors. In particular, all employees participate in the Group's Annual Bonus Scheme and LTIP.

The components of executive directors' remuneration are set out below.

Element	Policy
Base salary	Base salaries are set at levels the Committee considers appropriate both for the skills and experience of the executive directors and for the size and structure of the business. Salaries are reviewed annually on 1 December. The Group's remuneration advisors provide sector and market data, if required.
Pension provision*	A contribution equivalent to 25% of base salary is paid into a personal pension plan to fund retirement benefits. The role of Deputy Chairman is not pensionable.
Annual bonus	An annual bonus may be awarded to recognise exceptional performance. Annual targets are set by the Committee and are consistent with the Group's overall strategy and key business objectives of long-term growth in rental income and net asset value. They relate to those operational and financial aspects of managing the Group's portfolio which are considered to be critical to maximising and realising its income and capital value potential. An annual bonus may be awarded, up to a maximum of 125% of salary. It may be taken wholly or partly in shares or cash. If taken in cash, the amount is reduced by 20% ie a maximum 100% of salary. Where all or part of an annual bonus is taken in shares, those shares are held for a minimum of three years in a Deferred Annual Share Bonus scheme. Dividend equivalents are paid at the end of the holding period. An annual bonus is not pensionable.
Long-term incentives	The Group's LTIP seeks to incentivise employees to deliver sustained improvement in financial performance and shareholder returns, aligning the interests of employees with shareholders over the longer term. It involves annual awards of nil cost options up to a normal maximum limit of 150% of salary. In exceptional circumstances such as executive recruitment, the Committee may award up to 200% but to date this discretion has not been used. The extent of vesting of options is determined by two separate and independent performance conditions, measured over a three year performance period. The conditions are: • Annualised NAV growth in excess of RPI growth over the performance period; and • Annualised TSR of the Company's shares in excess of TSR of the FTSE 350 Super Sector Real Estate Index. The Committee considers that the performance conditions provide a balanced assessment of the long-term performance of the Group, with NAV focusing on improvements in asset performance and TSR rewarding superior returns to shareholders.
Other benefits*	These include a car, life insurance, health insurance and long-term disability insurance. The Group operates a standard H M Revenue & Customs approved Sharesave scheme for all employees.

* An individual may elect to receive elements of their pension contribution or car benefit by way of additional salary (non-pensionable). The cash equivalent is reduced by any resultant taxation liability borne by the Group.

CONTRACTUAL TERMINATION CLAUSES

Set out below are executive directors' contract terms relating to termination.

	Date of appointment	Date of current contract	Termination arrangements	Note
B Bickell	1.10.2011 (Chief Executive) 12.10.1987 (Finance Director)	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	8.10.1997	8.10.1997	One year's notice	Termination by payment of basic annual salary.
T J C Welton	8.10.1997	8.10.1997	One year's notice	Termination by payment of basic annual salary.
C P A Ward	9.1.2012	1.10.2011	Six months' notice for first twelve months Thereafter one year's notice	One year's salary and benefits payable in event of termination without notice. Director's duty to mitigate loss.
J S Lane	1.10.2011 (Deputy Chairman) 12.10.1987 (Chief Executive)	12.10.1987	One year's notice	One year's salary and benefits payable in event of termination without notice. Director's duty to mitigate loss. Contract will terminate on 7 February 2013.

The Group has a policy which requires executive directors to build up and maintain a minimum shareholding in the Company equivalent to one year's salary. Newly appointed executive directors are expected to accumulate a shareholding to this value over a period of five years from the date of their appointment.

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. Jonathan Lane received and retained fees in the year ended 30 September 2012 in respect of his directorship of a private company unconnected with the Group's business totalling £4,500 (2011: £4,250).

The terms of appointment of non-executive directors are documented in letters of appointment and the standard letter is set out on the website. They have a one month notice period and their appointment would terminate without compensation if not re-elected at the AGM.

CLAWBACK

Scheme rules have clawback provisions for executive directors under the annual bonus scheme and the LTIP for material misstatement of the financial statements or gross misconduct. There have been no instances of clawback provisions being applied.

REMUNERATION

Base salary

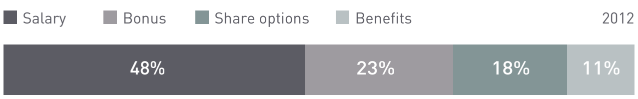
Salaries for executive directors were revised with effect from 1 December 2012. Benchmarking against peers was not conducted this year as the Committee considers that this is not an annual process. Salary reviews reflect a cost-of-living increase except for a larger increase for Christopher Ward to recognise his developing familiarity with the Group's business following his appointment in January 2012.

	1.12.2012 £'000	1.12.2011 £'000	Increase
B Bickell	**445**	430	3.5%
S J Quayle	**315**	305	3.3%
T J C Welton	**315**	305	3.3%
C P A Ward	**275**	250	10.0%
J S Lane	***175**	*175	-

* Two days per week. Employment will terminate on 7 February 2013 on becoming non-executive Chairman.

Salaries of employees were also reviewed with effect from 1 December 2012, with general increases of 3 - 4% depending on their role which is in line with the increases of the executive directors.

The chart below illustrates the balance of fixed and variable pay which comprises the executive directors' total remuneration. It shows actual salary, bonus and benefits and the fair value of share options granted during the year.



ANNUAL BONUS SCHEME TARGETS

In setting robust targets for the scheme and in assessing actual performance, factors which the Committee considers include:

- The extent to which rental levels are achieved in excess of market rental values assessed by the Group's external valuers at their last valuation (a Group KPI);
- The ability of management to maximise the occupation of its properties and, where vacancies arise, minimise the time that properties are vacant and not producing income (a Group KPI); and
- Corporate responsibility performance against targets set at the beginning of the year.

An explanation of the Group's KPIs is contained in the Business Review. As Total Shareholder Return and growth in net asset value are the performance measures which are used in the LTIP; they are not used as measures for the Annual Bonus Scheme.

The Committee awarded bonuses this year at 50% of salary (2011: 114% for Jonathan Lane and 82% for the other executive directors). Bonuses for individual directors are contained in table 1.1.

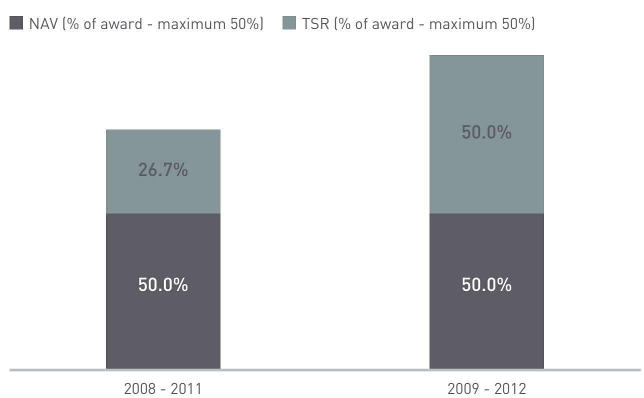
LONG-TERM INCENTIVE PLAN CONDITIONS AND VESTING

The conditions below apply to the awards made in the previous and the current financial year as the Committee believes the conditions are still appropriate to the Group.

Annualised NAV growth less annualised RPI growth, over the performance period	Percentage of 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%

Annualised TSR of the Company's shares less annualised TSR of the FTSE 350 Super Sector Real Estate Index	Percentage of 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%

The awards made in 2009 for the performance period 1 October 2009 to 30 September 2012 will vest on 8 December 2012. Kepler Associates prepared the TSR calculation and verified the NAV calculations for the Committee. Performance against these criteria is illustrated below for grants in 2008 and 2009.



REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2012 (AUDITED)

TABLE 1.1 - REMUNERATION

	Salary		Bonus		Benefits* In kind		Benefits* In cash		Total remuneration		Pension contribution	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
B Bickell	**430**	298	**215**	244	**28**	15	**78**	24	**751**	581	**33**	62
S J Quayle	**303**	288	**153**	236	**23**	15	**36**	23	**515**	562	**50**	61
T J C Welton	**302**	282	**153**	232	**39**	32	**22**	9	**516**	555	**50**	60
C P A Ward**	**183**	-	**94**	-	**6**	-	**18**	-	**301**	-	**38**	-
J S Lane	**175**	425	**70**	484	**60**	74	**-**	93	**305**	1,076	**-**	-
Total	**1,393**	1,293	**685**	1,196	**156**	136	**154**	149	**2,388**	2,774	**171**	183
Non-executive directors												
P J Manser									**113**	100		
J R K Emly***									**18**	50		
W G McQueen									**56**	50		
O J D Marriott									**50**	50		
H S Riva									**50**	50		
J C Little									**56**	50		
Total									**343**	350		
Total - all directors									**2,731**	3,124		

* Benefits comprise car benefit, permanent health insurance, life insurance and health insurance. Car benefit may be taken in kind or in cash. Pension contributions may also be taken in cash. The cash equivalent is reduced by any resultant tax liability borne by the Group.

** For the period from 9.1.2012 to 30.9.2012

*** For the period from 1.10.2011 to 10.2.2012

Each executive director has elected to take their 2012 bonus entirely in shares other than Jonathan Lane, who has agreed to take cash (2011: each director elected to take their bonus entirely in shares). The Deferred Annual Share Bonus figures are not included in table 2.1 as the awards will be made in December 2012.

TABLE 1.2 - GAINS MADE BY DIRECTORS ON THE EXERCISE OF SHARE OPTIONS DURING THE YEAR

	Gain on exercise	
	2012 £'000	2011 £'000
B Bickell	**610**	528
S J Quayle	**575**	455
T J C Welton	**525**	438
J S Lane	**852**	900
	2,562	2,321

TABLE 2.1 - DEFERRED ANNUAL SHARE BONUS SCHEME

	Date of grant	Market price on date of grant £	Entitlement to ordinary shares: At 1.10.2011	Awarded in year*	Delivered in year	At 30.9.2012
B Bickell	17.12.2010	4.50	19,352	-	-	**19,352**
	21.12.2011	4.64	-	52,335	-	**52,335**
			19,352	52,335	-	**71,687**
S J Quayle	17.12.2010	4.50	18,673	-	-	**18,673**
	21.12.2011	4.64	-	50,590	-	**50,590**
			18,673	50,590	-	**69,263**
T J C Welton	17.12.2010	4.50	17,994	-	-	**17,994**
	21.12.2011	4.64	-	49,719	-	**49,719**
			17,994	49,719	-	**67,713**
J S Lane	17.12.2010	4.50	27,161	-	-	**27,161**
	21.12.2011	4.64	-	103,866	-	**103,866**
			27,161	103,866	-	**131,027**

* In respect of the annual bonus for the year ended 30 September 2011. Shares are held in an employee benefit trust which at 30 September 2012 held 355,644 shares.

TABLE 2.2 - LTIP

	Date of grant	Market price of share on grant £	Number of ordinary shares under option: At 1.10.2011	Granted during year	Vested and exercised during year	Lapsed during year	At 30.9.2012	Market price of share on date of vesting £	Exercise period
B Bickell	16.12.2008	3.70	105,907	-	81,231	24,676	**-**	4.65	12.2011-6.2012
	8.12.2009	3.89	70,150	-	-	-	**70,150**	-	12.2012-6.2013
	8.12.2010	4.32	81,050	-	-	-	**81,050**	-	12.2013-6.2014
	7.12.2011	4.99	-	108,150	-	-	**108,150**	-	12.2014-6.2015
S J Quayle	16.12.2008	3.70	103,867	-	79,666	24,201	**-**	4.65	12.2011-6.2012
	8.12.2009	3.89	67,600	-	-	-	**67,600**	-	12.2012-6.2013
	8.12.2010	4.32	78,200	-	-	-	**78,200**	-	12.2013-6.2014
	7.12.2011	4.99	-	76,750	-	-	**76,750**	-	12.2014-6.2015
T J C Welton	16.12.2008	3.70	99,800	-	76,546	23,254	**-**	4.65	12.2011-6.2012
	8.12.2009	3.89	65,050	-	-	-	**65,050**	-	12.2012-6.2013
	8.12.2010	4.32	75,375	-	-	-	**75,375**	-	12.2013-6.2014
	7.12.2011	4.99	-	76,750	-	-	**76,750**	-	12.2014-6.2015
C P A Ward	17.1.2012	4.91	-	65,800	-	-	**65,800**	-	1.2015-7.2015
J S Lane	16.12.2008	3.70	150,713	-	115,597	35,116	**-**	4.65	12.2011-6.2012
	8.12.2009	3.89	98,200	-	-	-	**98,200**	-	12.2012-6.2013
	8.12.2010	4.32	136,500	-	-	-	**136,500**	-	12.2013-6.2014
	7.12.2011	4.99	-	44,050	-	-	**44,050**	-	12.2014-6.2015

Options are structured as nil cost. Options granted on 8.12.2009 will vest in full on 8.12.2012.

