Shaftesbury annual report 2013

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We invest in real estate in the heart of London's West End.

Our objective is to produce long-term growth in our revenue through investment in, and management of, our property holdings, which is delivered to shareholders through rising dividends. Sustained improvement in rental income increases the value both of our holdings and shareholders' investment in our business.

Our wholly owned portfolio, which extends to over 13 acres of freeholds, comprises over 560 buildings which provide 1.6 million 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 with 269,000 sq. ft. of mixed-use space.

Our portfolio is now valued at £2.05 billion.

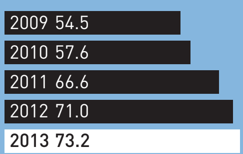
Financial highlights

NET PROPERTY INCOME

+3.1%

2013 £73.2 million

2012 £71.0 million

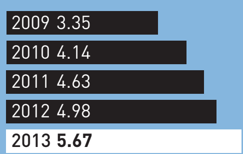


EPRA NET ASSET VALUE*

+13.9%

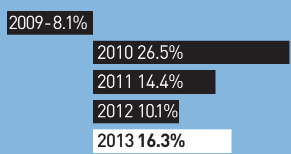
2013 £5.67 per share

2012 £4.98 per share



NET ASSET VALUE RETURN

+16.3%

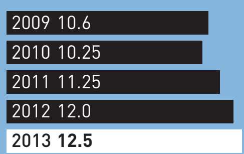


DIVIDENDS DECLARED IN RESPECT OF FINANCIAL YEAR†

+4.2%

2013 12.5p per share

2012 12.0p per share



* Adjusted in accordance with the EPRA Best Practice Recommendations. See page 39 for a reconciliation to reported results.

† 2009 interim dividend per share adjusted to take into account the Rights Issue in 2009.

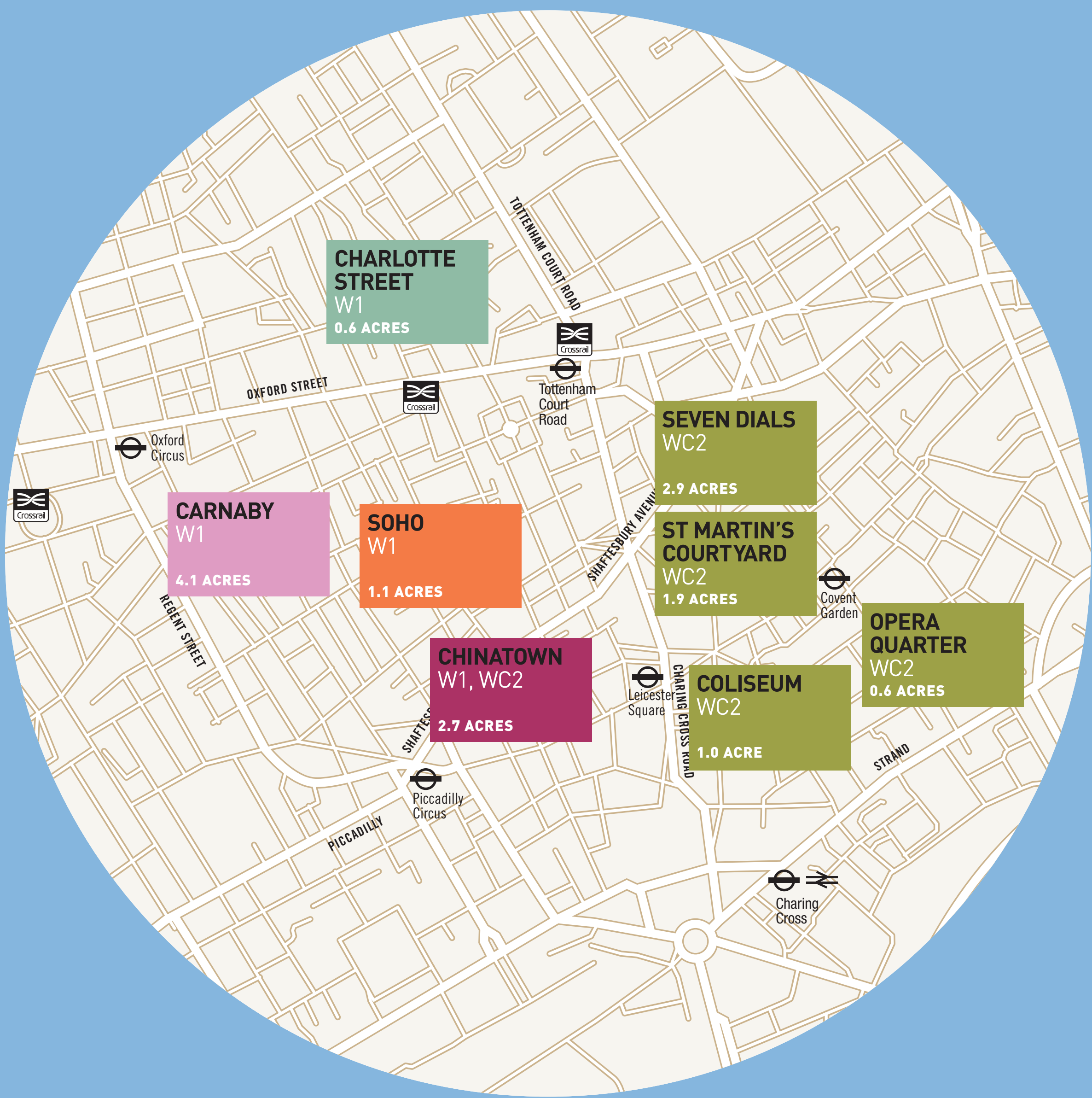

VANS

Shaftesbury at a glance

London's West End, where all our investments are located, has a renowned concentration of world-class historic and cultural attractions together with an unrivalled variety of shops, restaurants, cafés, bars and clubs which bring huge numbers of domestic and international visitors. It is also an important location for businesses, particularly those in the media, creative and IT industries, and a popular place to live.

Shopping and leisure are important elements of the local economy, serving visitors as well as the local working population and residents. In the West End, there is a long history of occupier demand exceeding the availability of these uses, which is often restricted by planning policies and space constraints. Consequently, we focus on central locations and buildings where the predominant uses are retail and leisure-related. These elements now provide 70% of our current income.

Shaftesbury villages

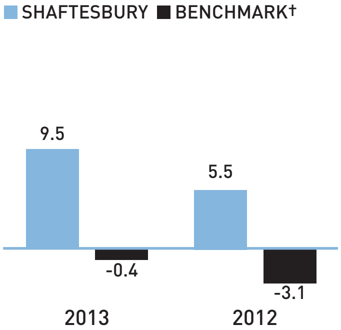


SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
330	234		470
426,000 sq.ft	525,000 sq.ft	386,000 sq.ft	278,000 sq.ft
LONGMARTIN JOINT VENTURE	LONGMARTIN JOINT VENTURE	LONGMARTIN JOINT VENTURE	LONGMARTIN JOINT VENTURE
23	8		75
69,000 sq.ft	43,000 sq.ft	102,000 sq.ft	55,000 sq.ft
37% OF OUR PORTFOLIO†	**33%** OF OUR PORTFOLIO†	**17%** OF OUR PORTFOLIO†	**13%** OF OUR PORTFOLIO†

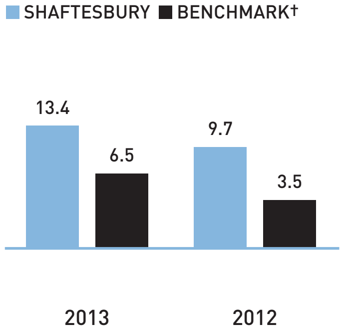
† By current income. Data includes our 50% share of the Longmartin joint venture

Results overview

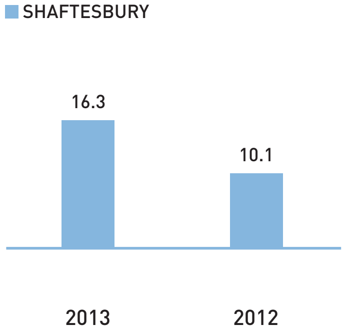
PROPERTY CAPITAL VALUE RETURN (%)



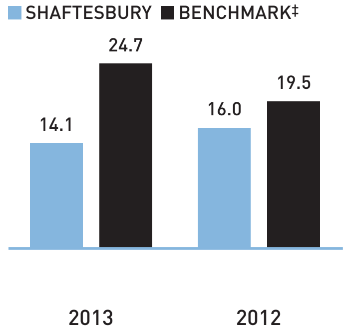
TOTAL PROPERTY RETURN (%)



NAV RETURN (EPRA NET ASSETS) (%)



TOTAL SHAREHOLDER RETURN (%)



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

FINANCIAL HIGHLIGHTS

		2013	2012	CHANGE
Net property income	£m	**73.2**	71.0	**+3.1%**
Property assets at fair value	£m	**2,052.6**	1,828.2	**+12.3%**
Loan-to-value		**29.5%**	30.5%	
EPRA results*				
Profit after tax	£m	**30.2**	30.6	**-1.3%**
Earnings per share	Pence	**12.0**	12.2	**-1.6%**
Net assets	£m	**1,435.6**	1,259.1	**+14.0%**
Net asset value per share	£	**5.67**	4.98	**+13.9%**
Dividends				
Interim dividend per share	Pence	**6.25**	5.95	**+5.0%**
Final dividend per share	Pence	**6.25**	6.05	**+3.3%**
Total dividend per share	Pence	**12.5**	12.0	**+4.2%**
Reported results				
Profit after tax	£m	**239.3**	93.0	**+157.3%**
Diluted earnings per share	Pence	**94.7**	36.8	**+157.3%**
Net assets	£m	**1,330.7**	1,119.4	**+18.9%**
Diluted net asset value per share	£	**5.26**	4.43	**+18.7%**

* Prepared in accordance with the EPRA Best Practice Recommendations.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Chairman's statement

I am pleased to announce another set of excellent results, following a year of good progress for Shaftesbury, in which high levels of activity across our portfolio have driven growth in the value of our business. London and the West End have gone from strength-to-strength, particularly since the Olympics, with record visitor numbers reported to date in 2013. Occupier demand remains strong, and vacancy levels have been low throughout the year.

Our portfolio, now valued at £2.05bn, has continued to perform well this year, delivering a revaluation surplus of £174.3 million, which has increased EPRA net asset value per share by 69p (13.9%) to £5.67 at 30 September 2013. After adding back dividends, the total NAV return for the year was 16.3%.

EPRA profit after tax for the year ended 30 September 2013 was £30.2 million compared with £30.6 million for the previous year. We have had an unusually high level of redevelopment and refurbishment activity during the year, undertaking 50 projects, totalling approximately 165,000 sq. ft., which represented nearly 9% of our total floor area. These schemes, which include our two large projects in Carnaby, will deliver increased rental income in the coming years. Inevitably, they have resulted in higher vacancy levels in the short term, which has tempered growth in income and profits in 2013. Letting space as these schemes have completed has been successful, reflecting strong demand for all uses and across all our villages. At the year end, space available to let and being marketed represented 1.3% of our ERV.