TABLE 2.3 - 2001 SHARE OPTION SCHEME

	Date of grant	Number of ordinary shares under option: At 1.10.2011	Exercised during year	At 30.9.2012	Exercise price £	Market value of share on date of exercise £	Exercise period
B Bickell	15.12.2004	169,825	85,000	**84,825**	2.65	5.44	12.2007-12.2014
S J Quayle	15.12.2004	143,406	75,000	**68,406**	2.65	5.44	12.2007-12.2014
T J C Welton	15.12.2004	123,909	61,954	**61,955**	2.65	5.44	12.2007-12.2014
J S Lane	15.12.2004	230,207	115,000	**115,207**	2.65	5.44	12.2007-12.2014

No grants under this scheme have been made since 2004. All options under the scheme have either vested or lapsed. Participants have seven years from the date of vesting in which to exercise options.

TABLE 2.4 - SHARESAVE

	Date of grant	At 1.10.2011	Number of ordinary shares under option: Granted during year	Vested during year	Exercised during year	At 30.9.2012	Exercise price £	Exercise period
B Bickell	8.7.2011	3,595	-	-	-	**3,595**	4.29	8.2016-1.2017
S J Quayle	8.7.2011	3,595	-	-	-	**3,595**	4.29	8.2016-1.2017
T J C Welton	8.7.2011	3,595	-	-	-	**3,595**	4.29	8.2016-1.2017
C P A Ward	5.7.2012	-	3,759	-	-	**3,759**	3.99	8.2017-1.2018
J S Lane	8.7.2011	3,595	-	-	-	**3,595**	4.29	8.2016-1.2017

An offer of savings contracts to all employees to buy shares in the Group at a 20% discount to the market price prevailing shortly before the date of grant was made in June 2012.

The closing price of shares at 28 September 2012 (the last working day of the financial year) was £5.28 and the range during the year was £4.45 to £5.49.

OTHER REMUNERATION MATTERS

Non-executive directors' fees

Fees payable to non-executive directors are determined by the Board with the non-executive directors taking no part in the discussion and are reviewed every two years. Fees are within limits set by the Articles of Association and are intended to reflect the time commitment and responsibilities of individual non-executive directors' roles. They are set at broadly median levels to ensure individuals of the necessary calibre and experience are recruited and retained.

Basic fees were reviewed in November 2011 and not increased. With effect from 1 December 2011, a fee for the Chairmanship of the Remuneration and Nomination Committees of £7,500 was introduced. The next review of fees will be conducted in 2013. The Committee determined that the fee payable to Jonathan Lane when he becomes Chairman in February 2013 will be £115,000, the same level as John Manser currently receives for the role.

Fees with effect from 1 December 2012 are as follows:

	Fees 1.12.2012 £'000	Committee Chair Fee £'000	Total Fee £'000	Fees 1.12.2011 £'000
P J Manser	**115**	**-**	**115**	115
J S Lane*	**115**	**-**	**115**	-
J C Little	**50**	**8**	**58**	50
W G McQueen	**50**	**8**	**58**	50
O J D Marriott	**50**	**-**	**50**	50
D C A Mathias	**50**	**-**	**50**	-
H S Riva	**50**	**-**	**50**	50
S E Walden	**50**	**-**	**50**	-

* Fees for Jonathan Lane are applicable from 8 February 2013 and will be pro rated.

APPOINTMENT OF FINANCE DIRECTOR

Christopher Ward joined the Company and the Board in January 2012. On his appointment as a director, he received an award of nil cost options in the Group's LTIP. His award was equivalent to 125% of salary and was at the same level as the executive directors' awards in December 2011. His notice period provisions are set out on page 57.

NON-EXECUTIVE CHAIRMAN

Jonathan Lane will become non-executive Chairman at the conclusion of the 2013 AGM. As Chairman he will receive a fee of £115,000 per annum, which will be subject to review in November 2013.

As an executive director of the Company, Jonathan Lane has participated in the Group's share incentive schemes. The treatment of his current incentive entitlements once he assumes a non-executive role will be as follows:

- **LTIP**

  Existing options subject to performance periods which terminate after February 2013 will be reduced pro rata according to the period Jonathan Lane served as an executive. Normal performance criteria will be applied at the end of the performance period. This is consistent with the scheme rules and is the basis applied to scheme leavers in previous years.

  He will not receive an award of LTIP options in December 2012 when grants will be made to the other executive directors.

- **Annual Bonus and Deferred Share Bonus Scheme**

  Holdings under this scheme will be treated in a similar manner to the LTIP and will vest on normal vesting dates in line with other employees. As vesting is not subject to any performance conditions, shares will vest in full.

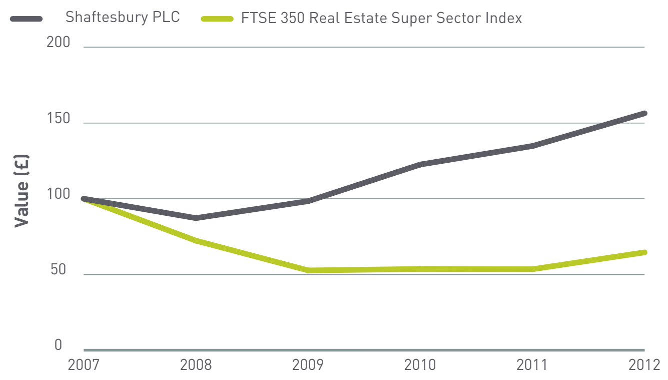
  Jonathan Lane received a bonus for the financial year to 30 September 2012. It has been agreed that in view of his non-executive position from February 2013, he will take his award under the Annual Bonus Scheme in cash.

  He will not receive any pro-rata cash bonus for the part of the financial year 1 October 2012 to 7 February 2013 in his role as executive Deputy Chairman.

TOTAL SHAREHOLDER RETURN

The graphs below show the TSR for the Company compared with the FTSE 350 Super Sector Real Estate Index of which the Company is a constituent. The Committee uses this index as one measure of performance for awards of shares under the LTIP, it considers this is an appropriate benchmark against which the relative performance of the Company should be compared for the purposes of considering executive directors' remuneration. The graphs below show relative TSR performance over the last five and ten financial years.

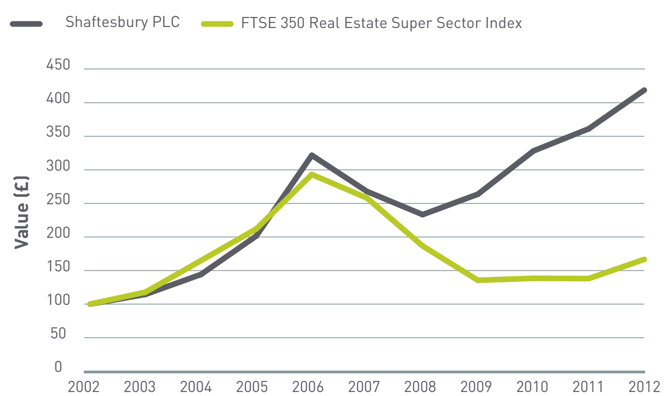
TOTAL SHAREHOLDER RETURN - 5 YEARS



This graph shows the cumulative value, to 30.9.2012, of £100 invested in Shaftesbury PLC on 30.9.2007 compared with the value of £100 invested in the FTSE 350 Super Sector Real Estate Index. The other points are the values at intervening financial year-ends.

Source: **Datastream**

TOTAL SHAREHOLDER RETURN - 10 YEARS



This graph shows the cumulative value, to 30.9.2012, of £100 invested in Shaftesbury PLC on 30.9.2002 compared with the value of £100 invested in the FTSE 350 Super Sector Real Estate Index. The other points plotted are the values at intervening financial year-ends.

Source: **Datastream**

audit committee report

"The Committee's focus this year, in addition to the publication of financial information, has been on a strategic review of the key business risks faced by the Group. A detailed exercise supplemented the normal risk management process. The strategic risks and their treatment are discussed in detail in the Business Review."

Gordon McQueen
Chairman of the Audit Committee

COMPOSITION OF THE COMMITTEE

Gordon McQueen (Chairman)
Jill Little
Oliver Marriott
Hilary Riva
Dermot Mathias (from 1 October 2012)
Sally Walden (from 1 October 2012)

The composition of the Committee complied with the requirements of the Code throughout the year. All members are independent non-executive directors. Gordon McQueen and Dermot Mathias are the members of the Committee with recent and relevant financial experience.

The Finance Director and the auditors attend meetings. The auditors have the opportunity for discussion without management present. The Committee's terms of reference are available on the Group's website.

ACTIVITIES DURING THE YEAR

The Committee met three times during the year to deal with the following matters:

Standing matters	Additional matters
Reviewed published financial information including the year end results, preliminary announcement, Annual Report, half year results, Half Year Report and the Interim Management Statements	Strategic review of the key business risks
Reviewed management accounts against forecasts	Approved non-audit assignment awarded to the external audit firm
Reviewed all areas of judgement with the potential to have a material impact on the financial statements and made any consequent recommendations to the Board	
Met with the Group's valuers to discuss the valuation process	
Reviewed key business procedures and controls	
Reviewed six monthly the risk and internal control framework	
Considered the appropriateness of the going concern assumption	
Monitored audit and non-audit fees	
Considered the independence of the auditors	
Reviewed the auditors' performance and made a recommendation for the appointment of the Group's auditors by shareholders	
Planned for year end	
Reviewed the whistleblowing policy	
Considered the need for an internal audit function	
Reviewed the Committee's performance	
Reviewed the Committee Report	

RISK REVIEW PROCESS

During the year the Committee and the Board undertook an in-depth review of the risks to the business which was facilitated by an external advisor. This was in addition to the standard business risk review which is conducted every six months. This review focused on strategic risks faced by the business. The Group's principal risks and uncertainties are reported in the Business Review.

FINANCIAL REPORTING AND THE VALUATION PROCESS

The Committee considers all financial information published in the annual and half year financial statements and considers accounting policies adopted by the Group.

One of the key components of the annual and half year financial results is the valuation of the Group's portfolio by its external valuers. This is an important area of judgement for the Board and is material to the Group's results. As well as detailed management procedures and reviews of the process, members of the Committee meet the Group's valuers without management present to discuss the valuation process. The Board considers the valuation in detail at its meetings to approve the financial statements. The auditors also hold discussions with the valuers.

TENURE OF AUDITORS AND TENDER FOR AUDIT SERVICES

PricewaterhouseCoopers LLP (or its predecessor firms) has been the Company's auditors since it listed on the London Stock Exchange in October 1987. The audit was tendered in 2010. The Committee resolved to recommend to the Board that PricewaterhouseCoopers LLP continue as auditors.

PricewaterhouseCoopers LLP are recommended for re-appointment at the 2013 AGM.

INTERNAL AUDIT

In view of the focused nature of the Group's business, its modest size 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 there is no need to establish an internal audit function.

AWARD OF NON-AUDIT ASSIGNMENTS TO THE EXTERNAL AUDIT FIRM

The policy of the Committee is that non-audit assignments will not be awarded to the external audit firm where there is a risk 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 corporate tax compliance work.

AUDIT FEES

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

	2012 £'000	2011 £'000
Audit of the Company's annual accounts	**45**	40
Audit of subsidiaries and joint venture	**89**	79
Total audit services	**134**	119
Audit related assurance services*	**19**	19
Other assurance services	**6**	-
Total assurance services	**25**	19
Total audit and assurance services	**159**	138
Tax compliance services	**56**	49
Tax advisory service	**88**	149
Services related to taxation	**144**	198
Other non-audit services	**-**	9
Total fees related to taxation and other non-audit services	**144**	207
Total fees	**303**	345

* Fees relate to half year review.

This year non-audit fees (£144,000) were less than audit and assurance fees (£159,000).

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

AUDITOR CONFIRMATION

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

The Committee is satisfied with the independence of the auditors.

directors' report

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2012.

BUSINESS REVIEW

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's Statement, the Chief Executive's Report and the Business Review which should be read in conjunction with this report. The information which comprises the Business Review as required by Section 417 of the Companies Act 2006 may be found on pages 14 to 17 of the Business Review, pages 50 to 52 of Corporate Governance and pages 42 to 46 of Corporate Responsibility.