The Board is pleased to recommend a final dividend of 6.25p, bringing the total for the year to 12.5p, an increase of 4.2% compared with last year. The final dividend will be paid on 14 February 2014 to shareholders on the register on 24 January 2014. Of this, 3.75p will be paid as a PID under the UK REIT regime with the remainder being paid as an ordinary dividend.

Dividends declared in respect of this financial year, totalling £31.5 million, are in excess of EPRA profit after tax, which amounted to £30.2 million. This is largely as a result of an increase in the accounting charge for equity-settled remuneration resulting from the continuing strong performance of our portfolio. In recommending this dividend, the Board has taken into account the short-term impact on revenue from the high level of redevelopment activity, the successful letting of completed schemes, and the expected significant contribution to our earnings from schemes that have finished, or are due to complete over the coming year. We expect our dividend to be covered in 2014.

Our portfolio produced a capital value return of 9.5%, which compares to a capital value decline of 0.4% reported by the IPD Monthly Index. This strong performance was the result of like-for-like growth in current income and ERV of 5.4% and 4.5% respectively, coupled with yield compression of 24 basis points in the wholly owned portfolio and 15 basis points in the Longmartin joint venture. Our ERV has grown from £99.9 million to £105.9 million, £20.0 million above current income.

Over the year, our shares delivered a total shareholder return of 14.1% compared with 24.7% shown by the FTSE 350 Real Estate Index. Despite outperforming over the longer-term, this period of relative under-performance has come as the UK economy has shown signs that it is returning to growth. As a result, the market has re-rated the shares of companies with a higher risk profile than ours, particularly of those which have a relatively large proportion of their portfolio focused on central London development.

Our redevelopment and refurbishment programme continues apace, with 21 schemes currently on-site with an ERV of £4.9 million, the largest of which is our 32,500 sq. ft. development fronting both Foubert's Place and Kingly Street. We continue to identify and progress opportunities to unlock further rental growth from within our existing portfolio.

We have purchased properties during the year totalling £28.0 million. In current economic conditions, the supply of suitable properties to buy remains limited in our prosperous locations. Owners in the West End recognise the unique investment qualities of the type of properties we are seeking to acquire and generally only sell when they have a particular need for cash. Our acquisition strategy continues to be focused, ensuring that purchases meet our strict criteria of location, uses, potential for improvement through change of use and refurbishment, and benefits from combination with our existing ownerships.

Robust long-term financing underpins the stability of our business. Our debt represented 29.5% of portfolio value at year end and our earliest loan maturities are in 2016. We are in discussion with existing and new lenders to refinance the earliest maturities and increase our available debt facilities.

There have been a number of changes to your Board during the year. On 1 October 2012, we broadened the knowledge and skills of the Board with the appointment of Sally Walden and Dermot Mathias as non-executive directors. As announced this time last year, I replaced John Manser as non-executive Chairman following his retirement in February 2013.

After serving nine years as a non-executive director of Shaftesbury, Gordon McQueen, our Senior Independent Director and Chairman of the Audit Committee, will retire from the Board at the AGM in February 2014. I would like to thank Gordon for his outstanding commitment and guidance over the past years. Jill Little will become the Senior Independent Director and step down from the chairmanship of the Remuneration Committee. Sally Walden and Dermot Mathias will chair the Remuneration and Audit Committees respectively.

The West End, with its uniquely diverse economy, underpinned by a strong domestic and international visitor base, continues to be a prosperous place for businesses and an exciting place to live. London is going through a period of rapid growth, with its population forecast to grow by 20% to 10 million by 2030. There is major investment in all aspects of its infrastructure to ensure that it can cope with this expansion. Significant regeneration projects in and around the West End, some of which are already under way, will provide new places to work and live, all within a short distance from our vibrant villages.

Sustainable rental growth is the key to delivering attractive returns to shareholders over the long term. I am confident that the benefits from the continuing high volume of activity arising from our proven strategy of innovative and intensive asset management, once compounded across the portfolio, will continue to drive growth in rents and long-term values.

Jonathan S. Lane
Chairman

27 November 2013

STRATEGIC REPORT

Business model

Investing in the heart of London's West End to deliver long-term growth in income and value.

OUR STRATEGY

We invest in real estate in London's West End, a location which has demonstrated great resilience over many years. We concentrate on central locations close to a renowned concentration of world-class attractions, along with unmatched shopping and leisure choices. Together, these features attract huge numbers of domestic and overseas visitors, as well as national and international businesses and a growing residential community.

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.

THE WEST END'S PROSPERITY, REPUTATION AND GROWTH

London has more international visitors than any city in the western world. Its population currently stands at 8.3 million and is forecast to grow by 20% to 10 million by 2030. Furthermore, there are over 20 million people in southern England, living within easy access for commuting or making day trips.

It has a long and special history 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. This international appeal gives it a broad economic base which is not reliant on the fortunes of the UK economy alone.

Spread over just a few square miles, the West End is a world-class retail and visitor destination, attracting 200 million domestic and overseas visits annually. It has an unrivalled choice of shops, restaurants and bars, 38 renowned theatres, 30 museums and galleries and a lively night-time economy. It is a key business centre, with a working population of around 600,000 in the City of Westminster, making it an area with one of the highest business concentrations in the country. It is also home to vibrant and well-established residential communities. Around 240,000 people live in the City of Westminster, of which it is estimated nearly 40,000 live in the core areas most associated with the West End.

Our management team has a long history of working in the West End. In our experience, as a result of its large numbers of visitors, workers and residents, consumer spending is resilient. This, coupled with constrained supply of commercial space and a tight planning environment, underpins the rental growth prospects and capital values 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 more stable than the wider market.

London's working population, residents and visitors have access to its extensive public transport network. An estimated 210 million passengers pass through the six underground stations closest to our villages every year. However, with the expected population growth and increase in visitors, there is now considerable investment in the existing public transport network to improve capacity, reliability and passenger comfort.

Crossrail, a £15 billion construction project to create a new east-west rail route through the centre of London, opening in 2018, will transform rail journeys, increasing passenger capacity by 10% and relieving pressure on the existing transport network. Our portfolio is all situated within 800 metres of the planned entrances to the new Tottenham Court Road and Bond Street stations. Consequently, we are extremely well-placed to benefit from the expected increased footfall that Crossrail will bring.

Crossrail is a major catalyst for regeneration around its stations and adjacent streets, and will be an important driver of economic growth. Along the eastern end of Oxford Street there are already a number of major development schemes planned or under way. These schemes will 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, cafés and bars.

Transport for London, Westminster City Council and Camden Council recognise the need for the public realm to be upgraded in order to cope with the increased footfall anticipated in the years ahead. We expect to see a number of public realm projects over the coming years to help ease pedestrian congestion and provide stronger connections between retail, cultural and recreational areas.

LONDON AND THE WEST END

LONDON	THE WEST END
• 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 8.3 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	• 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 – 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 favoured by media, IT and creative businesses

Business strategy

INVEST IN REAL ESTATE IN LONDON'S WEST END

CREATE SUSTAINABLE REVENUE GROWTH

DELIVER GROWING INCOME TO SHAREHOLDERS THROUGH DIVIDENDS

INCREASE VALUE OF THE PORTFOLIO AND OF SHAREHOLDERS' INVESTMENT IN THE BUSINESS

Business model

CREATING PROSPERITY FOR COMMERCIAL TENANTS

CLUSTERS OF OWNERSHIPS

HOLISTIC MANAGEMENT STRATEGY

- Maximise retail and leisure uses on lower floors
- Manage long-term mix of uses
- Encourage new operators and formats
- Clustering similar uses, concepts and brands

WORKING WITH TENANTS

IMPROVING THE PUBLIC REALM

REFURBISH AND RECONFIGURE BUILDINGS

- Improve accommodation
- Minimise obsolescence

ENGAGING WITH STAKEHOLDERS AND THE LOCAL COMMUNITY

PERFORMANCE DRIVERS

RENTAL GROWTH

- Increase current rental income
- ERV growth
- Low vacancy levels

LONG-TERM GROWTH IN CAPITAL VALUES

KPIs

LETTINGS > ERV ASSESSED BY VALUERS

MINIMISE VACANT PERIODS

CAPITAL VALUE RETURN

TOTAL PROPERTY RETURN

TOTAL SHAREHOLDER RETURN

VILLAGES IN THE WEST END'S ICONIC AREAS

We own 13 acres of freeholds, comprising 1.6 million sq. ft. of commercial and residential accommodation, mostly clustered in villages in iconic areas at the heart of the West End. Our ownerships are close to the West End's principal attractions and reflect the importance of the visitor-based economy. 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 22% is in Chinatown. Soho now represents 7% of our portfolio and 3% is in and around Charlotte Street.

There are over 560 buildings in our wholly owned portfolio, 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 70% 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.

PROSPERITY FOR TENANTS AND SUSTAINABLE RENTAL GROWTH

The key driver to long-term value creation is sustainable rental growth and we achieve this by establishing and fostering areas in which our commercial tenants are able to flourish and which provide desirable places to live.

Creating clusters of ownerships

Using our detailed knowledge, gained over many years of investing in the West End, we target well-located areas and streets which have suffered from fragmented ownership, lack of investment and the absence of a cohesive strategy for uses and tenant mix, but where the footfall potential is good and rents are initially low.

By establishing clusters of ownerships, we can initiate long-term investment and management strategies for the areas to address these problems and generate sustainable growth in rents and long-term improvement in values.

Our villages accommodate a variety of uses, appealing to a broad range of occupiers. We bring 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, in the areas in which we invest, occupier demand for these uses has exceeded availability, providing a firm foundation for rental growth.

Holistic management strategy

As long-term investors, we take an holistic approach to the management of our holdings. In our experience, fostering and advancing the unique character of our villages enhances their appeal to consumers and tenants. We develop our villages through a combination of:

- Maximising retail and leisure uses within the lower floors of individual buildings to create more efficient and accessible trading space;
- Managing the 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 to ensure our areas respond to ever-changing tastes and expectations;
- Clustering similar or complementary retailers, concepts and brands;
- Managing planning uses to maximise rental and capital values.

Working with tenants

We work closely with our retail, restaurant and leisure tenants to promote their businesses and our areas to visitors, shoppers and diners to bring footfall and spending. The prosperity of those businesses is critical to our success.

Although the West End is a destination of world renown, we recognise that awareness of our special locations should never be taken for granted. In order to market our areas we use a wide range of channels to ensure they are widely promoted as unique destinations within the West End, which offer an unmatched choice of interesting, innovative and ever-changing shopping, dining and leisure choices.

Working closely with experienced external marketing specialists, our promotional initiatives include:

- Widely publicised consumer-focused events throughout the year in Carnaby and Covent Garden such as shopping and music events. In particular, we put considerable effort into dressing our areas in the busy Christmas trading season;
- Continuous engagement with domestic and international press and other media to raise public awareness;
- An active social media programme including dedicated websites for Carnaby, Seven Dials, Chinatown and Berwick Street, which provide single reference points for each areas' particular choices, as well as utilising Facebook, Twitter and other channels to engage with an often younger target market.

We believe our tenants value our efforts to promote our areas and support their businesses and are happy to work with us to ensure the success of our initiatives. For us, our promotional activities are also an important way to advertise the merits of our areas to a wide audience of potential tenants who appreciate the benefits of locations which are supported by our long-term holistic management philosophy and strategies.

Improving the public realm

We work closely with local authorities and community stakeholders to improve the public realm. 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 creates safe and welcoming areas, which is an important catalyst for increasing footfall and bringing greater prosperity to our villages.

REFURBISH AND RECONFIGURE BUILDINGS

Improving accommodation for modern occupiers

We estimate the average age of our buildings is over 150 years. The majority are in designated conservation areas and many are listed.

Wherever possible, we extend the useful lives of our buildings through restoration and refurbishment to improve their efficiency and to meet the requirements of modern commercial and residential occupiers. We have considerable experience of improving buildings to meet modern standards of efficiency and find that older buildings are very flexible when it comes to reorganising occupational uses.

Sustainability is integrated across our business. We aim to minimise the environmental impact of our operations where possible within the confines of planning regulations and legislation which affect listed buildings and conservation areas.

Low obsolescence

We generally provide space for our principal retail and leisure uses in shell form so the costs of obsolescence we bear are minimal. However, smaller offices, particularly on upper floors, tend to suffer from obsolescence, as well as cyclical demand and, therefore, we seek to introduce alternative uses, where possible.

ENGAGING WITH STAKEHOLDERS AND THE LOCAL COMMUNITY

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. In March 2014 we shall relocate our own office to Carnaby.

As a key stakeholder in our locations in the West End, we value the diverse views of our tenants, community groups and other stakeholders which give us important insights into the challenges faced by the West End and help us to adapt our plans and co-ordinate with others.

We also work closely with the local authorities in our locations to assist with the challenges of managing areas which attract huge numbers of visitors throughout the day and late into the night, every day of the week, whilst balancing the needs of local businesses and residents. Our leases are structured so that we can ensure that our tenants' operations do not detract from the reputation of the West End.

KEY PERFORMANCE INDICATORS (KPIs)

The key drivers of performance are rental growth, both current and potential, high occupancy levels, and low obsolescence. These underpin long-term growth in capital values.

The principal risks and uncertainties faced by the business are set out on pages 48 to 49.

The charts on page 6 show our performance against our chosen benchmarks: the IPD UK Monthly Indices and the FTSE 350 Real Estate Index.

Performance vs. IPD

There is no published property performance index which is comparable specifically to a portfolio of mixed-use buildings such as ours. Therefore, we have, as in previous years, used the IPD UK Monthly Index, which tracks all main commercial property categories across the UK, as our benchmark.

We have continued to outperform the benchmark this year, recording a total return of 13.4% compared with 6.5% reported by the IPD UK Monthly Index. This included a strong capital value outperformance with our portfolio growing in value by 9.5% during the year, whereas the IPD benchmark reported a decline in capital values of 0.4%.

ERV growth and vacancy

Lettings, rent reviews and lease renewals totalling £18.7 million were concluded, during the year, at an average 4.5% above September 2012 ERVs.

The amount of vacant space across the portfolio has remained low throughout the year. EPRA vacancy at 30 September 2013 was 2.3% of total ERV, below our long-term average of around 3%.

Overall, lettings have been concluded, on average, 33% quicker than we had targeted. Our commercial space generally has let more quickly than expected, reflecting strong demand throughout the year. Whilst residential demand has been good, the quieter summer letting period coincided with a number of apartments becoming available after conversion or refurbishment. However, as expected, demand picked up after the summer and our residential vacancy returned to normal levels.

Total Shareholder Return

TSR over the year was 14.1%, compared with a return of 24.7% delivered by the FTSE 350 Real Estate Index. This follows a stock market re-rating, particularly over the past six months, of shares which have a higher risk profile than ours and especially of those which have a relatively large proportion of their portfolio focused on central London office development.

Our TSR over the last five and ten years was 104.7% and 317.6% respectively. This compares with the benchmark index which returned 11.5% and 76.4% over the same periods.

The long-term outperformance continues to reflect our consistent management strategies, which have a record of delivering sustainable growth in income and increases in capital values.

%	1 YEAR	5 YEARS	10 YEARS
Shaftesbury	14.1	104.7	317.6
FTSE 350 Real Estate Index	24.7	11.5	76.4
Relative performance	**-10.6**	**+93.2**	**+241.2**

Portfolio performance

This has been another successful year for Shaftesbury, with capital growth of 9.5%, increasing the value of our portfolio by £174.3 million to £2.05 billion. Rents, both current and potential, have grown, and we have made good progress on our numerous schemes. Demand has remained strong across all uses and occupancy levels have been high throughout the year.

PORTFOLIO VALUATION

Our portfolio was valued at £2.05 billion at 30 September 2013 resulting in a revaluation surplus for the year of £174.3 million. This represents an ungeared total property return for the year of 13.4%, compared with the IPD Monthly Index benchmark of 6.5%. This included a strong capital value outperformance totalling 9.9% (Shaftesbury: +9.5%, IPD: -0.4%). The principal drivers of this uplift in value over the year were rental growth, both actual and prospective, and yield compression of 24 basis points in the wholly owned portfolio and 15 basis points in the Longmartin property holdings.

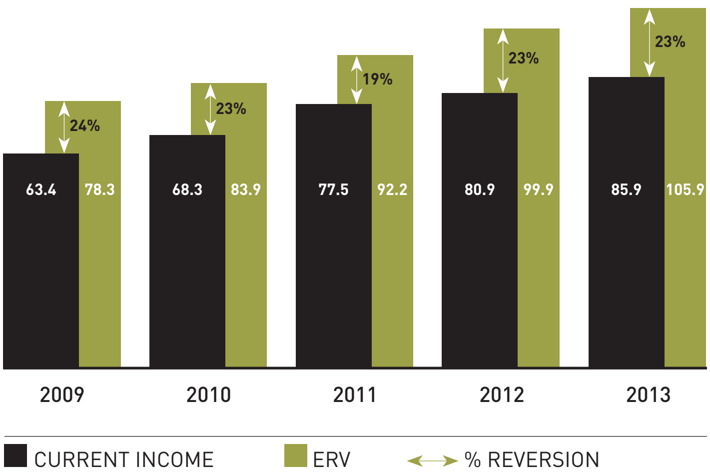
The yield compression during the year, in part, recognises that, as we improve our buildings over the long term, income grows which, coupled with low obsolescence, makes them more valuable. It also takes into account the continued strong investor demand for, and limited availability of, properties in our locations. There are currently no signs of this demand abating.

Rental growth has continued throughout the year, reflecting strong occupier demand for all uses across our villages. Lettings, rent reviews and lease renewals totalling £18.7 million were concluded at an average increase of 4.5% over September 2012 ERVs. This, coupled with acquisitions and falling vacancy, resulted in current income growing by £5.0 million to £85.9 million. The like-for-like increase was 5.4%.

Our strategy focuses on not only delivering growth in current income but also improving the long-term rental prospects of the portfolio. Our valuers have estimated the rental value of our portfolio at year end to be £105.9 million, £20.0 million above current income. £18.2 million of the reversion is attributable to the wholly owned portfolio and £1.8 million to our share of the Longmartin joint venture.

Excluding the impact of acquisitions, the ERV of our portfolio grew, on a like-for-like basis, by 4.5%. Restaurants, cafés and bars showed especially good growth with demand considerably out-stripping the restricted availability of space in the West End.

PORTFOLIO REVERSIONARY POTENTIAL (£M)



Of the total reversion, £4.8 million is contracted and will add to current income on the expiry of rent free periods and pre-agreed increases in rents. The ERV of vacant space either available to let or under refurbishment was £8.1 million, including £2.0 million in respect of our major redevelopment on Foubert's Place and Kingly Street, in Carnaby, which is expected to be completed in late 2014. £7.1 million of the reversion should be crystallised over the normal five-year cycle of rent reviews, lease renewals and lease expiries.

We have a long record of not only growing the reversionary potential of the portfolio, but also converting this potential to actual income. 69% of total ERV and 72% of the reversion which is not yet contracted comes from shops, restaurants and leisure uses. Our experience is that, in our locations, demand and rental values for these uses are not cyclical, which gives us confidence that we shall continue to capture this reversion. We believe there is also considerable potential for further rental growth to be unlocked through our continuing intensive active management of the portfolio.

DTZ, independent valuers of our wholly owned portfolio, have, again, noted that our portfolio is unusual because of its concentration of properties in adjacent or adjoining central West End locations, and its predominance of retail, restaurant, café and leisure uses. They have advised the Board that some prospective purchasers might consider that parts of the portfolio, when combined, may have a greater value than that currently reflected in the valuation, which has been prepared in accordance with RICS Valuation Professional Standards. A copy of the summary report by DTZ can be found on pages 84 to 85.

In our experience, over a three-to-five year period, the values of our villages generally perform in a similar manner. This year, Carnaby (33% of our portfolio) produced capital growth of 10.6% driven by increases in rental income and ERV, particularly for retail and restaurant space. Covent Garden (28% of our portfolio, excluding the Longmartin joint venture) and Chinatown (22% of our portfolio) grew in value by 8.5% and 7.6%, respectively, largely as a result of a number of restaurant lettings during the year which increased contracted rental income and ERVs.

Our holdings in Soho delivered a capital value return of 14.1%, which follows two years of lower growth while we were in the early stages of our long-term investment strategy in this area. The increased valuation of our Soho holdings this year recognises a reduced risk level following successful lettings in the year, completion of redevelopment projects, and the pre-letting of commercial space in our current schemes. In Charlotte Street (3% of our portfolio) values grew by 9.1% as restaurant rental tones increased and residential values rose. The properties in our Longmartin joint venture showed a capital value return of 10.0% over the year driven by ERV growth, particularly from shops and restaurants.

INCREASE IN CAPITAL VALUES

	% OF PORTFOLIO	CAPITAL GROWTH DURING YEAR	THREE YEAR CAGR
Total	100%	9.5%	7.4%
Carnaby	33%	10.6%	9.2%
Covent Garden	28%	8.5%	6.7%
Chinatown	22%	7.6%	5.9%
Soho	7%	14.1%	6.1%
Charlotte St	3%	9.1%	7.0%
Longmartin	7%	10.0%	7.2%

ACQUISITIONS

The criteria we apply to potential purchases are very strict. We target acquisitions which:

- are in the heart of the West End, in and around our villages;
- have a predominance of, or potential for, retail and/or restaurant, café and leisure uses; and
- provide potential for future rental growth, either individually or through combination with our existing ownerships.

In our locations, there is always a limited availability of assets which fit these strict criteria. Existing owners recognise the same merits that we see in the exceptionally resilient and prosperous areas in which we invest. However, we remain focused and continue to monitor long-term ownerships and opportunities in our areas, constantly engaging with owners and agents.