PRINCIPAL ACTIVITIES

The Group is engaged in investment in properties with primarily commercial uses and their improvement through refurbishment and active management. The Group, excluding its interest in Longmartin Properties Limited, is subject to taxation as a REIT.

RESULTS AND DIVIDENDS

The results for the year ended 30 September 2012 are set out in the Group Statement of Comprehensive Income on page 72.

An interim dividend of 5.95p per ordinary share was paid on 6 July 2012 (2011: 5.50p).

The directors recommend a final dividend in respect of the year ended 30 September 2012 of 6.05p per ordinary share (2011: 5.75p), making a total dividend for the year of 12.0p per ordinary share (2011: 11.25p). If authorised at the 2013 AGM, the dividend will be paid on 15 February 2013 to members on the register at the close of business on 25 January 2013. The dividend will be paid as a PID.

The PID will be paid after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Information together with the relevant forms which must be completed and submitted to Company's registrars for shareholders who are eligible to receive gross PIDs is available in the investor relations section of the Company's website.

SHARE CAPITAL

During the year, a total of 973,882 shares were issued at nil cost, £2.37 and £2.65 on the exercise of employee share options. At 30 September 2012, the Company's issued share capital comprised 251,472,691 ordinary shares of 25p each.

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

DIRECTORS

The rules that the Company has governing the appointment and replacement of directors are contained in 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.

The directors of the Company who served throughout the year ended 30 September 2012 and up to the date of the financial statements, and their interests in the ordinary share capital of the Company, were as follows:

	Ordinary shares of 25p each	
Beneficial interest:	**1.10.2011**	**30.9.2012**
B Bickell	742,489	801,900
S J Quayle	721,665	777,912
T J C Welton	556,700	608,303
C P A Ward (from 9.1.2012)	-	2,000
J S Lane	1,003,918	1,043,918
P J Manser	175,000	175,000
J C Little	2,142	2,142
W G McQueen	8,333	8,333
O J D Marriott	5,000	5,000
H S Riva	6,450	6,450
D C A Mathias (from 1.10.2012)	-	-
S E Walden (from 1.10.2012)	-	-
J R K Emly (to 10.2.2012)	30,000	-

There have been no changes to directors' shareholdings between 30 September 2012 and the date of this report.

Details of options granted to executive directors under the Group's share schemes are set out in the Remuneration Report on pages 55 to 62.

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 29 November 2012, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules, that the following nine shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital amounting to a total of 46.66%:

	Issued share capital %
BlackRock Inc	7.75
Norges Bank	7.32
Amerprise Financial Inc	5.03
Standard Life Investments Limited	4.98
F & C Asset Management plc	4.97
Co-operative Financial Services Limited	4.94
Lloyds TSB Group plc	4.12
Legal & General Group plc	3.99
Stichting Pensioenfonds ABP	3.56

PAYMENT OF SUPPLIERS

The policy of the Company and Group is to settle suppliers' invoices within the terms of trade agreed with individual suppliers. Where no specific terms have been agreed, payment is usually made within one month of the invoice for goods or services. At 30 September 2012, the Company's creditors in respect of invoiced supplies was 24 days purchases (2011: 27 days) and the Group's creditors in respect of invoiced supplies represented 18 days purchases (2011: 24 days).

PURCHASE OF OWN SHARES

The Company was granted authority at the 2012 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2013 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 2012 to 29 November 2012.

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 of £10 million.

CHARITABLE AND OTHER DONATIONS

During the year, the Group made charitable donations in cash amounting to £91,000 (2011: £48,000). The principal charities supported by the Group together with a description of the Group's community investment is set out in Corporate Responsibility on pages 42 to 46. The Group measures its community investment in line with the London Benchmarking Group methodology. For the year ended 30 September 2012 this was assessed as £404,000 (including cash donations). Contributions to public realm works are excluded from this figure.

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

EMPLOYMENT AND ENVIRONMENTAL MATTERS

The Group has 22 employees. KPIs relating to employees and the Group's employment and environmental policies are described in Corporate Responsibility on pages 42 to 46 and are also available in full on the Group's website.

FINANCIAL INSTRUMENTS

The information required in respect of financial instruments as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 is given on pages 90 to 92.

CHANGE OF CONTROL

Each of the Group's bank facility agreements and the Longmartin joint venture arrangement contains provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group.

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

CONTRACTS AND OTHER ARRANGEMENTS

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

AUTHORISATION OF DIRECTORS' CONFLICTS OF INTERESTS

Directors are required to notify the Company of any conflict or potential conflict of interest. They make an annual declaration to the Company if during the year any conflicts have arisen. The Board confirms that no conflicts have been identified or notified to the Company during the year and accordingly the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

INDEPENDENT AUDITORS

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2013 AGM. The Board, on the advice of the Audit Committee, recommends their reappointment. PricewaterhouseCoopers LLP have consented to act if re-appointed.

2013 ANNUAL GENERAL MEETING

The 2013 AGM will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority to make political donations 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

29 November 2012

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 30 September 2012 (the "date of valuation") held by Shaftesbury Carnaby Limited, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown Limited, Shaftesbury Charlotte Street Limited and Shaftesbury Soho 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 26 November 2012 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2012 and a number were subject to internal inspections.

The valuations have been prepared in accordance with the appropriate sections of the Valuation Standards ("VS"), and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation – Professional Standards 2012 (the "Red Book"). We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake these valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of VS 1.6.4 of the Red Book have been satisfied. Finally, we confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation.

In accordance with VS 1.9 and UKVS 4.3, we are required to make certain disclosures in connection with this valuation instruction and our relationship with the Company and the Subsidiary Companies. John Bareham is the signatory of our Reports and he has been the signatory of Reports addressed to the Subsidiary Companies since September 2006. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars. There are no current fee-earning instructions between DTZ Debenham Tie Leung and the Company or the Subsidiary Companies other than valuation instructions. However, in addition to valuation instructions, there are other previous fee-earning relationships between DTZ Debenham Tie Leung and certain of the Subsidiary Companies or the Company itself. These relate to our previous appointment as property and asset managers in respect of the properties known as Wellington House (6-9 Upper St Martin's Lane, 6-8 Shelton Street & 7-13 Mercer Street), 10/11, 12, 13/14, 16-19 & 20 Upper St Martin's Lane, 124, 125/126, 127/130 (inc 1-3 Slingsby Place), 132/135, 136/137, 138 (Beckett House), 140-142 & 143 Long Acre, 1, 3-5 &15/17 Mercer Street, London WC2 (all of which are owned by Longmartin Properties Limited, a joint venture company owned in equal shares by the Company and the Mercers' Company); to our previous involvement in advising the Company and Longmartin Properties Limited in respect of landlord and tenant and other matters; to our previous involvement in advising the Company or some of the Subsidiary Companies in connection with the acquisition or disposal of certain properties and to our previous involvement on behalf of the Company, or certain of the Subsidiary Companies, in acting as letting agents in respect of certain of the office accommodation.

DTZ Debenham Tie Leung was a wholly owned subsidiary of DTZ Holdings plc (the "Group") until 5 December 2011, when all the trading subsidiaries of the Group were sold to UGL Limited ("UGL"). In UGL's financial year ending 30 June 2012, the proportion of total fees payable by the Company to the total fee income of UGL was less than 5%.

In accordance with the provisions of Guidance Note 3 of the Red Book, in undertaking our valuations, we have lotted together certain individual properties to form a separate property (a "Property" or "Properties") in the manner we consider to be most likely to be adopted in the case of an actual sale. We consider that lotting the properties together on the basis reflected in our valuations would allow a purchaser to capitalise on the estate management advantages and opportunities available from such comprehensive ownership.

A high proportion of the total value of the Subsidiary Companies' properties and Properties is accounted for by properties and Properties situated in adjacent and/or adjoining locations in four specific areas of the West End of London: Carnaby Street and its environs, Chinatown and the adjoining area immediately west of Wardour Street (south of its junction with Shaftesbury Avenue), and the areas around Seven Dials in the western part of Covent Garden and a block of properties to the east of the Central Covent Garden Piazza with its main frontage to Wellington Street. These areas are all dominated by retail and restaurant uses. In our opinion, at the date of valuation, this particular unusual confluence of ownership and use characteristics may cause some prospective purchasers to regard parts of the portfolio when combined as having a greater value than the aggregate of the individual values of the combined properties and Properties which make up those parts.

As required by the provisions of the Red Book, in undertaking our valuations, we have valued each property or Property separately, rather than valuing the portfolio as a whole or in combinations of parts. The "total" valuation figure below is the aggregated value of the separate properties or Properties within the various categories of tenure referred to below.

All valuations were on the basis of Fair Value. We have assessed Fair Value in accordance with VS 3.5 item 2 of the Red Book. Our opinion of the Fair Value of each of the properties or Properties has been primarily derived using comparable recent market transactions on arm's length terms.

We have not made any allowance for vendor's sale costs nor for any tax liabilities which may arise upon the disposal of any of the properties or Properties. We have made deductions to reflect purchasers' normal acquisition costs.

A full explanation of the Assumptions made in our valuations and details of the sources of information are contained within our Reports.

We have measured certain of the properties, or parts of properties, either on site or by scaling from floor plans. The Company, its managing agents or professional advisers have provided us with the floor areas of the remaining properties or parts of properties.

We have read the majority of the leases and related documents provided to us in respect of the commercial properties. Where we have not read leases, we have relied on tenancy information provided by the Company, its managing agents or professional advisers.

Certain properties were subject to works of repair or refurbishment at 30 September 2012, 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 £23,294,000 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 30 September 2012, 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 26 November 2012, were as follows:

Freehold properties	£1,590,680,000 (One billion, five hundred and ninety million, six hundred and eighty thousand pounds)
Long leasehold properties	£108,300,000 (One hundred and eight million, three hundred thousand pounds)
Total	**£1,698,980,000** **(One billion, six hundred and ninety- eight million, nine hundred and eighty thousand pounds)**

A long lease is one with an unexpired term in excess of 50 years.

The contents of our Reports are confidential to Shaftesbury PLC, Shaftesbury Covent Garden Limited, Shaftesbury Carnaby Limited, Shaftesbury Chinatown Limited, Shaftesbury Charlotte Street Limited and Shaftesbury Soho 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.

John Bareham BSc (Hons) MRICS
Senior Director
RICS Registered Valuer

For and on behalf of DTZ Debenham Tie Leung Limited
48 Warwick Street
London W1B 5NL

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 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 Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 49 confirms that, to the best of their knowledge:

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

The confirmation in accordance with section 418 of the Companies Act 2006 is contained within the Directors' Report on page 66.

independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHAFTESBURY PLC

We have audited the financial statements of Shaftesbury PLC for the year ended 30 September 2012 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 69, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2012 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

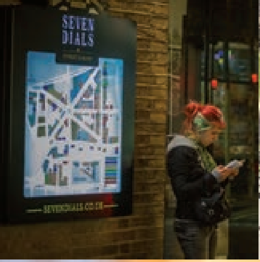
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the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

UNDER THE LISTING RULES WE ARE REQUIRED TO REVIEW:

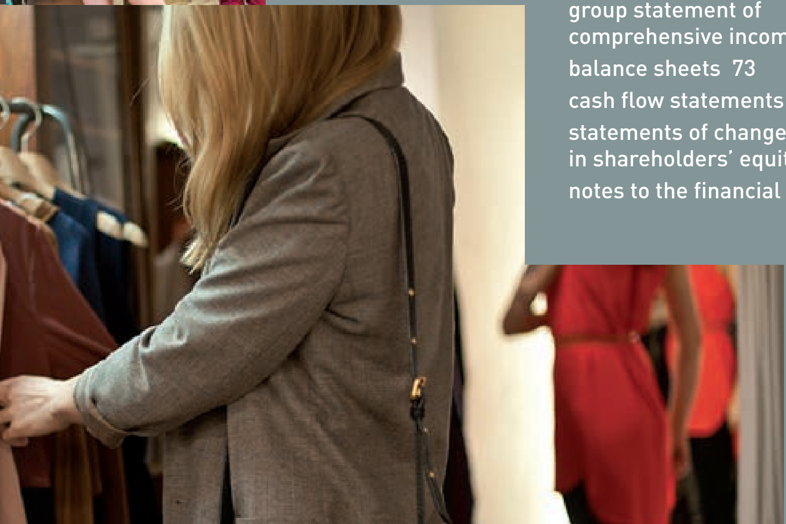
- the directors' statement, set out on page 52 in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