During the year, we acquired properties totalling £28.0 million; £19.7 million in Covent Garden and £8.3 million in Soho. These acquisitions included eight shops, four restaurants and 5,100 sq. ft. of offices. In addition, we exchanged contracts to forward purchase a long leasehold interest in 6,500 sq. ft. of retail and restaurant space on the ground floor and basement in the substantial residential-led development currently being constructed on Broadwick Street, in Soho, which is expected to complete in 2015.

REDEVELOPMENT AND REFURBISHMENT ACTIVITY

With 50 projects across 165,000 sq. ft. (9% of our total floor area), this has been a year of increased redevelopment and refurbishment activity. This included our two large schemes, fronting Foubert's Place and Kingly Street in Carnaby, which totalled 40,500 sq. ft., and the refurbishment of two office buildings totalling 28,000 sq. ft. Other projects involved extending and reconfiguring retail and restaurant space, residential conversions, upgrading offices and apartments and contributions to public realm improvements. With our concentration of ownerships, individual schemes frequently have a beneficial impact on adjacent holdings, bringing cumulative and compound improvements to an area.

We provide retail, restaurant and leisure space in shell form and tenants are responsible for the costs of fitting out and obsolescence. Furthermore, as we create apartments to a high standard at the outset, we find obsolescence costs in these holdings are low.

Whilst we undertake many schemes, our outlay is modest. Capital expenditure during the year totalled £20.8 million, representing 1.1% of the portfolio value, marginally above our normal level of 0.8%-0.9%. We continue to identify future redevelopment schemes, which will add to our income and unlock further value from within the existing portfolio, the timing of which will depend on planning permission and securing vacant possession. We are currently on-site with 21 schemes, involving 77,000 sq. ft. and with an ERV of £4.9 million.

DEMAND AND OCCUPANCY

Demand across all our uses has remained strong throughout the year, resulting in continuing high occupancy levels. EPRA vacancy at 30 September 2013 totalled £2.5 million, representing 2.3% of ERV, of which £1.1 million (1.0% of ERV) was under offer. All available restaurants were under offer and we had just 3,000 sq. ft. of offices to let in our wholly owned portfolio. There was a normal residential vacancy level at year end with twenty apartments available, of which twelve (ERV: £0.3 million) were under offer.

Our 8,600 sq. ft. retail scheme on the north side of Foubert's Place completed in late spring 2013 and the two larger units are now let, one of which (ERV: £0.4 million) was under offer at year end. The remaining unit (ERV: £0.2 million) is currently being marketed.

Our major scheme on the site fronting the south of Foubert's Place and Kingly Street is under way, with completion expected by the end of 2014. The total ERV of this scheme now stands at £2.0 million, £1.6 million above pre-scheme income.

The ERV of other schemes totalled £3.6 million (3.4% of ERV), including two restaurants, with an ERV of £0.4 million, which were under offer and three restaurants (ERV £0.7 million) where we secured vacant possession just prior to the year end. Offices undergoing refurbishment included 11,500 sq. ft. in Carnaby (ERV £0.7 million) which are due to complete at the end of 2013. The majority of the residential space being redeveloped (ERV £0.6 million) is expected to be income-producing by the end of 2013.

VACANCY AT 30 SEPTEMBER 2013

	SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL	LONGMARTIN	TOTAL	% OF TOTAL ERV
Held for or under refurbishment							
ERV - £million							
Foubert's Place/Kingly Street scheme (Carnaby)	0.5	0.4	0.7	0.4	-	2.0	1.9%
Other schemes	0.5	1.2	0.8	1.0	0.1	3.6	3.4%
Total held for or under refurbishment	**1.0**	**1.6**	**1.5**	**1.4**	**0.1**	**5.6**	**5.3%**
Area - '000 sq. ft.	15	24	25				
Number of units	9	8		18			
Available to let							
ERV - £million							
Ready to let	1.1	-	0.1	0.1	0.1	1.4	1.3%
Under offer	0.5	0.2	-	0.3	0.1	1.1	1.0%
EPRA vacancy	**1.6**	**0.2**	**0.1**	**0.4**	**0.2**	**2.5**	**2.3%**
Area - '000 sq. ft.	18	5	3				
Number of units	22	4		12			

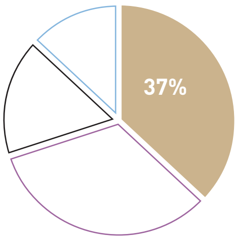
Our portfolio

Our wholly owned portfolio comprises over 560 buildings, all of which contain a mix of uses. Shops, restaurants, cafés and bars are on the lower floors, and offices or residential are above.

SHOPS

	WHOLLY OWNED	LONGMARTIN
Number	330	23
Area (sq. ft.)	426,000	69,000
Weighted average unexpired lease length (years)	5	5

% OF CURRENT INCOME



We have 89 large shops (rent greater than £100,000 p.a.) in the wholly owned portfolio which generate 64% of current income. Fashion accounts for nearly 80% of the income from these larger shops, with the majority of the remainder coming from lifestyle retailers, for example health and beauty. Our 241 smaller shops provide 36% of current income and are an important element of the character and retail mix in our villages. These shops are predominantly let to fashion and lifestyle brands. The Longmartin joint venture has 23 shops, principally occupied by fashion retailers.

Demand for our shops has remained strong throughout the year. The wide range of unit sizes and rental tones in our portfolio attracts a broad range of tenants from those opening UK flagships or first stores through to small independents from both the UK and overseas. We are keen to seek out new retail concepts, which contribute to each village's unique character. We meet potential new occupiers at fashion and lifestyle trade shows in the UK and abroad, as well as maintaining a regular dialogue with existing tenants who are seeking to expand their operations.

We work with retailers to trial and promote their new ideas with short and flexible leases, bringing a steady flow of interesting new concepts and brands to our villages. This approach is particularly suitable for our smaller shops. Successful new ideas lead to operators taking longer leases. Where actual trading experience shows that a new concept is neither meeting our, nor the retailer's, expectations we are able to react quickly.

The cycles of fashion are becoming shorter and without innovation brands can soon become less interesting to consumers. Our flexible leases allow us continually to refresh our tenant line-ups, ensuring our villages maintain their appeal to today's fashion-conscious shoppers.

Our shops are typically let on the following basis:

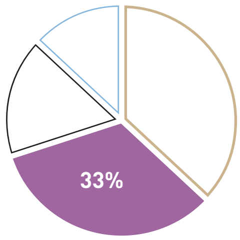
- 3-5 year term for smaller shops
- 5-10 year term for larger shops
- Space provided in shell form; fit out is at the tenants' cost, with no financial contribution from us
- Short rent free period to help cover the tenants' fitting out period

We invest considerable resources and energy in promoting our villages to potential occupiers and consumers, and sourcing new brands and concepts. We stay in regular contact with tenants and find that, not only do they value our philosophy and the way we manage the villages, but also are a great source of new ideas from their experiences elsewhere.

RESTAURANTS, CAFÉS AND LEISURE

	WHOLLY OWNED	LONGMARTIN
Number	234	8
Area (sq. ft.)	525,000	43,000
Weighted average unexpired lease length (years)	12	13

% OF CURRENT INCOME



Restaurants, cafés, bars, pubs and clubs are a growing part of our business, now representing 33% of current income. The wide variety of dining and leisure choices is a feature of the West End and forms an integral part of the mix in our villages, complementing our shops and drawing 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.

Currently there is unprecedented demand from interesting and well-funded food and beverage operators, which is continuing to drive strong rental growth. Furthermore, planning policies in the West End restrict the creation of new restaurant space, to preserve a balance with other commercial uses.

As with shops, space is provided in shell form. Fit out is at the tenants' cost and is usually substantial, sometimes costing the equivalent of 3-5 years' rent. As a consequence, restaurant businesses prefer longer leases over which to spread this up-front investment.

Typical lease terms:

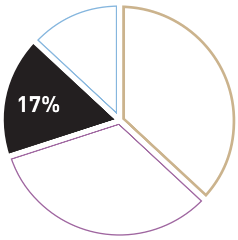
- Historic leases: 25 years, 5 yearly upward-only rent reviews and security of tenure on expiry
- Newer leases: 15 years, 5 yearly upward-only rent reviews. No security of tenure on expiry

The substantial investment by the tenant, combined with restrictive planning and licensing policies, make our leases valuable assets both for us, as landlord, and for our tenants. Often new operators seek out opportunities to open in our locations by taking an assignment of a lease from an existing tenant, sometimes paying a considerable premium to acquire this interest. Our leases give us considerable control over this process, enabling us to select the most appropriate operators, as well as accelerating asset management opportunities, including re-gearing lease terms and releasing surplus space for other uses and schemes. As a result of this competition for leases, it is often difficult for us to secure vacant possession of our restaurants. However, when we do, there is considerable demand from experienced and new operators seeking to launch innovative concepts.

OFFICES

	WHOLLY OWNED	LONGMARTIN
Area (sq. ft.)	386,000	102,000
Weighted average unexpired lease length (years)	4	6

% OF CURRENT INCOME



Offices bring an important working population who shop, dine and socialise in our villages. Most of our office tenants are fashion retailers or businesses in the media, creative and IT industries. Demand remains strong with only 3,000 sq. ft. of space available at year end, and we are seeing steady rental growth. Lease lengths are typically five years.

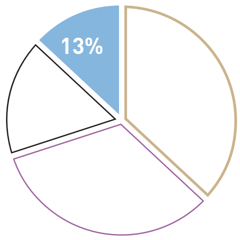
Most of our offices are relatively small. We have four office buildings each with a total area of between 10,000 and 20,000 sq. ft., three of which are in Carnaby. Otherwise the average office is just 1,300 sq. ft. and our average rent is around £40 per sq. ft.

We have continued converting smaller offices which cannot be adapted to meet the requirements of today's occupiers, often back to their original residential use, where we see more consistent cash flows, lower vacancy levels and significantly reduced obsolescence costs. Where we secure residential planning consents, we often retain the flexibility to return the space back to office use.

RESIDENTIAL

	WHOLLY OWNED	LONGMARTIN
Area (sq. ft.)	278,000	55,000
Number	470	75

% OF CURRENT INCOME



Our apartments bring a residential community, which adds another important strand of life and activity to our villages. This has been a growing part of our business over recent years in all villages, particularly as a result of conversions from space no longer viable for office use. Our apartments, which cater for the mid-market, produce a growing and reliable income stream, with high occupancy levels and low obsolescence risk. Tenancies are typically for three years with annual rent reviews and rolling two-month break options after the first six months.

Whilst we have benefitted from the uplift in capital values over recent years, the key drivers of long-term value in our buildings continue to be the commercial uses on the lower floors. We let our apartments, rather than sell them, to ensure we retain control over the whole building in order not to compromise the management flexibility needed to realise the long-term potential in those valuable lower floors.