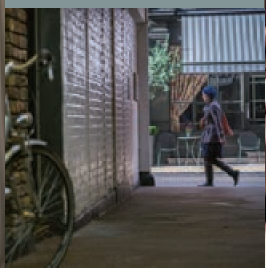
Andrew Paynter
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
29 November 2012



financial statements





group statement of comprehensive income

For the year ended 30 September 2012

	Note	2012 £m	2011 £m
Continuing operations			
Revenue from properties	4	**87.0**	81.4
Property charges	5	**(16.0)**	(14.8)
Net property income	6	**71.0**	66.6
Administrative expenses	7	**(7.2)**	(6.0)
Charge for annual bonuses		**(1.2)**	(2.0)
Charge in respect of equity settled remuneration	8	**(1.6)**	(1.6)
Total administrative expenses		**(10.0)**	(9.6)
Operating profit before investment property disposals and valuation movements		**61.0**	57.0
Profit on disposal of investment properties	9	**1.6**	-
Investment property valuation movements	14	**90.2**	110.6
Operating profit		**152.8**	167.6
Finance income		**0.1**	-
Finance costs	10	**(29.9)**	(27.8)
Change in fair value of derivative financial instruments	22	**(28.2)**	(24.1)
Net finance costs		**(58.0)**	(51.9)
Profit before tax		**94.8**	115.7
Current tax		**(0.6)**	(0.4)
Deferred tax		**(1.2)**	(1.5)
Tax charge for the year	11	**(1.8)**	(1.9)
Profit and total comprehensive income for the year		**93.0**	113.8
Earnings per share:	12		
Basic		**37.1p**	47.4p
Diluted		**36.8p**	47.0p
EPRA adjusted diluted		**12.1p**	11.9p

The notes on pages 76 to 99 form an integral part of this Group financial information.

balance sheets

As at 30 September 2012

	Note	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Non-current assets					
Investment properties	14	**1,823.5**	1,675.4	**-**	-
Lease incentives	15	**8.2**	7.0	**-**	-
Office assets and vehicles		**0.6**	0.6	**0.6**	0.6
Investment in subsidiaries	16	**-**	-	**638.2**	638.2
Investment in joint venture	17	**-**	-	**59.0**	79.0
		1,832.3	1,683.0	**697.8**	717.8
Current assets					
Trade and other receivables	18	**17.4**	15.7	**521.3**	494.1
Cash and cash equivalents	19	**5.3**	2.0	**-**	-
Total assets		**1,855.0**	1,700.7	**1,219.1**	1,211.9
Current liabilities					
Trade and other payables	20	**34.3**	36.2	**14.8**	7.3
Non-current liabilities					
Borrowings	21	**561.6**	500.5	**504.8**	506.1
Derivative financial instruments	22	**132.8**	104.6	**132.8**	104.6
Deferred tax liabilities	24	**6.9**	5.7	**-**	-
Total liabilities		**735.6**	647.0	**652.4**	618.0
Net assets		**1,119.4**	1,053.7	**566.7**	593.9
Equity					
Ordinary shares	25	**62.9**	62.6	**62.9**	62.6
Share premium	26	**123.6**	122.9	**123.6**	122.9
Share based payments reserve	26	**2.7**	3.1	**2.7**	3.1
Retained earnings	26	**930.2**	865.1	**377.5**	405.3
Total equity		**1,119.4**	1,053.7	**566.7**	593.9
Net asset value per share:	27				
Basic		**£4.45**	£4.21		
Diluted		**£4.43**	£4.19		
EPRA adjusted diluted		**£4.98**	£4.63		

The notes on pages 76 to 99 form an integral part of this Group financial information.

On behalf of the Board who approved the financial statements on pages 72 to 99 on 29 November 2012.

Brian Bickell
Chief Executive

Christopher Ward
Finance Director

cash flow statements

For the year ended 30 September 2012

	Note	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash flows from operating activities					
Cash generated from operating activities	28	**59.4**	57.3	**(9.1)**	(7.8)
Interest received		**0.1**	-	**-**	0.3
Interest paid		**(28.7)**	(27.2)	**(28.1)**	(27.2)
Corporation tax paid		**(0.5)**	(4.6)	**-**	(4.3)
Net cash generated from operating activities		**30.3**	25.5	**(37.2)**	(39.0)
Cash flows from investing activities					
Property acquisitions		**(44.7)**	(64.0)	**-**	-
Capital expenditure on properties		**(16.9)**	(15.3)	**-**	-
Proceeds from sales of properties		**2.6**	-	**-**	-
Purchase of office assets and vehicles		**(0.2)**	(0.3)	**(0.2)**	(0.3)
Dividends received from joint venture		**-**	-	**2.4**	1.1
Net cash used in investing activities		**(59.2)**	(79.6)	**2.2**	0.8
Cash flows from financing activities					
Proceeds from Share Placing		**-**	99.8	**-**	99.8
Proceeds from exercise of share options		**1.0**	0.9	**1.0**	0.9
Proceeds/(repayment) of borrowings	29	**1.4**	(21.4)	**(1.6)**	(15.9)
Proceeds from secured term loan	29	**60.0**	-	**-**	-
Facility arrangement costs	29	**(0.7)**	(0.6)	**-**	(0.6)
Payment of head lease liabilities	29	**(0.2)**	(0.3)	**-**	-
Equity dividends paid		**(29.3)**	(24.2)	**(29.3)**	(24.2)
Decrease/(increase) in loans with subsidiaries		**-**	-	**12.7**	(18.6)
Decrease/(increase) in loans with joint venture		**-**	-	**52.2**	(3.2)
Net cash from financing activities		**32.2**	54.2	**35.0**	38.2
Net change in cash and cash equivalents		**3.3**	0.1	**-**	-
Cash and cash equivalents at the beginning of the year	19	**2.0**	1.9	**-**	-
Cash and cash equivalents at the end of the year	19	**5.3**	2.0	**-**	-

The notes on pages 76 to 99 form an integral part of this Group financial information.

statements of changes in shareholders' equity

For the year ended 30 September 2012

	Note	Ordinary shares £m	Merger reserve £m	Share premium £m	Share based payments reserve £m	Retained earnings £m	Total £m
Group							
At 1 October 2010		56.8	-	122.1	2.7	682.1	863.7
Total comprehensive income and profit for the year		-	-	-	-	113.8	113.8
Transactions with owners:							
Dividends paid during the year	13	-	-	-	-	(25.7)	(25.7)
Shares issued in connection with Share Placing	25	5.7	96.5	-	-	-	102.2
Transfer to retained earnings		-	(96.5)	-	-	96.5	-
Transaction costs associated with Share Placing		-	-	-	-	(2.4)	(2.4)
Shares issued in connection with the exercise of share options	25	0.1	-	0.8	-	-	0.9
Fair value of share based payments	8	-	-	-	1.2	-	1.2
Transfer in respect of options exercised		-	-	-	(0.8)	0.8	-
At 30 September 2011		**62.6**	**-**	**122.9**	**3.1**	**865.1**	**1,053.7**
Total comprehensive income and profit for the year		**-**	**-**	**-**	**-**	**93.0**	**93.0**
Transactions with owners:							
Dividends paid during the year	13	**-**	**-**	**-**	**-**	**(29.5)**	**(29.5)**
Shares issued in connection with the exercise of share options	25	**0.3**	**-**	**0.7**	**-**	**-**	**1.0**
Fair value of share based payments	8	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Transfer in respect of options exercised		**-**	**-**	**-**	**(1.6)**	**1.6**	**-**
At 30 September 2012		**62.9**	**-**	**123.6**	**2.7**	**930.2**	**1,119.4**
Company							
At 1 October 2010		56.8	-	122.1	2.7	337.4	519.0
Total comprehensive income and loss for the year		-	-	-	-	(1.3)	(1.3)
Transactions with owners:							
Dividends paid during the year	13	-	-	-	-	(25.7)	(25.7)
Shares issued in connection with Share Placing	25	5.7	96.5	-	-	-	102.2
Transfer to retained earnings		-	(96.5)	-	-	96.5	-
Transaction costs associated with Share Placing		-	-	-	-	(2.4)	(2.4)
Shares issued in connection with the exercise of share options	25	0.1	-	0.8	-	-	0.9
Fair value of share based payments	8	-	-	-	1.2	-	1.2
Transfer in respect of options exercised		-	-	-	(0.8)	0.8	-
At 30 September 2011		**62.6**	**-**	**122.9**	**3.1**	**405.3**	**593.9**
Total comprehensive income and profit for the year		**-**	**-**	**-**	**-**	**0.1**	**0.1**
Transactions with owners:							
Dividends paid during the year	13	**-**	**-**	**-**	**-**	**(29.5)**	**(29.5)**
Shares issued in connection with the exercise of share options	25	**0.3**	**-**	**0.7**	**-**	**-**	**1.0**
Fair value of share based payments	8	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Transfer in respect of options exercised		**-**	**-**	**-**	**(1.6)**	**1.6**	**-**
At 30 September 2012		**62.9**	**-**	**123.6**	**2.7**	**377.5**	**566.7**

The notes on pages 76 to 99 form an integral part of this Group financial information.

notes to the financial statements

For the year ended 30 September 2012

1. GENERAL INFORMATION

GROUP AND COMPANY INFORMATION

The consolidated financial statements of the Group for the year ended 30 September 2012 comprise the results of the Company, its subsidiaries and joint venture and were approved by the Board for issue on 29 November 2012.

The nature of the Group's operations and its principal activities are set out in the Business Review on pages 14 to 17.

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 49.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and the measurement of derivative financial instruments at fair value through the Statement of Comprehensive Income. Accounting policies have been applied consistently in all years presented in these financial statements.

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 £0.1 million (2011: loss £1.3 million) in the year.

GOING CONCERN

The Group adopts the going concern basis in preparing its consolidated financial statements as explained in Corporate Governance on page 52.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The preparation of these financial statements requires the Board to make judgements, assumptions and estimates that affect the amounts reported in the Statement of Comprehensive Income and Balance Sheets. Such decisions are made at the time the financial statements are prepared and adopted based on historical experience and other factors that are believed to be reasonable at the time. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.

The measurement of fair value constitutes a significant estimate by the Board in the preparation of these financial statements. The fair valuations of investment properties, derivative financial instruments and share based payments are carried out by external advisors whom the Board considers to be suitably qualified to carry out such valuations. In the case of share based payments, assumptions regarding the option vesting assumptions are made by the directors.

2. ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

a) The following amendment to a standard is mandatory for the first time for the financial year beginning 1 October 2011:

Standard or Interpretation	Content	Applicable for financial years beginning on or after
IAS 24 (revised)	Related party disclosures	1 January 2011

No material changes to accounting policies arose as a result of this amendment.

b) Interpretations and amendments to standards becoming effective in the year ending 30 September 2012 but not relevant to the Group:

Standard or Interpretation	Content	Applicable for financial years beginning on or after
Amendment to IFRS 7	Financial instruments: Transfers of financial assets	1 July 2011
Amendment to IFRS 1	Hyperinflation and fixed dates	1 July 2011
IFRIC 14	Pre-payments of a Minimum Funding Requirement	1 January 2011
Annual improvements 2010	-	1 January 2011

c) Standards, amendments and interpretations relevant to the Group that are not yet effective in the year ending 30 September 2012 and not expected to have a significant impact on the Group's financial statements:

Standard or Interpretation	Content	Applicable for financial years beginning on or after
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (revised 2011)	Separate financial statements	1 January 2013
IAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
IFRS 7	Financial instruments asset and liability offsetting	1 January 2013
Annual improvements 2011	-	1 January 2013
Amendment to IAS 19	Employee benefits	1 January 2013
Amendment to IAS 12	Income taxes on deferred tax	1 January 2012

d) The following new standard is relevant to the Group but not yet effective in the year ending 30 September 2012 and is expected to have a significant impact on the Group's financial statements:

Standard or Interpretation	Content	Applicable for financial years beginning on or after
IFRS 11	Joint arrangements	1 January 2013

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries, together with the Group's share of the results of its joint venture, made 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.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of any permanent impairment loss.

JOINT VENTURES

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the proportional consolidation method permitted under IAS 31 ('Interests in joint ventures').

The Group's Balance Sheet includes its share of the assets and liabilities of the joint venture entity and the Group's Statement of Comprehensive Income includes its share of the entity's income and expenditure.