PORTFOLIO SUMMARY

WHOLLY OWNED PORTFOLIO	FAIR VALUE £M	% OF PORTFOLIO	CURRENT INCOME £M	ERV £M
Carnaby	684.5	33%	27.6	37.7
Covent Garden	576.7	28%	24.9	29.2
Chinatown	446.0	22%	19.0	21.1
Soho	146.8	7%	5.9	7.4
Charlotte Street	54.9	3%	2.5	2.7
Wholly owned portfolio	**1,908.9**	**93%**	**79.9**	**98.1**
Longmartin joint venture*	143.7	7%	6.0	7.8
Total portfolio	**2,052.6**	**100%**	**85.9**	**105.9**

*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	426,000	37%	23	69,000	41%
Restaurants, cafés and leisure	234	525,000	34%	8	43,000	17%
Offices		386,000	17%		102,000	25%
Residential	470	278,000	12%	75	55,000	17%
Total		**1,615,000**	**100%**		**269,000**	**100%**

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

Carnaby

Carnaby covers 4.1 acres across twelve streets to the east of Regent Street and south of Oxford Street. It is an iconic destination for visitors and is internationally renowned for youth fashion, particularly new concepts and brands. There are 48 larger shops (income in excess of £100,000 p.a.) in Carnaby, accounting for 85% of the village's retail income. Demand remains strong, particularly from overseas retailers and those wishing to launch flagship stores. The 71 smaller, often independently-run shops, add to the eclectic mix which enhances Carnaby's appeal as a unique shopping destination.

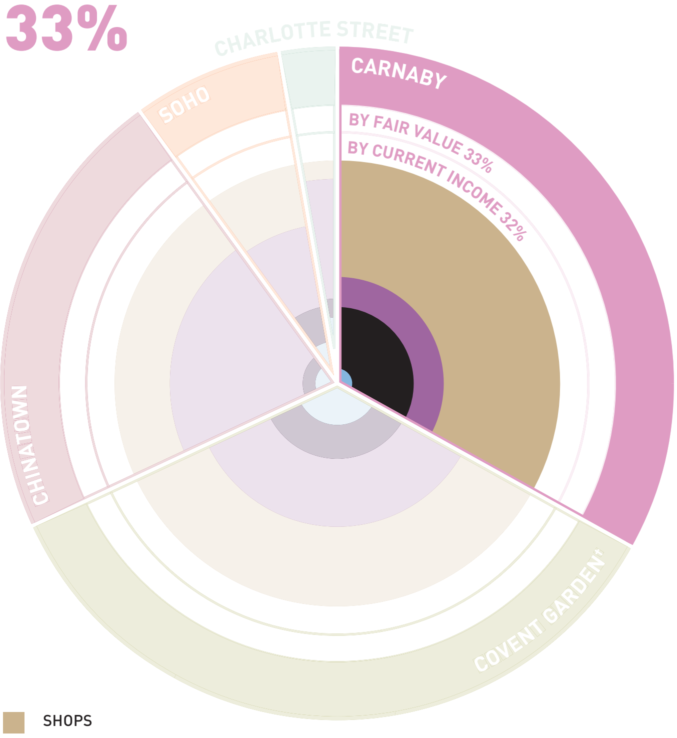
It has been a particularly busy year for lettings in Carnaby as we continue to introduce new retailers and brands to ensure that Carnaby maintains its unique appeal to today's fashion-conscious shoppers. During the year, we have introduced thirteen new retailers for UK flagships, new concepts or their first store in the UK. The total rental value of these lettings was £2.8 million.

Our redevelopment project on the north side of Foubert's Place, which has increased the retail floor space by 5,000 sq. ft., was completed in late spring. We have let the two largest units, representing approximately 80% of the ERV of this scheme, at new rental tones for Foubert's Place, and are now marketing the remaining unit to complementary retailers. While on site with this scheme, we took the opportunity to refurbish nine flats on the upper floors and these subsequently let swiftly at higher rents.

The scheme to redevelop buildings fronting the south side of Foubert's Place and Kingly Street is progressing well, with demolition and enabling works recently completed. This scheme will increase lettable space from 14,500 sq. ft. to 32,500 sq. ft., providing 7,500 sq. ft. of retail space, a 6,500 sq. ft. restaurant, 10,500 sq. ft. of offices and twelve apartments.

PERCENTAGE OF OUR PORTFOLIO

33%



SHOPS
RESTAURANTS, CAFÉS AND LEISURE
OFFICES
RESIDENTIAL

The rental value of the completed scheme is currently estimated at £2.0 million, an increase of around £1.6 million compared with pre-scheme levels. The estimated total cost is £13.5 million and completion is scheduled by the end of 2014.

The growing variety of interesting restaurants, cafés and bars, which we have introduced in the side streets and in Kingly Court, are adding to Carnaby's reputation as a food destination. Our 41 restaurants, bars and cafés attract customers from within Carnaby, and also from Regent Street, Oxford Street and other busy areas nearby, where the dining offer is more limited.

We have made good progress with repositioning Kingly Court as a food and beverage destination and have commenced further improvements to the courtyard. We have already converted nearly 6,000 sq. ft. of retail space to restaurant use, and have recently secured vacant possession of a 2,000 sq. ft. restaurant with frontages to both Kingly Street and Kingly Court. We are continuing to identify units which are potentially suitable for the introduction of new food-related concepts.

Approximately 59% of our offices, by area, are in Carnaby. They are mainly occupied by retailers, and businesses in the media, creative and IT sectors. Office buildings with space greater than 10,000 sq. ft. make up 29% of the total office area and there are 136 other office tenants occupying an average of 1,200 sq. ft. each. Office rents in Carnaby range from £45 per sq. ft. to £70 per sq. ft.

We expect to complete the refurbishment of an office building totalling 18,500 sq. ft. in Ganton Street by the end of 2013. We shall occupy 7,400 sq. ft. of this space in the New Year and the remaining space will be marketed shortly. Otherwise, just 1,500 sq. ft. of office space was vacant or being refurbished in Carnaby at 30 September 2013.

In the New Year, Kingly Street will be pedestrianised fully between 11 am and 7 am, consistent with the rest of Carnaby, and the pedestrian zone will be extended to the junction with Great Marlborough Street. This will usefully increase the availability of external seating on this increasingly busy thoroughfare.

VALUATION	ACQUISITIONS	CAPITAL EXPENDITURE	CAPITAL VALUE RETURN
£684.5m	Nil	£9.3m	10.6%

SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
119	41		85
182,000 sq.ft	85,000 sq.ft	228,000 sq.ft	51,000 sq.ft
53% OF CURRENT INCOME	13% OF CURRENT INCOME	28% OF CURRENT INCOME	6% OF CURRENT INCOME

Covent Garden

Our wholly owned holdings in Covent Garden extend to 4.5 acres. Together with our 50% interest in the Longmartin joint venture, Covent Garden is our largest investment location.

Covent Garden, with its historic street patterns and architecture, contains half of the West End's theatres. It has a broad range of shops, restaurants, bars and cafés, giving it a distinctive and appealing atmosphere. There is also a long-established and flourishing residential community.

Demand has remained strong across all uses in the year and the level of vacancy has been low. We have completed lettings, lease renewals and rent reviews with a rental value of £6.5 million in the year, including 65 commercial transactions. At year end, available commercial space totalled 10,700 sq. ft. (ERV: £0.8 million), of which 3,200 sq. ft. (ERV: £0.2 million) was under offer.

Our retail strategy for Seven Dials is establishing the area as an international shopping and leisure destination with aspirational and interesting retailers aimed at our target core consumer – 25 to 45 year olds with high disposable income. During the year, we secured 13 new lettings in Monmouth Street, Earlham Street and Neal Street, to retailers either opening their first UK or flagship stores in Seven Dials.

We have introduced a number of exciting new restaurants to Seven Dials, improving the area's reputation as a dining destination. We have also started to refresh the restaurant mix in Neal's Yard and are currently working on plans to improve its entrances, making this a unique food quarter for Seven Dials.

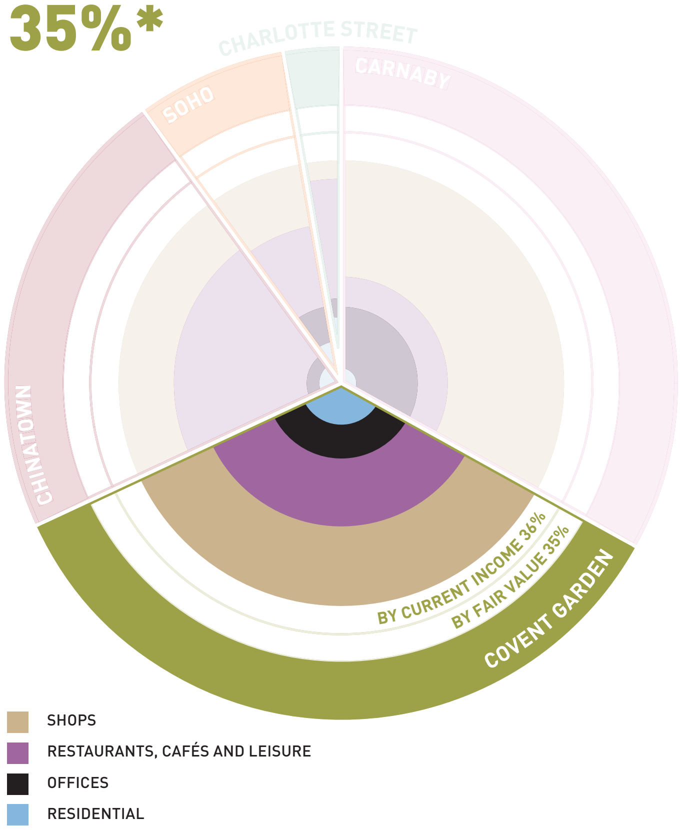
Improvements to the public realm continue to play an important role in the development of our areas. During the year, a trial road closure at the Cambridge Circus end of Earlham Street significantly decreased traffic, creating a more pedestrian-friendly environment and noticeably increasing footfall. We expect that this will soon become permanent and are working with The London Borough of Camden and The Seven Dials Trust on designs to further improve the public realm. New street lighting is currently being installed across Seven Dials.

At Cambridge Circus, we are aware that, in anticipation of the greater pedestrian flows expected from the new Tottenham Court Road Crossrail interchange, Westminster City Council is investigating major improvements to this already congested junction.

Longmartin's portfolio continues to make good progress. Demand for all uses has remained strong and our share of available vacant space was just £0.2 million at 30 September 2013. We are now seeking planning consent to make improvements to the courtyard to add to its vibrancy, in conjunction with evolving the tenant mix. In addition, we continue to work on schemes to improve unmodernised buildings on the periphery of the site.

PERCENTAGE OF OUR PORTFOLIO

35%*



VALUATION	ACQUISITIONS	CAPITAL EXPENDITURE	CAPITAL VALUE RETURN
£720.4m*	£19.7m	£5.8m*	8.8%*

WHOLLY OWNED

SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
111	87		197
138,000 sq.ft	165,000 sq.ft	84,000 sq.ft	116,000 sq.ft
35% OF CURRENT INCOME	34% OF CURRENT INCOME	13% OF CURRENT INCOME	18% OF CURRENT INCOME

LONGMARTIN JOINT VENTURE

SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
23	8		75
69,000 sq.ft	43,000 sq.ft	102,000 sq.ft	55,000 sq.ft
41% OF CURRENT INCOME	17% OF CURRENT INCOME	25% OF CURRENT INCOME	17% OF CURRENT INCOME

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


Bill's
Chutney's
& Pickles

Chinatown

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

In Chinatown's prosperous environment, our restaurants remain in demand. With growing interest in innovative Far Eastern cuisine, we are seeking to improve the quality and diversity of restaurants, encouraging a wide variety of cuisines from around South East Asia.