The profit or loss arising on transactions with the joint venture entity are recognised only to the extent of that attributable to the interest of the other joint venture party unless any loss represents a permanent impairment loss, in which case it is provided in full.

In the Company's Balance Sheet, investments in joint ventures are stated at cost less any provisions for permanent impairment loss. Amounts capitalised comprise costs incurred which are directly attributable to the formation of a specific joint venture entity.

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. All of the Group's leases to its tenants fall within the definition of operating leases, as the risks and rewards of ownership are retained by the Group as lessor.

Investment properties are initially recognised on acquisition at cost, including related acquisition costs and are revalued semi-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 incentives held at the Balance Sheet date.

INVESTMENT PROPERTIES CONTINUED

In the case of investment properties which are leasehold interests, such leases are accounted for as head leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is held in the Balance Sheet at Fair Value, gross of the head lease liability. Lease payments are allocated between the liability and finance charges so as to achieve a constant period rate of interest on the remaining balance of the liability.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income in the accounting period in which they arise. Depreciation is not provided in respect of investment properties or any plant or equipment.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits which are expected to accrue to the Group. All other property expenditure is written off in the Statement of Comprehensive Income as incurred.

Amounts received by way of dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Purchases and sales of investment properties are recognised in the financial statements on the date at which there is a legally binding and unconditional contract.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised and subsequently measured at fair value based on market prices, estimated future cash flows and forward interest rates. Movements in fair value are recognised in the Statement of Comprehensive Income within net finance costs. 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 rate method.

The costs of arranging long and medium term bank facilities are written off in the Statement of Comprehensive Income at a rate which results in a constant charge over the unexpired term of the facilities.

TRADE RECEIVABLES AND PAYABLES

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

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

CASH AND CASH EQUIVALENTS

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

ORDINARY SHARES

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

REVENUE

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

Premiums receivable from tenants to surrender their lease obligations are recognised in the Statement of Comprehensive Income, unless they arise in connection with a capital 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 its expiry date or to the date of the first break on a straight-line basis. Lease incentives are usually in the form of rent free periods.

PROPERTY CHARGES

Irrecoverable operating costs attributable to properties 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 capital project in which case they are capitalised.

EMPLOYEE BENEFITS

(i) Share based remuneration

The cost of granting share options and other share based remuneration to employees is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. Fair value is calculated using an option pricing model and charged over the relevant vesting period.

At the end of each reporting period, the directors review their estimates of the number of options that are expected to vest based on the non-market vesting conditions. 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 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

(i) The Group as a lessor

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

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

(ii) The Group as a lessee

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

Head leases - where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group they are accounted for as head leases. Head leases are capitalised at the commencement of the lease at the lower of the Fair Value of the property and the present value of the minimum lease payments. The present value of future ground rents is added to the carrying value of a leasehold investment property and to the long-term liabilities. On payment of ground rent all of the cost is charged to the Statement of Comprehensive Income, principally as interest payable, and the balance reduces the liability; an equal reduction to the asset's valuation is charged in the Statement of Comprehensive Income.

CURRENT AND DEFERRED CORPORATION TAX

The tax expense or credit comprises current and deferred tax.

Current tax is the corporation tax payable on taxable income for the current year adjusted for prior years' under or over provisions.

Deferred tax is provided in respect of all temporary timing differences between the values at which assets and liabilities are recorded in the financial statements and their base cost for corporation tax purposes. Deferred tax is recognised in the Statement of Comprehensive Income unless the items to which it relates have been accounted for in equity, in which case the related deferred tax is also dealt with in equity.

In the case of deferred tax in relation to investment property revaluation surpluses, the base cost used is historical book cost and ignores any allowances or deductions which may be available to reduce the actual tax liability which would crystallise in the event of a disposal of the asset. The Group expects to recover the value of its investment property assets through future rental income streams.

Deferred tax liabilities or assets are calculated using the tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the related deferred tax balance is realised.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

3. SEGMENTAL INFORMATION

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

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

3. SEGMENTAL INFORMATION CONTINUED

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

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

4. REVENUE FROM PROPERTIES

	2012 £m	2011 £m
Rents receivable (adjusted for lease incentives):		
Wholly owned Group	75.4	71.1
Group's share of Longmartin joint venture (note 17)	5.6	4.3
Rents receivable	81.0	75.4
Recoverable property expenses	6.0	6.0
	87.0	81.4

Rents receivable includes lease incentives recognised of £1.5 million (2011: £1.9 million).

5. PROPERTY CHARGES

	2012 £m	2011 £m
Property operating costs	4.9	3.8
Fees payable to managing agents	1.7	1.6
Letting, rent review, and lease renewal costs	2.5	2.5
Village promotion costs	0.9	0.9
Property outgoings	10.0	8.8
Recoverable property expenses	6.0	6.0
	16.0	14.8

6. NET PROPERTY INCOME

	2012 £m	2011 £m
Wholly owned Group	66.2	63.1
Group's share of Longmartin joint venture (note 17)	4.8	3.5
	71.0	66.6

7. ADMINISTRATIVE EXPENSES

	2012 £m	2011 £m
Administrative expenses include:		
Administrative fees receivable from joint venture	(0.2)	(0.3)
Depreciation	0.2	0.2
Operating lease rentals - office premises	0.2	0.2

7. ADMINISTRATIVE EXPENSES CONTINUED

Auditor's remuneration	£'000	£'000
Audit of the Company's annual accounts	**45**	40
Audit of subsidiaries and joint venture	**89**	79
Total audit services	**134**	119
Audit related assurance services, including the interim review	**19**	19
Other assurance services	**6**	-
Total assurance services	**25**	19
Total audit and assurance services	**159**	138
Tax compliance services	**56**	49
Tax advisory services	**88**	149
Services related to taxation	**144**	198
Other non-audit services	**-**	9
Total fees related to taxation and other non-audit services	**144**	207
Total fees	**303**	345

Total audit and assurance fees accounted for 52% (2011: 40%) of total fees paid to PricewaterhouseCoopers LLP.

Employee costs (Group)	£m	£m
Salaries	**2.9**	2.7
Annual bonuses (including social security costs)	**1.2**	2.0
Social security costs	**0.4**	0.4
Pension contributions	**0.4**	0.3
Equity settled remuneration (see note 8)	**1.6**	1.6
	6.5	7.0

Average monthly number of employees (Group)	Number	Number
Executive directors	**5**	4
Head office and property management	**15**	13
Estate management	**2**	2
	22	19

A summary of directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Remuneration Report on pages 55 to 62.

8. CHARGE IN RESPECT OF EQUITY SETTLED REMUNERATION

	2012 £m	2011 £m
Charge for share based remuneration	**1.2**	1.2
Employer's national insurance in respect of share awards and share options vested or expected to vest	**0.4**	0.4
	1.6	1.6

A summary of the principal assumptions are set out in note 33.

9. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

	2012 £m	2011 £m
Net sale proceeds	**2.6**	-
Book value at date of sale	**(1.0)**	-
	1.6	-

The realised gains of £1.6 million arose from the disposal of an apartment and premiums received on grant of long leasehold extensions.

10. FINANCE COSTS

	2012 £m	2011 £m
Debenture stock interest and amortisation	**5.0**	5.1
Bank and other interest	**10.0**	7.2
Bank facility arrangement cost amortisation	**0.6**	0.4
Amounts payable under derivative financial instruments	**14.1**	14.8
Amounts payable under head leases	**0.2**	0.3
	29.9	27.8

11. TAXATION

	2012 £m	2011 £m
Current tax		
UK corporation tax	**0.6**	0.4
Deferred tax		
Provided in respect of investment property revaluation gains	**1.1**	1.3
Provided in respect of capital allowances	**0.1**	0.2
	1.2	1.5
Tax charge for the year	**1.8**	1.9

Factors affecting the tax charge:		
Profit before tax	**94.8**	115.7
UK corporation tax at 25% (2011: 27%)	**23.7**	31.2
REIT tax exempt profits and gains	**(22.0)**	(28.0)
Property valuation movements in relation to non-REIT business	**(1.4)**	(1.7)
Change in deferred tax rate	**1.5**	0.4
Tax charge for the year	**1.8**	1.9

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

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

12. EARNINGS PER SHARE

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

	2012			2011		
	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	**93.0**	**251.0**	**37.1**	113.8	240.2	47.4
Effect of dilutive share options		**1.4**			2.1	
Diluted	**93.0**	**252.4**	**36.8**	113.8	242.3	47.0
EPRA adjusted:						
Profit on sale of investment properties	**(1.6)**		**(0.6)**	-		-
Investment property valuation movements	**(90.2)**		**(35.8)**	(110.6)		(45.6)
Movement in fair value of derivative financial instruments	**28.2**		**11.2**	24.1		9.9
Deferred tax on property valuations and capital allowances	**1.2**		**0.5**	1.5		0.6
EPRA adjusted diluted	**30.6**	**252.4**	**12.1**	28.8	242.3	11.9
EPRA adjusted basic	**30.6**	**251.0**	**12.2**	28.8	240.2	12.0

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

13. DIVIDENDS PAID

	2012 £m	2011 £m
Final dividend paid in respect of:		
Year ended 30 September 2011 at 5.75p per share	**14.6**	-
Year ended 30 September 2010 at 5.25p per share	**-**	11.9
Interim dividend paid in respect of:		
Six months ended 31 March 2012 at 5.95p per share	**14.9**	-
Six months ended 31 March 2011 at 5.50p per share	**-**	13.8
	29.5	25.7

A final dividend of 6.05p per share was approved by the Board on 29 November 2012. Subject to approval by shareholders at the 2013 AGM, the final dividend will be paid on 15 February 2013 to shareholders on the register at 25 January 2013. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2013.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 355,644 (2011: 89,605) ordinary shares during the year.

14. INVESTMENT PROPERTIES

	2012 £m	2011 £m
At 1 October	**1,670.0**	1,475.3
Acquisitions	**44.0**	64.9
Refurbishment and other capital expenditure	**14.9**	19.2
Disposals	**(1.0)**	-
Net gain on revaluation	**90.2**	110.6
	1,818.1	1,670.0
Add: Head leases capitalised	**5.4**	5.4
Book value at 30 September	**1,823.5**	1,675.4

	2012 £m	2011 £m
Fair Value at 30 September:		
Properties valued by DTZ Debenham Tie Leung Limited	**1,699.0**	1,558.0
Properties valued by Knight Frank LLP	**129.2**	120.5
	1,828.2	1,678.5
Add: Head leases capitalised	**5.4**	5.4
Less: Lease incentives recognised to date	**(10.1)**	(8.5)
Book value at 30 September	**1,823.5**	1,675.4
Historic cost of properties carried at valuation	**1,027.2**	969.3

Investment properties were subject to external valuation as at 30 September 2012 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors (RICS), either working for DTZ Debenham Tie Leung Limited, Chartered Surveyors (in respect of the Group's wholly owned portfolio) or Knight Frank LLP, Chartered Surveyors (in respect of properties owned by Longmartin Properties Limited), both firms acting in the capacity of external valuers. All such properties were valued on the basis of Fair Value in accordance with the RICS Valuation - Professional Standards 2012.

Investment properties valuations include:

	2012 £m	2011 £m
Freehold properties	**1,590.7**	1,455.8
Leasehold properties with an unexpired term of over 50 years	**136.4**	126.9
Notional apportionment in respect of part freehold/part leasehold greater than 50 years unexpired	**101.1**	95.8
	1,828.2	1,678.5

A summary report by DTZ Debenham Tie Leung Limited describing the basis of their valuation of the Group's wholly owned properties (which does not form part of these financial statements) is set out on pages 67 to 68.

EXTERNAL VALUATION FEES

	2012 £m	2011 £m
Annual and half year valuations	**0.3**	0.3
Bank security valuations	**0.1**	0.1
Total fees	**0.4**	0.4

14. INVESTMENT PROPERTIES CONTINUED

Fees were agreed at fixed amounts in advance of the valuations being carried out. Neither firm was engaged by the Group in any capacity other than as valuers during the year. The fees payable by the Group to each valuer do not constitute a significant part of their respective fee incomes.

CAPITAL COMMITMENTS

	Wholly owned Group		Longmartin joint venture*	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Authorised and contracted	**8.1**	4.8	**-**	-
Authorised but not contracted	**16.5**	0.8	**0.2**	0.6

*Group's share.

The Company had no capital commitments at 30 September 2012 (2011: £Nil).