Many of the restaurants in Chinatown are let on historic leases which provide the tenant with an automatic right to renew at the end of the lease term. Whilst this provides excellent security for us as landlord, space rarely becomes available. However, during the course of the year we secured possession of four restaurants, totalling 16,500 sq. ft., and have already introduced new concepts into two of these. We are currently reconfiguring the other two, in Rupert Street and Wardour Street, to produce more efficient restaurant space.

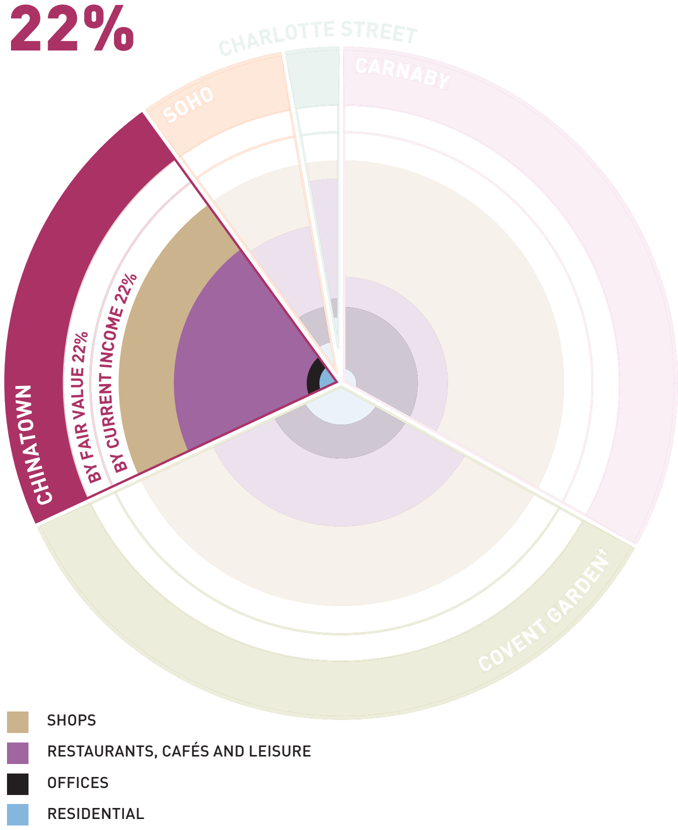
Part of our current strategy is to reposition and improve Rupert Street and enhance values by refreshing the tenant mix and through long-term investment in the public realm. In Rupert Court, which connects Rupert Street to Wardour Street, we are upgrading and extending the restaurants. Drawing on our experiences elsewhere in our villages, we have further ideas for street improvements, which we are discussing with Westminster City Council.

Recognising strong residential demand in the West End, we have embarked on a rolling refurbishment programme to upgrade the quality of our flats in Chinatown and improve rental and capital values. We are also creating new residential space either by adding additional floors or through conversions. We continue to find opportunities to unlock and improve inefficient and under-utilised space on upper floors by introducing more valuable alternative uses, both commercial and residential.

Working with Westminster City Council on public realm initiatives remains an important part of our long-term strategy in Chinatown. During the year, we part-funded Westminster City Council projects which introduced a new traffic management scheme to pedestrianise Lisle Street and the Chinatown section of Wardour Street from 12 noon each day and also extended the pedestrian zone south from Gerrard Street towards Coventry Street. These projects provide additional capacity for pedestrians in busy streets which act as an important gateway from Leicester Square.

PERCENTAGE OF OUR PORTFOLIO

22%



VALUATION	ACQUISITIONS	CAPITAL EXPENDITURE	CAPITAL VALUE RETURN
£446.0m	Nil	£2.4m	7.6%

SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
62	65		91
60,000 sq.ft	189,000 sq.ft	33,000 sq.ft	61,000 sq.ft
25% OF CURRENT INCOME	60% OF CURRENT INCOME	6% OF CURRENT INCOME	9% OF CURRENT INCOME

Soho

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

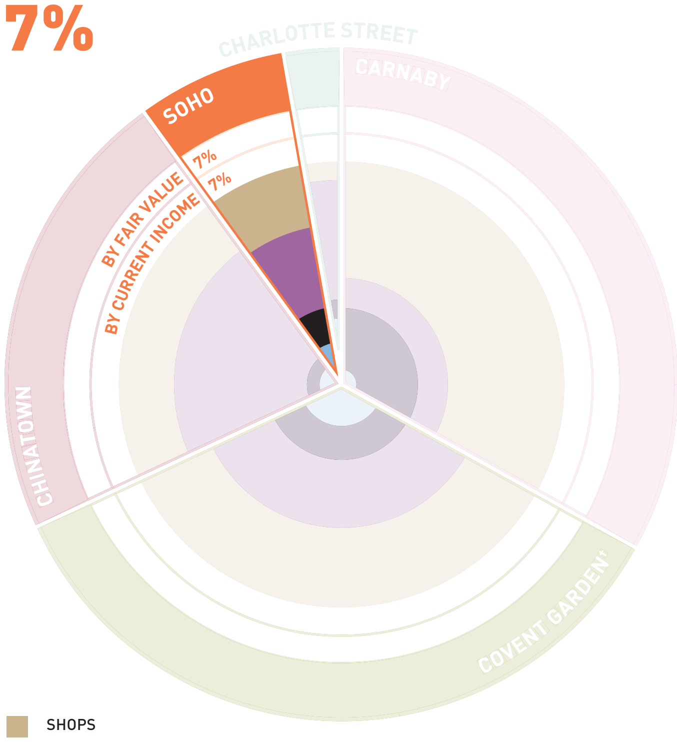
The majority of our ownerships are currently centred in and around Berwick Street and Brewer Street: routes through Soho which have, for many years, suffered from fragmented ownership and a lack of investment. Despite the high footfall, rental values are low compared with neighbouring areas. Many of the properties we have acquired were in poor condition. This provides us with refurbishment and reconfiguration opportunities and scope to introduce more valuable uses.

Crossrail is proving to be a catalyst for major investment along the eastern end of Oxford Street. The new western entrance to Tottenham Court Road station, on Dean Street, will bring improvements to the north of Soho, including Berwick Street. There are a number of privately-funded schemes which will help regenerate the area close to our holdings, including the substantial development of the former Trenchard House site on Broadwick Street, where we have exchanged contracts to forward purchase the retail and restaurant elements on the ground floor and basement (approximately 6,500 sq. ft.). Other schemes include the recently completed major development at the western end of Brewer Street, various projects along the east end of Oxford Street, and proposed schemes for Walker's Court and Kemp House at the south end of Berwick Street.

With this investment and regeneration, Soho is currently going through a renaissance, experiencing increased footfall and demand particularly from restaurateurs attracted by Soho's exciting food scene and vibrant nightlife. We are also seeing greater interest from retailers who are attracted not only by Soho's distinctive edginess but also its seven-day trading patterns and competitive rents.

PERCENTAGE OF OUR PORTFOLIO

7%



- SHOPS
- RESTAURANTS, CAFÉS AND LEISURE
- OFFICES
- RESIDENTIAL

VALUATION	ACQUISITIONS	CAPITAL EXPENDITURE	CAPITAL VALUE RETURN
£146.8m	**£8.3m**	**£3.1m**	**14.1%**

SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
34	26		58
38,000 sq.ft	52,000 sq.ft	33,000 sq.ft	32,000 sq.ft
28% OF CURRENT INCOME	**37%** OF CURRENT INCOME	**16%** OF CURRENT INCOME	**19%** OF CURRENT INCOME


Nudie Jeans co

Charlotte Street

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

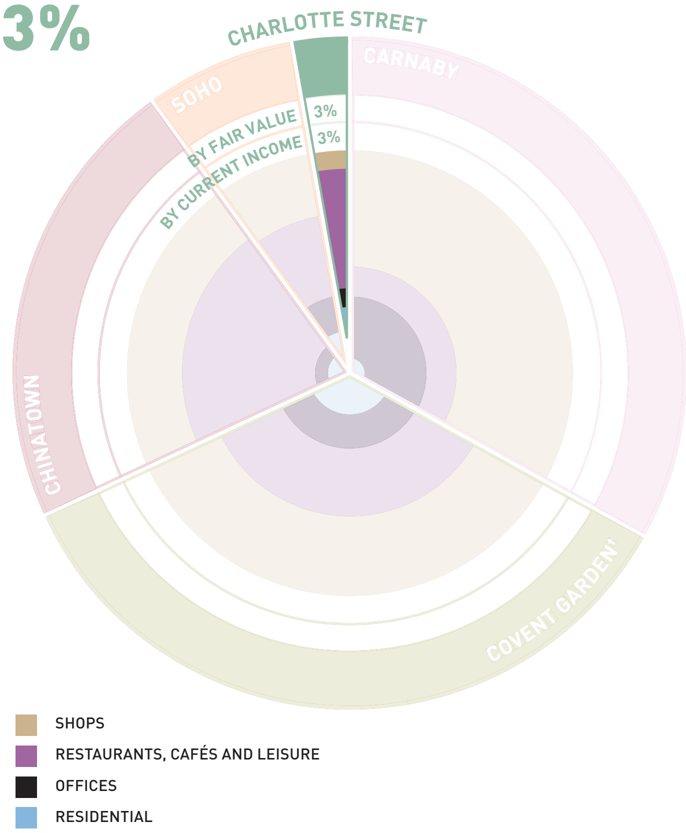
When it opens in 2018, we expect Crossrail will substantially increase the public transport capacity and footfall in the vicinity of Charlotte Street. The new West End gateway station at Tottenham Court Road is stimulating significant development, which will attract new businesses and increase the residential population in the area.

Important development projects close to Charlotte Street include Fitzroy Place, on Goodge Street, which includes 220,000 sq. ft. of commercial space and over 230 residential apartments, with completion anticipated by summer 2014. In addition, the redevelopment of the Royal Mail site on Rathbone Place is expected to start early next year, delivering offices totalling 217,000 sq. ft., 42,000 sq. ft. of retail space and 162 apartments.

Although this is the smallest of our villages, we remain committed to further investment in this vibrant district.

PERCENTAGE OF OUR PORTFOLIO

3%



VALUATION	ACQUISITIONS	CAPITAL EXPENDITURE	CAPITAL VALUE RETURN
£54.9m	Nil	£0.2m	9.1%

SHOPS	RESTAURANTS, CAFÉS AND LEISURE	OFFICES	RESIDENTIAL
4	15		39
8,000 sq.ft	34,000 sq.ft	8,000 sq.ft	18,000 sq.ft
8% OF CURRENT INCOME	55% OF CURRENT INCOME	9% OF CURRENT INCOME	28% OF CURRENT INCOME

Finance review

In 2013 EPRA NAV increased by 13.9% to £5.67, representing a net asset value return before payment of dividends of 16.3%. As anticipated, the increased level of redevelopment and refurbishment activity across the portfolio constrained growth in net rental income in the year. However, the benefits of the improved accommodation created by these schemes is now starting to deliver increased income.