15. LEASE INCENTIVES

	2012 £m	2011 £m
Lease incentives recognised to date	**10.1**	8.5
Less: included in trade and other receivables (note 18)	**(1.9)**	(1.5)
	8.2	7.0

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

16. INVESTMENT IN SUBSIDIARIES

	2012 £m	2011 £m
Shares in Group undertakings		
At 1 October	**638.2**	606.1
Impairment of non-trading subsidiaries	**-**	(0.4)
Additional share capital issued by subsidiaries	**-**	32.5
At 30 September	**638.2**	638.2

At 30 September 2012 the Group's operating subsidiary companies, all of which are wholly-owned and engaged in property investment, were:

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

All of the Company's subsidiaries are incorporated in Great Britain and registered in England and Wales.

17. INVESTMENT IN JOINT VENTURE

	2012 £m	2011 £m
Shares at cost		
1 October	**79.0**	79.0
Capital repaid by joint venture	**(20.0)**	-
At 30 September	**59.0**	79.0

The Company owns 7,782,100 ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London.

Longmartin Properties Limited's principal place of business is the same as that of the Group, as set out on page 49.

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

During the year Longmartin Properties Limited repaid capital of £40.0 million and paid £16.0 million in dividends to its shareholders which were settled through inter-company indebtedness.

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

	2012 £m	2011 £m
Statement of Comprehensive Income		
Rents receivable (adjusted for lease incentives)	**5.6**	4.3
Recoverable property expenses	**0.5**	0.3
Revenue from properties	**6.1**	4.6
Property outgoings	**(0.8)**	(0.8)
Recoverable property expenses	**(0.5)**	(0.3)
Property charges	**(1.3)**	(1.1)
Net property income	**4.8**	3.5
Administrative expenses	**(0.3)**	(0.4)
Operating profit before investment property valuation movements	**4.5**	3.1
Investment property revaluation movements	**6.0**	5.0
Operating profit	**10.5**	8.1
Net finance costs	**(1.5)**	(0.6)
Profit before tax	**9.0**	7.5
Current tax	**(0.6)**	(0.4)
Deferred tax	**(1.2)**	(1.5)
Tax charge for the year	**(1.8)**	(1.9)
Profit and total comprehensive income for the year	**7.2**	5.6
Transactions with owners:		
Dividends paid	**(10.4)**	(1.1)
Movement in retained earnings	**(3.2)**	4.5

17. INVESTMENT IN JOINT VENTURE CONTINUED

	2012 £m	2011 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**130.8**	123.1
Lease incentives	**3.1**	2.3
	133.9	125.4
Current assets	**15.6**	3.6
Total assets	**149.5**	129.0
Current liabilities	**5.5**	22.4
Non-current liabilities		
Secured term loan	**60.0**	-
Other non-current liabilities	**11.7**	11.1
Total liabilities	**77.2**	33.5
Net assets attributable to the Shaftesbury Group	**72.3**	95.5

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts due from tenants	**12.3**	10.8	**-**	-
Provision for doubtful debts	**(0.3)**	(0.3)	**-**	-
	12.0	10.5	**-**	-
Lease incentives	**1.9**	1.5	**-**	-
Amounts due from joint venture	**-**	-	**-**	16.2
Amounts due from subsidiaries	**-**	-	**520.9**	477.2
Other receivables and prepayments	**3.5**	3.7	**0.4**	0.7
	17.4	15.7	**521.3**	494.1

Amounts due from tenants at each year end included amounts contractually due and invoiced on 29 September in respect of rents and service charge contributions in advance for the period 29 September to 24 December. At 30 September 2012, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2012, totalled £1.4 million (2011: £1.4 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.3 million (2011: £0.3 million).

At 30 September 2012, cash deposits totalling £11.0 million were held against tenants' rent payment obligations (2011: £10.4 million). The deposits are held in bank accounts administered by the Group's managing agents.

19. CASH AND CASH EQUIVALENTS

Cash balances at 30 September 2012 included amounts of £4.2 million (2011: £1.2 million) which are held in accounts or on deposit that have certain conditions restricting the use of these monies. Holding cash in restricted accounts does not prevent the Group from earning returns by placing these monies in interest bearing accounts or on deposit.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Rents and service charges invoiced in advance	**17.7**	17.4	**-**	-
Corporation tax	**0.4**	0.3	**-**	-
Amounts due in respect of property acquisitions	**0.2**	0.9	**-**	-
Trade payables and accruals in respect of capital expenditure	**4.5**	6.4	**-**	-
Amounts due to joint venture	**-**	-	**8.0**	-
Other trade payables and accruals*	**11.5**	11.2	**6.8**	7.3
	34.3	36.2	**14.8**	7.3
* Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's and joint venture's assets.	**3.0**	2.3	**2.3**	2.3

21. BORROWINGS

	2012			2011		
	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	**61.0**	**2.6**	**63.6**	61.0	2.8	63.8
Secured bank loans	**435.7**	**(2.5)**	**433.2**	434.3	(3.0)	431.3
Secured term loan	**60.0**	**(0.6)**	**59.4**	-	-	-
Debenture and secured loans	**556.7**	**(0.5)**	**556.2**	495.3	(0.2)	495.1
Head lease obligations	**5.4**	**-**	**5.4**	5.4	-	5.4
Total borrowings	**562.1**	**(0.5)**	**561.6**	500.7	(0.2)	500.5
Company						
Debenture	**61.0**	**2.6**	**63.6**	61.0	2.8	63.8
Secured bank loans	**443.7**	**(2.5)**	**441.2**	445.3	(3.0)	442.3
Debenture and bank borrowings	**504.7**	**0.1**	**504.8**	506.3	(0.2)	506.1

The secured term loan is the Group's share of a £120 million loan, which the Longmartin joint venture entered into in December 2011.

RECONCILIATION OF NET DEBT (GROUP)

	2012 £m	2011 £m
Borrowings (as above)	**562.1**	500.7
Cash and cash equivalents (note 19)	**(5.3)**	(2.0)
	556.8	498.7

21. BORROWINGS CONTINUED

The Group's head lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 168 years held by Longmartin Properties Limited.

Debenture and bank borrowings are secured by fixed charges over certain investment properties held by subsidiaries and by floating charges over the assets of the Company and certain subsidiaries. Certain cash balances in the subsidiaries are available for set-off against certain bank indebtedness owing by the parent undertaking. The secured term loan is secured by fixed charges over the investment property and certain cash balances held by the joint venture and by floating charges over the assets of the joint venture.

Certain of the Company's bank loan agreements allow for part of the facility commitments to be provided by way of overdrafts, which are available throughout the term of those facilities. At 30 September 2012, Group and Company bank loans included overdrafts of £0.8 million (2011: £0.4 million).

AVAILABILITY AND MATURITY OF GROUP BORROWINGS

	2012		2011	
	Committed £m	Undrawn £m	Committed £m	Undrawn £m
Repayable between 10 and 15 years	121.0	-	61.0	-
Repayable between 5 and 10 years	200.0	65.1	200.0	18.6
Repayable between 2 and 5 years	375.0	74.2	375.0	122.1
	696.0	139.3	636.0	140.7
Head lease obligations - leases expiring in 168 years	5.4	-	5.4	-
	701.4	139.3	641.4	140.7

INTEREST RATE PROFILE OF INTEREST BEARING BORROWINGS (GROUP)

		2012		2011	
	Interest rate fixed until	Debt £m	Interest rate	Debt £m	Interest rate
Floating rate borrowings					
LIBOR-linked loans (including margin)	12.2012 (at the latest)	75.7	1.50%	74.3	1.60%
Hedged borrowings					
Interest rate swaps (including margin)	see below	360.0	5.75%	360.0	5.72%
Total bank borrowings		435.7	5.01%	434.3	5.02%
Fixed rate borrowings					
Secured term loan	12.2026	60.0	4.43%	-	-
8.5% First Mortgage Debenture Stock - book value	3.2024	63.6	7.93%	63.8	7.93%
Weighted average cost of drawn borrowings			5.28%		5.39%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2012, the weighted average charge on the undrawn facilities of £139.3 million (2011: £140.7 million) was 0.54% (2011: 0.44%).

The Group's current bank facilities, which expire between April 2016 and March 2021, are at credit margins which are fixed for the life of the facilities. At 30 September 2012, the weighted average credit margin on these facilities is:

	2012	2011
Facilities drawn down	0.88%	0.85%
If facilities were fully drawn	1.04%	1.04%

21. BORROWINGS CONTINUED

The Group has in place interest rate swaps to hedge £360.0 million of floating rate bank debt, at fixed rates in the range 4.59% to 5.15%, with a weighted average rate at 30 September 2012 of 4.87%. The swaps, which are settled against three month LIBOR, expire between December 2027 and November 2038. The weighted average term is 20.4 years (2011: 21.4 years). If mutual break or early termination options were exercised the weighted average term would be 5.2 years (2011: 6.2 years).

22. FINANCIAL INSTRUMENTS

Categories of financial instruments	2012 Book value £m	2011 Book value £m
Group		
Interest rate swaps	**(132.8)**	(104.6)
Financial assets: loans and receivables		
Trade and other receivables (note 18)	**12.0**	10.5
Cash and cash equivalents (note 19)	**5.3**	2.0
	17.3	12.5
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 20)	**(16.0)**	(17.6)
Interest bearing borrowings (note 21)	**(556.2)**	(495.1)
Head lease obligations (note 21)	**(5.4)**	(5.4)
	(577.6)	(518.1)
Total financial instruments	**(693.1)**	(610.2)
Company		
Interest rate swaps	**(132.8)**	(104.6)
Financial assets: loans and receivables		
Loans receivable from subsidiaries and joint venture (note 18)	**520.9**	493.4
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 20)	**(6.8)**	(7.3)
Interest bearing borrowings (note 21)	**(504.8)**	(506.1)
Loan payable to joint venture (note 20)	**(8.0)**	-
	(519.6)	(513.4)
Total financial instruments	**(131.5)**	(124.6)

22. FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

	2012 £m	2011 £m
Interest rate swaps		
At 1 October - deficit	**(104.6)**	(80.5)
Fair value deficit charged in the Statement of Comprehensive Income	**(28.2)**	(24.1)
At 30 September - deficit	**(132.8)**	(104.6)

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

The extent to which the fair value deficit will crystallise will depend on the course of interest rates over the life of the swaps. The weighted average maturity of the swaps at the Balance Sheet date is set out in note 21.

The 8.5% Mortgage Debenture Stock 2024 and the Group's share of its joint venture's 4.43% secured term loan 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 £18.5 million (2011: £11.4 million).

The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread.

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

The Group's interest rate swaps and Debenture are fair valued by J.C. Rathbone Associates Limited and the secured term loan is valued by the directors, using the following fair value hierarchy:

Hierarchy	Description	Instrument
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).	Interest rate swaps
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.	Debenture and secured term loan

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

22. FINANCIAL INSTRUMENTS CONTINUED

CASH OUTFLOWS ATTRIBUTABLE TO FINANCIAL INSTRUMENTS AND INTEREST-BEARING BORROWINGS (GROUP)

The tables below summarises 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 2012	Book value £m	Contractual cash flows £m	Within 1 year £m	2 to 5 years £m	5 to 10 years £m	Over 10 years £m
Financial instruments						
Interest rate swaps	132.8	148.2	14.1	56.5	38.6	39.0
Financial liabilities						
Interest bearing borrowings:						
Principal	556.2	556.7	-	300.8	134.9	121.0
Interest	-	113.1	12.9	46.9	39.9	13.4
Head lease obligations	5.4	87.7	0.4	2.0	2.6	82.7
Total	**694.4**	**905.7**	**27.4**	**406.2**	**216.0**	**256.1**

30 September 2011	Book value £m	Contractual cash flows £m	Within 1 year £m	2 to 5 years £m	5 to 10 years £m	Over 10 years £m
Financial instruments						
Interest rate swaps	104.6	123.7	12.7	47.1	27.8	36.1
Financial liabilities						
Interest bearing borrowings:						
Principal	495.1	495.3	-	252.9	181.4	61.0
Interest	-	111.3	12.1	47.8	38.4	13.0
Head lease obligations	5.4	61.0	0.3	1.4	1.8	57.5
Total	605.1	791.3	25.1	349.2	249.4	167.6

23. 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 rental deposits to mitigate the potential loss in the event of default. Deposits held are referred to in note 18. The Group has a large and diverse tenant base so that tenant credit risk is widely spread.

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

The Group's bankers are set out on page 49. 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 Financial Review on pages 34 to 36.