EPRA profit after tax amounted to £30.2 million (2012: £30.6 million). EPRA EPS totalled 12.0p (2012: 12.2p).

RESULTS

EPRA profits	2013 £M	2012 £M
Reported profit before tax	**241.7**	94.8
Adjusted for:		
Surplus arising on revaluation of investment properties	**(174.3)**	(90.2)
Profit on disposal of investment properties	**-**	(1.6)
Movement in fair value of financial derivatives	**(37.0)**	28.2
EPRA profit before tax	**30.4**	31.2
Current tax	**(0.2)**	(0.6)
EPRA profit after tax	**30.2**	30.6
EPRA EPS	**12.0p**	12.2p

Our rental income continued to rise during the year, with rents receivable increasing by £2.5 million to £83.5 million (2012: £81.0 million), of which acquisitions contributed £1.1 million. Our two major schemes in Carnaby reduced income in the year compared to 2012 by £1.3 million. Excluding the impact of acquisitions and the temporary loss of income resulting from these two schemes, the like-for-like increase in rental income was 3.4%.

Property charges increased by 3.0% to £10.3 million (2012: £10.0 million) partly as a result of the increased level of space being held vacant for redevelopment and refurbishment. After property charges, net property income increased by 3.1% to £73.2 million (2012: £71.0 million).

Administrative costs, excluding the annual bonus provision and the charge for equity-settled remuneration, were £7.5 million (2012: £7.2 million). The cost attributable to equity-settled remuneration increased by £1.1 million to £2.7 million (2012: £1.6 million) and included a non-cash accounting provision in respect of share options of £2.2 million (2012: £1.2 million) and a charge for employer's national insurance of £0.5 million (2012: £0.4 million). These increases arose principally as a consequence of the continued good performance from our portfolio, which increased the actual and forecast vesting of the NAV element of our share options. The provision for annual bonuses has increased this year by £0.2 million to £1.4 million (2012: £1.2 million), mainly as a result of an increase in headcount and higher salaries.

Acquisitions and capital expenditure increased our net debt during the year and so net finance costs (excluding the change in fair value of derivative financial instruments) increased by £1.4 million to £31.2 million (2012: £29.8 million). These costs were covered 1.97 times by operating profit before property valuation surpluses (2012: 2.05 times), comfortably in excess of the minimum of 1.5 times we are required to maintain under the terms of our debt facilities.

With long-dated sterling swap rates rising during the second half of the year, the fair value deficit attributable to our interest rate swaps fell £37.0 million to £95.8 million at 30 September 2013 (2012: £132.8 million). This accounting provision is excluded in the calculation of our banking covenants. The Board keeps the swaps position, and the impact our derivatives have in the long-term financing of the business, under review.

As a REIT, our activities are largely exempt from corporation tax. The Longmartin joint venture is not part of the REIT group and, therefore, its profits are subject to corporation tax. Our 50% share of its tax charge was £2.4 million (2012: £1.8 million) of which £2.2 million (2012: £1.2 million) related to deferred tax, mainly in respect of the revaluation of Longmartin's property. The current tax charge reduced by £0.4 million to £0.2 million (2012: £0.6 million), largely due to tax efficiencies as a result of raising debt in Longmartin in 2012.

DIVIDENDS

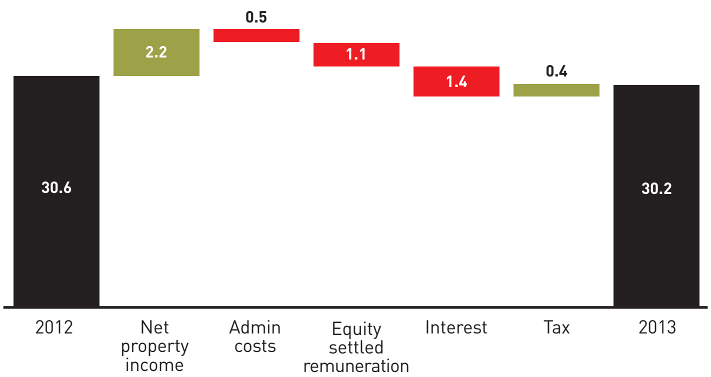
The Board has recommended a final dividend of 6.25p per share, up 3.3% on the 2012 final dividend 6.05p. This brings the total dividend for the year to 12.5p per share, an increase of 4.2% on 2012 (12.0p).

The total distribution in respect of the financial year will be £31.5 million. This compares with our EPRA profit after tax of £30.2 million, which, this year, has been reduced by the non-cash accounting charge for equity-settled remuneration of £2.2 million.

Our policy is to maintain steady growth in dividends to reflect the long-term trend in our income and EPRA earnings. In determining the level of the dividend, the Board has taken into account the short-term reduction in net property income growth as a result of our redevelopments and refurbishments, and the expected significant contribution these schemes will make to our rental income and earnings as they become fully income-producing in 2014 and 2015.

3.75p of the dividend will be paid as a PID, with the balance as an ordinary dividend.

EPRA PROFIT AFTER TAX (£M)

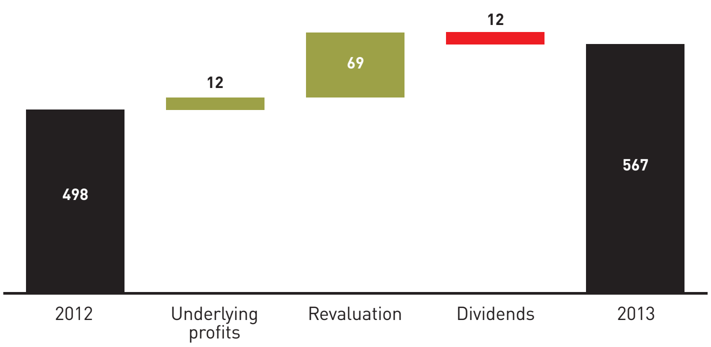


NET ASSET VALUE

EPRA net assets	2013 £M	2012 £M
Reported net assets	**1,330.7**	1,119.4
Adjusted for:		
Fair value adjustment in respect of financial derivatives	**95.8**	132.8
Deferred tax on revaluation surplus and capital allowances	**9.1**	6.9
EPRA net assets	**1,435.6**	1,259.1
EPRA NAV per share	**£5.67**	£4.98

EPRA net assets increased over the year by £176.5 million (14.0%) to £1,435.6 million (2012: £1,259.1 million), resulting in an increase in EPRA NAV per share of 69p per share (13.9%) from £4.98 to £5.67. The increase comprises EPRA earnings for the year of 12.0p per share and the property revaluation surplus, equating to 69p per share. These amounts were offset by dividends paid totalling 12.3p per share.

EPRA NAV (PENCE PER SHARE)



CASH FLOWS AND DEBT

Cash flow from operating activities net of interest and tax payments was £31.3 million (2012: £30.3 million), funding dividend payments totalling £30.9 million (2012: £29.3 million). Net debt increased by £48.1 million to £604.9 million (2012: £556.8 million), as a result of acquisitions of £28.1 million and capital expenditure totalling £20.7 million.

DEBT SUMMARY (INCLUDING OUR 50% SHARE OF LONGMARTIN DEBT)

	2013 £M	2012 £M
Fixed rate debt*	**121.0**	121.0
Bank debt hedged by swaps	**360.0**	360.0
Total fixed debt*	**481.0**	481.0
Unhedged bank debt	**124.2**	75.7
Total debt*	**605.2**	556.7
Undrawn facilities (floating rate)	**90.8**	139.3
Committed facilities	**696.0**	696.0
Debt ratios		
Loan-to-value*	**29.5%**	30.5%
Gearing*†	**42.1%**	44.2%
Interest cover	**1.97x**	2.05x
Weighted average cost of debt	**5.07%**	5.43%
Weighted average debt maturity	**5.8 years**	6.8 years
% of debt fixed or hedged	**79.5%**	86.4%

*based on nominal value of debt

†measured against EPRA net assets

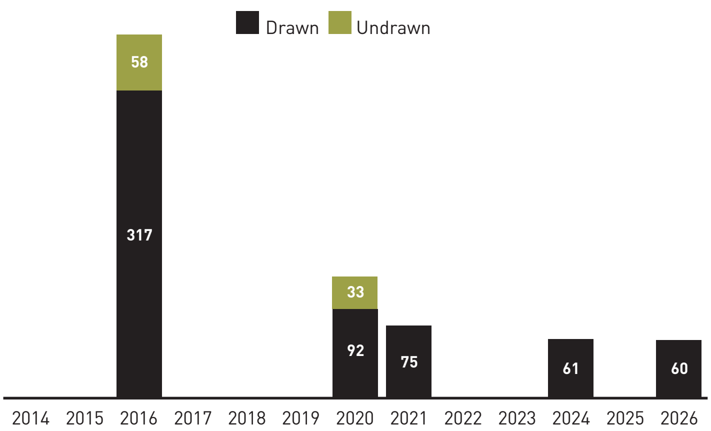
At 30 September 2013, we had long-term fixed rate borrowings of £121.0 million (2012: £121.0 million) and committed variable rate bank facilities totalling £575.0 million (2012: £575.0 million), of which £484.2 million were drawn (2012: £435.7 million). Gearing, measured against EPRA net assets, was 42.1% (2012: 44.2%) and our loan-to-value ratio was 29.5% (2012: 30.5%). We had available undrawn facilities totalling £90.8 million (2012: £139.3 million).

Taking into account interest rate swaps on £360 million of floating rate borrowings, 79.5% of our drawn debt was fixed at the year end (2012: 86.4%). During the year, we drew down on our unhedged variable rate bank facilities, the cost of which was considerably cheaper than that of our fixed and hedged debt. Consequently, the weighted average cost of debt, including non-utilisation fees for undrawn facilities, reduced from 5.43% to 5.07%. Our existing bank facilities, which were negotiated prior to the 2007-2009 banking crisis, are at margins considerably below the terms which could be obtained in today's market. At 30 September 2013, the average margin over LIBOR on our bank facilities was 0.91% (2012: 0.88%). This would rise to 1.04% if all our facilities were fully drawn.The marginal cost of new borrowings was around 1.80% (2012: 1.70%).

The weighted average maturity of our debt was 5.8 years (2012: 6.8 years). The Board regularly reviews the capital structure of our Balance Sheet, future funding requirements, debt levels, maturities and hedging exposures. As our investment strategy is long-term, our policy is to ensure our funding is long-term in nature, with a large proportion of our funding being fixed or having interest rate hedging. To avoid refinancing risk, our intention is to extend our maturities and secure long-term sources of finance well in advance of the contractual maturity of our current facilities. New arrangements are likely to be more expensive than those they replace.

We are now addressing the £375 million of our bank facilities which are due to mature in 2016. We expect to refinance £225 million of these arrangements in the coming months. The refinancing, if completed, will strengthen our financial base by improving the maturity profile of our debt and diversifying our sources of finance. As part of this, we currently expect to terminate a proportion of our interest rate swaps which, based on the year end mark-to-market valuation, would crystallise approximately £28 million of the deficit, equivalent to a reduction of 11p in EPRA NAV per share.