23. MANAGEMENT OF FINANCIAL RISK CONTINUED

MARKET RISK

Market risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Group's policy is to minimise market risk through long-term fixed rate debt, long-term committed bank facilities and the use of long-term interest rate swaps on a large portion of its floating rate bank debt. As described in the Financial Review on pages 34 to 36, the Board keeps under review the Group's market risk, particularly in light of expectations of future interest rate movements.

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

INTEREST RATE SENSITIVITY

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

	Movement in market rates		
	Increase of 1.0% £m	Increase of 0.5% £m	Reduction of 0.5% £m
(Increase)/decrease in finance costs before fair valuation of interest rate swaps	**(0.8)**	**(0.4)**	**0.4**
Decrease/(increase) in fair value deficit of interest rate swaps	**67.5**	**33.7**	**(33.7)**
Increase/(decrease) in profit and shareholders' equity	**66.7**	**33.3**	**(33.3)**

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

CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of shareholders' equity and net borrowings, including cash held on deposits. The type and maturity of the Group's borrowings is set out in note 21 and the Group's equity structure is set out in the Statement of Changes in Shareholders' Equity.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk and 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 Financial Review on pages 34 to 36.

24. DEFERRED TAX LIABILITIES

Group	2012 £m	2011 £m
At 1 October	**5.7**	4.2
Provided in the Statement of Comprehensive Income	**1.2**	1.5
At 30 September	**6.9**	5.7
Comprising:		
Provision in respect of revaluation gains	**6.4**	5.3
Provision in respect of accelerated capital allowances	**0.5**	0.4
	6.9	5.7

25. ORDINARY SHARES

	2012 number million	2011 number million	**2012 £m**	2011 £m
Issued and fully paid				
At 1 October	**250.5**	227.1	**62.6**	56.8
Issued in connection with the exercise of share options	**1.0**	0.7	**0.3**	0.1
Issued in connection with Share Placing	**-**	22.7	**-**	5.7
At 30 September	**251.5**	250.5	**62.9**	62.6

With effect from 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have authorised share capital. 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 other employees under the Company's share option schemes were outstanding at 30 September 2012:

	Number of shares under option								
Date of grant	**At 1.10.2011**	**Awarded**	**Exercised**	**Cancelled**	**Lapsed**	**At 30.9.2012**	**Exercisable 30.9.2012**	**Option exercise price**	**Exercise period**
2001 Scheme									
15.12.2004	667,347	-	336,954	-	-	330,393	330,393	£2.65	2007-2014
Sharesave Scheme				-					
14.7.2009	45,283	-	32,161	-	-	13,122	-	£2.37	2012-2014
8.7.2011	23,916	-	-	1,262	-	22,654	-	£4.29	2014-2016
5.7.2012	-	30,219	-	-	-	30,219	-	£3.99	2015-2017
LTIP				-					
16.12.2008	788,485	-	604,767	-	183,718	-	-	Nil cost	2011-2012
8.12.2009*	509,975	-	-	-	-	509,975	-	Nil cost	2012-2013
8.12.2010	595,180	-	-	-	-	595,180	-	Nil cost	2013-2014
7.12.2011	-	552,350	-	-	-	552,350	-	Nil cost	2014-2015
16.1.2012	-	65,800	-	-	-	65,800	-	Nil cost	2015
	2,630,186	**648,369**	**973,882**	**1,262**	**183,718**	**2,119,693**	**330,393**		

* 509,975 options over ordinary shares will vest in December 2012, following satisfaction of performance targets in respect of the three years ended 30 September 2012.

For share options exercised during the period the weighted average share price on exercise was:

Scheme	**Date of grant**	**Exercised**	**Date of exercise**	**Weighted average share price**
2001 Scheme	15.12.2004	336,954	31.7.2012	£5.38
Sharesave Scheme	14.7.2009	28,332	1.8.2012	£5.47
		3,829	14.9.2012	£5.40
LTIP	16.12.2008	586,019	16.12.2011	£4.66
		18,748	6.6.2012	£5.14

The rules of the schemes referred to above are on the same basis, as those described on pages 55 to 62 of the Remuneration Report.

26. RESERVES

The Statement of Changes in Shareholders' Equity is set out on page 75.

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

Reserve	Description and purpose
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 premium	Share premium is the amount by which the fair value of the consideration received from ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share based payments reserve	The share based payment expense charged to the Statement of Comprehensive Income is credited to the share based payments reserve over the vesting period of performance-based share options. Upon exercise of options, the expense previously recognised is transferred to retained earnings.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income. Transfers from the share based payments reserve and merger reserve are also credited to this account.

The Company's retained earnings at 30 September 2012 include amounts distributable of £250.2 million (2011: £250.1 million).

27. NET ASSET VALUE PER SHARE

The EPRA adjusted net asset value per share figures are calculated in accordance with EPRA's Best Practice Recommendations.

	2012			2011		
	Net assets £m	**Number of ordinary shares million**	**Net asset value per share £**	Net assets £m	Number of ordinary shares million	Net asset value per share £
Basic	**1,119.4**	**251.5**	**4.45**	1,053.7	250.5	4.21
Fair value of derivative financial instruments	**132.8**		**0.52**	104.6		0.42
Deferred tax on property valuations and capital allowances	**6.9**		**0.04**	5.7		0.02
EPRA adjusted basic	**1,259.1**	**251.5**	**5.01**	1,164.0	250.5	4.65
Basic	**1,119.4**			1,053.7		
Additional equity if all vested share options are exercised	**1.1**	**1.7**		2.0	1.6	
Diluted	**1,120.5**	**253.2**	**4.43**	1,055.7	252.1	4.19
Fair value deficit in respect of Debenture and secured term loan	**(18.5)**		**(0.08)**	(11.4)		(0.05)
EPRA adjusted triple net	**1,102.0**	**253.2**	**4.35**	1,044.3	252.1	4.14
Fair value deficit in respect of Debenture and secured term loan	**18.5**		**0.08**	11.4		0.05
Fair value of derivative financial instruments	**132.8**		**0.52**	104.6		0.42
Deferred tax on property valuations and capital allowances	**6.9**		**0.03**	5.7		0.02
EPRA adjusted diluted	**1,260.2**	**253.2**	**4.98**	1,166.0	252.1	4.63

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.

28. CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
Operating activities	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Profit/(loss) before tax	**94.8**	115.7	**0.1**	(1.3)
Adjusted for:				
Lease incentives recognised	**(1.5)**	(1.9)	**-**	-
Charge for share based remuneration	**1.2**	1.2	**1.2**	1.2
Depreciation and losses on disposals	**0.2**	0.2	**0.2**	0.2
Profit on sale of investment properties	**(1.6)**	-	**-**	-
Investment property valuation movements	**(90.2)**	(110.6)	**-**	-
Net finance costs	**58.0**	51.9	**56.5**	51.6
Administrative charges, finance charges, and dividends received from subsidiaries settled through inter-company indebtedness	**-**	-	**(56.3)**	(58.4)
Dividends received from joint venture	**-**	-	**(10.4)**	(1.0)
	60.9	56.5	**(8.7)**	(7.7)
Changes in working capital:				
Change in trade and other receivables	**(1.4)**	(2.0)	**0.2**	(0.2)
Change in trade and other payables	**(0.1)**	2.8	**(0.6)**	0.1
Cash generated from operating activities	**59.4**	57.3	**(9.1)**	(7.8)

29. MOVEMENT IN BORROWINGS

	1.10.2011 £m	**Cash flows £m**	**Non-cash items £m**	**30.9.2012 £m**
Group				
Debenture	(63.8)	-	0.2	**(63.6)**
Secured bank loans	(434.3)	(1.4)	-	**(435.7)**
Secured term loan	-	(60.0)	-	**(60.0)**
Facility arrangement costs	3.0	0.7	(0.6)	**3.1**
Head lease obligations	(5.4)	0.2	(0.2)	**(5.4)**
	(500.5)	**(60.5)**	**(0.6)**	**(561.6)**
Year ended 30 September 2011	(522.2)	22.0	(0.3)	(500.5)
Company				
Debenture	(63.8)	-	0.2	**(63.6)**
Secured bank loans	(445.3)	1.6	-	**(443.7)**
Facility arrangement costs	3.0	-	(0.5)	**2.5**
	(506.1)	**1.6**	**(0.3)**	**504.8**
Year ended 30 September 2011	(522.3)	16.5	(0.3)	(506.1)

30. 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:

	2012 £m	2011 £m
Not later than one year	**70.8**	68.4
Later than one year but not later than five years	**176.0**	174.8
Later than five years but not later than ten years	**115.6**	112.7
Later than ten years	**120.0**	114.2
	482.4	470.1

The Group has over 1,200 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Leases generally have a term of 3 to 25 years (break clauses may mean the actual term is shorter), at a market rent with provisions to review to market.

THE GROUP AS A LESSEE

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

	2012 £m	2011 £m
Not later than one year	**0.2**	0.2
Later than one year but not later than five years	**0.1**	0.3
	0.3	0.5

The Group leases its head office accommodation.

31. OBLIGATIONS UNDER HEAD LEASES

Group	2012 £m	2011 £m
The minimum lease payments under head leases fall due as follows:		
Not later than one year	**0.3**	0.3
Later than one year but not more than five years	**1.0**	1.0
More than five years	**42.2**	41.2
	43.5	42.5
Future finance charges on finance leases	**(38.1)**	(37.1)
Present value of head lease liabilities	**5.4**	5.4
The present value of head lease liabilities is as follows:		
Not later than one year	**-**	-
Later than one year but not more than five years	**0.1**	0.1
More than five years	**5.3**	5.3
	5.4	5.4

32. RELATED PARTY TRANSACTIONS

During the year, the Company received administrative fees, dividends and interest from its wholly owned subsidiaries. The Company received administrative fees and dividends from the Longmartin joint venture. The Company also paid interest on a loan to the Longmartin joint venture. These are summarised below:

	2012 £m	2011 £m
Transactions with subsidiaries:		
Administrative fees receivable	**7.6**	7.5
Dividends receivable	**20.6**	23.4
Interest receivable	**28.1**	27.5
Net amounts receivable from subsidiaries at 30 September	**520.9**	477.2
Transactions with joint venture:		
Administrative fees receivable	**0.3**	0.5
Dividends receivable	**10.4**	1.1
Interest (payable)/receivable	**(0.8)**	0.3
Amount due (to)/from joint venture at 30 September	**(8.0)**	16.2

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Remuneration Report on pages 55 to 62, there were no other transactions with directors.

33. SHARE BASED REMUNERATION

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

	LTIP	LTIP
Grant date	7 December 2011	17 January 2012
Share price at date of grant	£4.86	£4.79
Exercise price	£Nil	£Nil
Expected life – years	3	3
Performance condition	NAV and TSR	NAV and TSR
Assumed return volatility per annum	37%	36%
Assumed dividend yield per annum	2.31%	2.35%
Risk free discount rate per annum	0.41%	0.49%
Assumed index return volatility* - TSR performance condition	35%	35%
Assumed correlation between the Company's shares and those in the index*	0.79	0.85
Basis of option pricing:		
NAV performance condition	Modified binomial	Modified binomial
TSR performance condition	Monte Carlo	Monte Carlo
Fair values:		
NAV	£4.54	£4.46
TSR	£2.82	£2.89

* The index is the FTSE 350 Super Sector 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 LTIP are described in the Remuneration Report on pages 55 to 62.

five year financial summary (unaudited)

INCOME STATEMENTS

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Rents receivable	**81.0**	75.4	65.7	61.7	57.8
Recoverable property expenses	**6.0**	6.0	5.5	6.1	7.5
	87.0	81.4	71.2	67.8	65.3
Property outgoings	**(16.0)**	(14.8)	(13.6)	(13.3)	(14.0)
Net property income	**71.0**	66.6	57.6	54.5	51.3
Administrative expenses	**(10.0)**	(9.6)	(8.2)	(6.8)	(5.5)
	61.0	57.0	49.4	47.7	45.8
Profit on disposal of properties	**1.6**	-	0.4	0.3	0.3
Property valuation movements	**90.2**	110.6	183.6	(48.1)	(222.6)
Operating profit/(loss)	**152.8**	167.6	233.4	(0.1)	(176.5)
Net finance costs	**(29.8)**	(27.8)	(27.1)	(26.4)	(30.5)
Change in fair value of derivative financial instruments	**(28.2)**	(24.1)	(34.4)	(31.6)	(13.9)
Profit/(loss) before taxation	**94.8**	115.7	171.9	(58.1)	(220.9)
Taxation (charge)/credit	**(1.8)**	(1.9)	(4.8)	(0.3)	4.8
Profit/(loss) after taxation	**93.0**	113.8	167.1	(58.4)	(216.1)
Adjust for:					
Property disposal surpluses	**(1.6)**	-	(0.4)	(0.3)	(0.3)
Property valuation movements	**(90.2)**	(110.6)	(183.6)	48.1	222.6
Change in fair value of derivative financial instruments	**28.2**	24.1	34.4	31.6	13.9
Deferred tax on property valuations and capital allowances	**1.2**	1.5	4.1	-	(5.3)
Effect of REIT conversion	**-**	-	0.6	0.1	0.1
EPRA adjusted profit after taxation	**30.6**	28.8	22.2	21.1	14.9
Diluted EPS*	**36.8p**	47.0p	73.0p	(31.3)p	(124.6)p
EPRA adjusted diluted EPS*	**12.1p**	11.9p	9.7p	11.2p	8.5p
Total dividends per ordinary share declared in respect of the financial year:					
Actual	**12.00p**	11.25p	10.25p	12.25p	11.00p
Restated**	**-**	-	-	10.60p	8.57p

* Year ended 30 September 2008 has been adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

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

NET ASSETS

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Investment properties					
At 1 October	**1,670.0**	1,475.3	1,204.5	1,202.2	1,388.2
Acquisitions	**44.0**	64.9	65.3	29.8	24.4
Refurbishment expenditure	**14.9**	19.2	22.5	20.6	16.6
Disposals	**(1.0)**	-	(0.6)	-	(4.4)
Net revaluation gain/(deficit)	**90.2**	110.6	183.6	(48.1)	(222.6)
	1,818.1	1,670.0	1,475.3	1,204.5	1,202.2
Head lease liabilities	**5.4**	5.4	5.4	5.4	5.5
At 30 September – book value	**1,823.5**	1,675.4	1,480.7	1,209.9	1,207.7
Other assets	**0.6**	0.6	0.5	0.3	0.3
Lease incentives	**8.2**	7.0	5.4	4.2	3.8
	1,832.3	1,683.0	1,486.6	1,214.4	1,211.8
Net current liabilities	**(11.6)**	(18.5)	(16.0)	(19.6)	(19.4)
	1,820.7	1,664.5	1,470.6	1,194.8	1,192.4
Taxation payable	**-**	-	-	(3.8)	(11.1)
Borrowings	**(561.6)**	(500.5)	(522.2)	(427.5)	(524.5)
Derivative financial instruments	**(132.8)**	(104.6)	(80.5)	(46.1)	(14.5)
Deferred tax liabilities	**(6.9)**	(5.7)	(4.2)	(0.1)	-
Net assets	**1,119.4**	1,053.7	863.7	717.3	642.3
Add:					
Derivative financial instruments	**132.8**	104.6	80.5	46.1	14.6
Deferred tax on property valuations and capital allowances	**6.9**	5.7	4.2	-	-
EPRA adjusted net assets	**1,259.1**	1,164.0	948.4	763.4	656.9
Diluted net asset value*	**£4.43**	£4.19	£3.78	£3.15	£3.67
EPRA adjusted diluted net asset value*	**£4.98**	£4.63	£4.14	£3.35	£3.76
Mid market price of an ordinary share at 30 September					
Actual	**£5.28**	£4.68	£4.33	£3.57	£4.22
Restated**	**-**	-	-	-	£3.29

* Year ended 30 September 2008 has been adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

** Mid market price at 30 September 2008 has been restated to show the theoretical mid market price of an ordinary share had the bonus shares inherent in the Rights Issue approved by shareholders on 5 June 2009 been in existence at that date.

shareholders and corporate information

ANALYSIS OF SHAREHOLDERS AT 30 SEPTEMBER 2012	Number of accounts	Number of shares held '000	% of shares held
Banks and Nominees	575	243,369	**96**
Limited and Plc	35	393	**1**
Other organisations	36	1,914	**1**
Individuals	250	5,797	**2**
	896	**251,473**	**100**

Number of shares	Number of accounts	Number of shares held '000	% of shares held
1-100,000	706	9,438	**4**
100,001-500,000	119	27,281	**11**
500,001-1,000,000	34	23,105	**9**
1,000,001 or over	55	191,649	**76**
	914	**251,473**	**100**

CORPORATE TIMETABLE

Financial calendar

Annual General Meeting	8 February 2013
Interim Management Statement (first half)	8 February 2013
2013 Half Year Results to be announced	May 2013
Interim Management Statement (second half)	August 2013

DIVIDENDS AND DEBENTURE INTEREST

Proposed 2012 final dividend:

Ex-dividend	23 January 2013
Record date	25 January 2013
Payment date	15 February 2013
2013 interim dividend to be paid	July 2013
Debenture stock interest to be paid	31 March 2013 and 30 September 2013

REGISTRAR

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

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

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

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

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

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

Further information and the forms for completion to apply for dividends 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 2012 final dividend is 25 January 2013.

SHAREGIFT

The Orr Mackintosh Foundation operates a voluntary charity share donation scheme for retail shareholders who wish to dispose of small numbers of shares whose value makes it uneconomical to sell them. Details are available from **www.sharegift.org** or the registrar.

glossary of terms

Annual General Meeting (AGM)
The annual shareholder meeting of the Company.

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

Capital value return
The valuation movement and realised surpluses or deficits arising from the Group's investment portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure.

Conservation area
A conservation area is a heritage asset in 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.

Company
Shaftesbury PLC whose shares are listed on the London Stock Exchange.

Derivative financial instruments
An interest rate swap is a financial derivative where two parties exchange future interest payments based on a specified notional amount. One party pays fixed interest and the other pays a floating rate usually based on LIBOR.

Diluted EPS
EPS adjusted to include the potentially dilutive effect of outstanding options granted over ordinary shares.

Diluted net asset value
Net asset value per share adjusted to include the potentially dilutive effect of outstanding options granted over ordinary shares.

Earnings per share (EPS)
Profit after tax divided by the weighted average number of ordinary shares in issue during the year.

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.

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

EPRA adjusted net asset value
EPRA adjusted net asset value aims to provide a consistent long-term performance measure, by adjusting net asset value for assets and liabilities that are not expected to crystallise such as the movement in derivative financial instruments and deferred tax on property valuation movements.

EPRA adjusted triple net asset value
EPRA adjusted net asset value incorporating the fair value of debt.

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 Group shareholders' funds, adjusted to exclude the movement in derivative financial instruments and deferred tax on property valuation movements.

Group
Group refers to Shaftesbury PLC, its subsidiaries and its 50% interest in the Longmartin joint venture.

Gross domestic product (GDP)
GDP refers to the market value of all final goods and services produced in a given period.

Head lease
A lease under which the Group holds an investment property.

Initial yield
The initial yield is the net initial income at the date of valuation expressed as a percentage of 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 net property income.

International Financial Reporting Standards (IFRS)
IFRS is a set of accounting standards developed by the International Accounting Standards Board, an independent, not-for-profit organisation.

Investment Property Databank (IPD)
IPD is an independent provider of real estate performance analysis publishing detailed information on real estate market returns.

Joint venture
A joint venture is an entity that is controlled by two or more parties under a contractual agreement. Decisions on financial and operating policies essential to the operation, performance and financial position of the venture require agreement from all parties.

Lease incentives
An incentive offered to a prospective tenant to enter into a lease. For Shaftesbury this is usually in the form of a rent free period. Under IFRS, the value of the lease incentive is spread over the non-cancellable life of the lease.

Like-for-like portfolio
The like-for-like portfolio includes all properties that have been held since 1 October 2010, excluding any properties which were acquired or sold during the period.

Listed building
A listed building is a building that has been placed on the Statutory List of Buildings of Special Architectural or Historic Interest. A listed building may not be demolished, extended or altered without special permission from the local planning authority.

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

London Interbank Offered Rate (LIBOR)
LIBOR is the reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money markets.

Long Term Incentive Plan (LTIP)
An arrangement under which an employee is awarded shares in the Company at nil cost, subject to a period of continued employment and the attainment of NAV and TSR targets over a 3 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 diluted net asset value per ordinary share plus dividends paid per ordinary share expressed as a percentage of the diluted net asset value per share at the beginning of the year.

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 providing certain criteria obligations set out in tax legislation are met.

Total return
A combination of the capital value return and net property income from the portfolio for the year expressed as percentage return on the valuation at the beginning of the year 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 year.

UK Corporate Governance Code
The June 2010 version of the FRC's UK Corporate Governance Code for listed companies.

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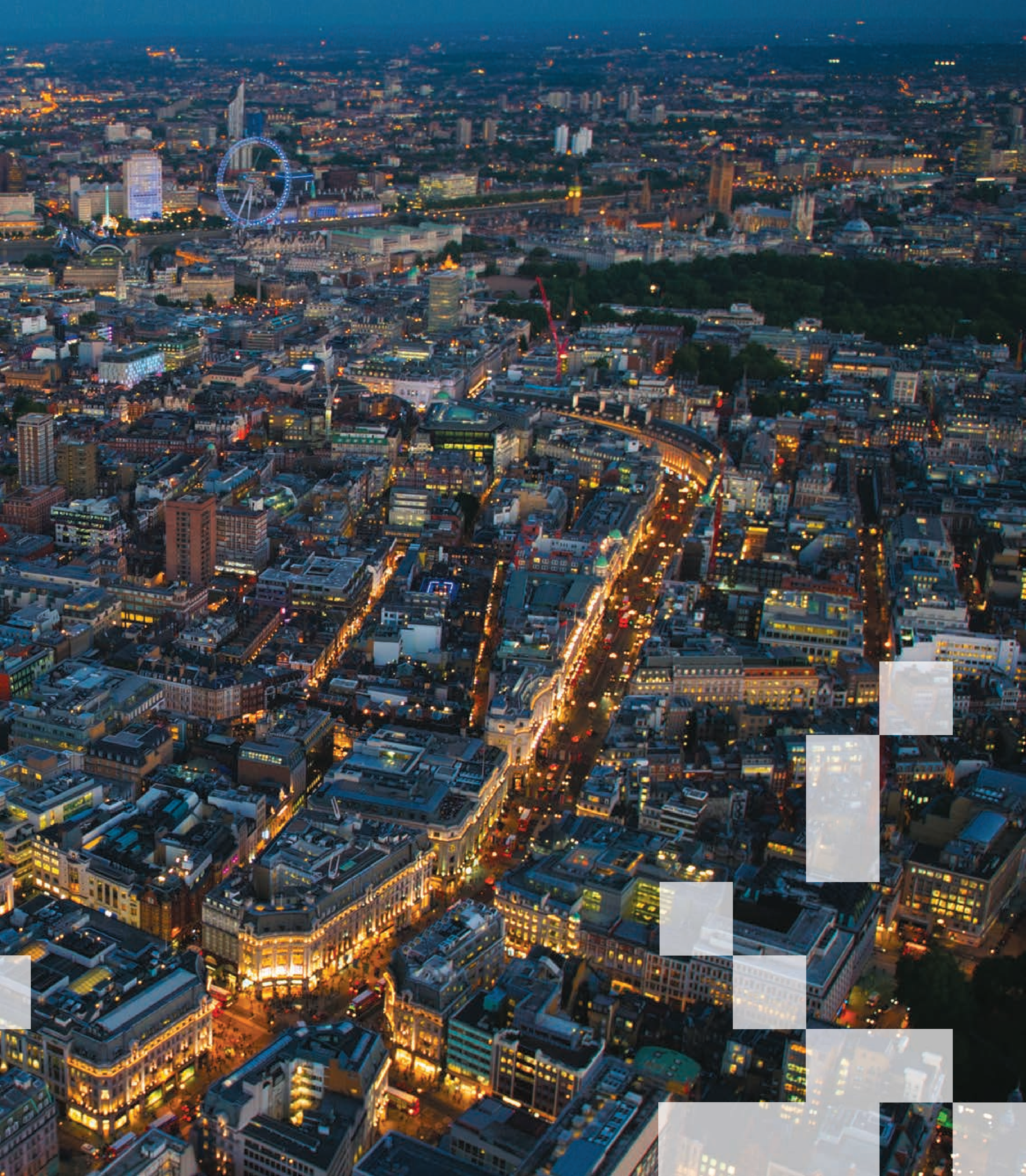

www.shaftesbury.co.uk

SHAFTESBURY PLC
PEGASUS HOUSE
37/43 SACKVILLE STREET
LONDON W1S 3DL

T: 020 7333 8118
F: 020 7333 0660