MATURITY PROFILE (£M)



SECURITY AND COVENANTS

The providers of our bank facilities and interest rate swaps, and the holders of our Debenture Stock, have the benefit of fixed charges over specific assets, and floating charges over all 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 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. We continue to operate with significant headroom over the covenant limits set out in our loan agreements.

LOOKING AHEAD

London's stature as one of the world's leading global cities continues to grow as it becomes an ever-more popular destination for visitors and businesses, and as a place to live. The West End and our central locations are clearly benefiting from London's dynamism and growing global reputation.

Following the successful staging of the 2012 Olympics and Paralympics, which showcased London across the world, there has been a noticeable increase in domestic and international visitors throughout the year. Coupled with a gradual recovery in consumer confidence in the UK and abroad, visitor spending is increasing, encouraging retailers, restaurateurs and other leisure-related businesses to establish new ventures, particularly in and around the West End.

London has an exceptionally large and growing business community, attracting both major global organisations and UK-based corporations. The West End, with its long history of culture and creativity, has a particular concentration of fashion, media and IT businesses, bringing a young, creative and affluent local working population to our areas.

The growth of London's broad-based economy, together with a rapidly rising population, is stimulating major public and private investment in transport and essential infrastructure, as well as commercial and residential development. Demand across all our locations, and for all our uses, has been strong throughout the year and shows no sign of abating. Our vacancy levels are low, space lets quickly and rental income and values are steadily rising, leading to improved capital values. With strong demand and growing international interest in our shops and restaurants, we constantly seek opportunities to bring new concepts and operators to our villages.

This year, growth in our income and revenue profit has been tempered by the increased amount of redevelopment and refurbishment activity across the portfolio, particularly in Carnaby. The first of the two important schemes in Foubert's Place is now substantially let and, together with a number of other schemes in the portfolio, is now making an important contribution to the revenue growth we expect to see in the coming financial year.

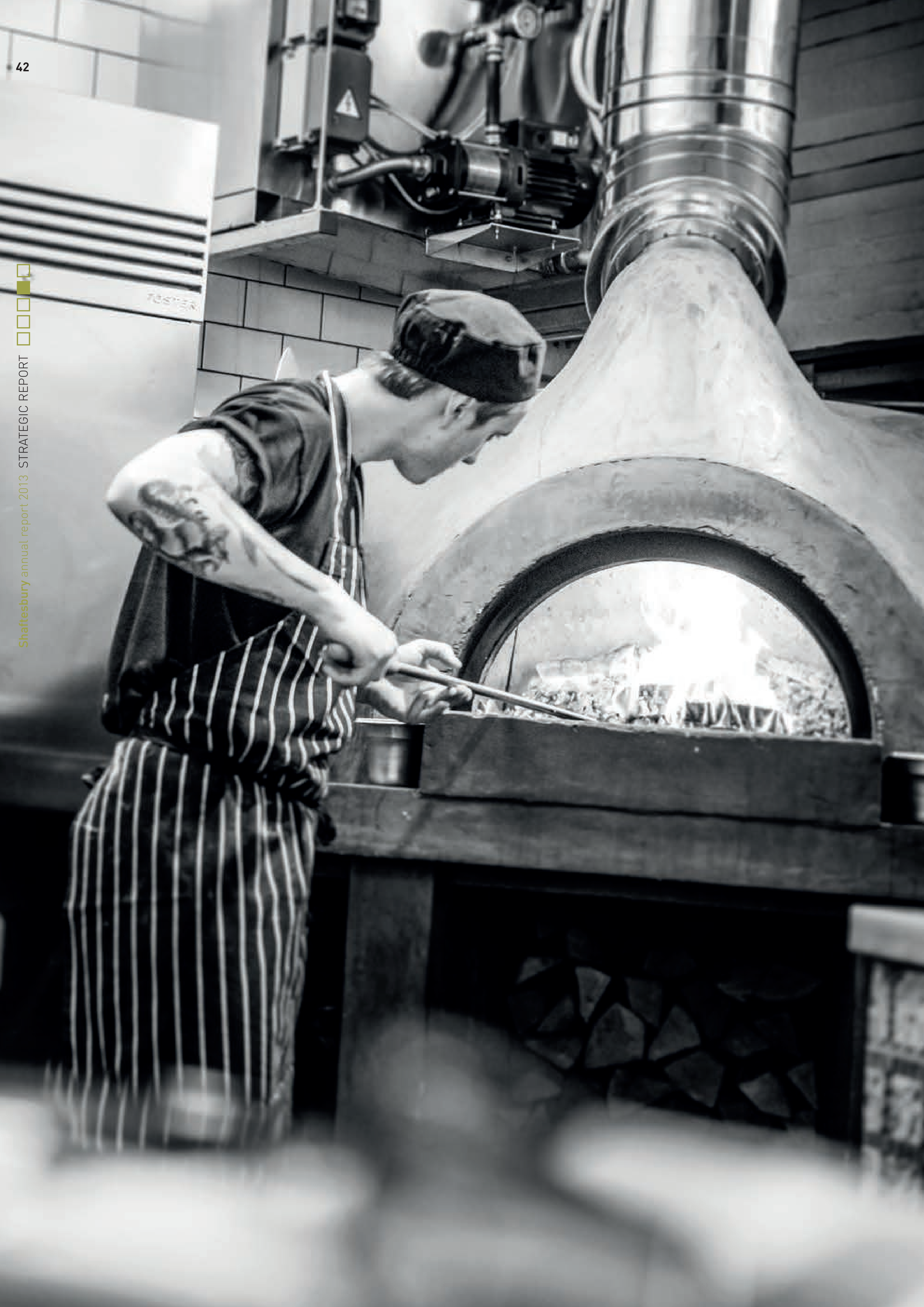
It is unsurprising that, with clearly-evident prosperity and good long-term prospects for the West End, owners are naturally reluctant to sell so that opportunities to add to our portfolio are limited and their timing is difficult to predict. With our long experience of working in these areas, we maintain a focused and disciplined approach. The main driver of growth in our business continues to be the long-term potential in the £2 billion portfolio of over 560 buildings we already own.

We have always believed that, for the stability of our business, our long-term investment strategy must be supported with long-term finance, even though shorter-term arrangements may be available on cheaper terms. Although the maturity of bank facilities expiring in 2016 is over two years away, we are already in advanced discussions to extend maturities and introduce new long-term sources of finance. The security and stability of our locations and assets are particularly attractive to providers of long-term finance.

Our business is run by a small, highly-committed team, which has an exceptionally long experience of working in the West End property market as well as the local community. 2014 will see us move our office to Ganton Street in Carnaby, providing us with a modern working environment in the heart of our largest village. We are well-supported by an extensive network of advisors across a wide range of professional disciplines. Their contribution to the progress of our business is greatly valued.

The exceptional qualities of our unique portfolio, located in the centre of one of the world's most exciting, dynamic and prosperous cities, have again been demonstrated this year in the growth in our income and capital values. With our unrivalled knowledge of the areas in which we invest, and our innovative approach to managing our assets, we are confident that, as our business grows, we will continue to deliver good returns to shareholders in the years ahead.


CARNABY



Corporate responsibility

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

We have set the following overall environmental and corporate responsibility priorities:

- 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.

SUSTAINABILITY IN OUR PORTFOLIO

The focus of our sustainability strategy is to extend the useful life of our buildings and, in doing so, preserve and enhance the heritage of London's West End. An essential aspect is to create economically sustainable environments through our holistic approach to managing our assets.

Our portfolio comprises buildings mostly within conservation areas, and some 20% are listed as being of special architectural interest. We estimate the average age of our buildings is over 150 years. Through reconfiguring and refurbishing buildings, within the constraints of current regulations protecting listed buildings and conservation areas, we preserve properties and improve their environmental and economic performance, 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 2013 is also available on our website together with our action plan for 2014.

IMPLEMENTING OUR POLICY

Refurbishment projects

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 by the Forestry Stewardship Commission or Programme for the Endorsement of Forest Certification schemes.

We require contractors to dispose of waste appropriately, segregating and recycling where possible and collating information on waste quantities produced.

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 being recycled this year. All non-recycled 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 arises principally in the common parts of our portfolio where we have direct responsibility for stairwell lights and shared facilities and the environmental impact is small. Tenants are responsible for reporting their own activities and emissions. We encourage our tenants to be aware of their environmental responsibilities. Greenhouse gas emissions for which we are responsible are contained in the Directors' Report on page 82.

ACHIEVEMENTS

- LBG CONTRIBUTION OF 1.8% OF EPRA PRE-TAX PROFIT
- NO REPORTABLE HEALTH AND SAFETY INCIDENTS
- 63% CERTIFIED SUSTAINABLY SOURCED TIMBER USED
- 95% OF SCHEMES ACHIEVED AN ABOVE SATISFACTORY SCORE FOR CONSIDERATE CONSTRUCTORS' SCHEME
- NO WASTE TO LANDFILL IN CARNABY, SEVEN DIALS AND ST MARTIN'S COURTYARD
- 100% GREEN TARIFF ELECTRICITY IN HEAD OFFICE, CARNABY, SEVEN DIALS, CHINATOWN AND SOHO
- HONEY FROM OUR OWN BEES IN ST MARTIN'S COURTYARD. PLANTING ADAPTED IN CARNABY TO FEED BEES

EXTERNAL RECOGNITION

EMPLOYEES

We have 23 employees including executive directors. Employees' long experience in our local market 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.

Employee training and development are essential in the running of our business. Professionally qualified employees are encouraged to meet the training requirements of their governing bodies. Other employees are also encouraged to undertake training so that their skills are up-to-date. All employees have an annual personal development review.

Our policy on gender diversity is included in the Nomination Committee Report on page 60.

The Group considers the impact of its activities on human rights throughout its supply chain.

HEALTH AND SAFETY

The Board has overall responsibility for health and safety. In our refurbishment schemes, responsibility for health and safety is clearly 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 focus our community investment on the areas in which our villages are situated. 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 would otherwise be unable to afford at market rents.

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 arts, theatre and leisure**
  The promotion of the arts, theatre and leisure within the West End is important to our continuing business. We are working with the English National Opera and sponsoring their community choir.

  We provide accommodation on flexible terms to organisations including Stage One, which supports the development of theatre producers.
- **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, House of St Barnabas, South Westminster Drug and Alcohol Service and other local community and educational groups, all of which work to address social challenges in the local community.

  We are now piloting a scheme, supported by Westminster City Council and other West End landlords, to encourage employment of Westminster residents in our tenants' businesses by providing a free recruitment service.
- **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**
  Fashion and catering are important aspects of the West End economy. We have established bursary schemes with the London College of Fashion for tailoring students and with Westminster Kingsway College for trainees in catering and hospitality.

We apply the London Benchmarking Group methodology for measuring our community contributions. For the year ended 30 September 2013 our contribution totalled £531,000 (2012: £404,000) as set out below:

LONDON BENCHMARK GROUP CONTRIBUTIONS

KEY TARGETS AND PROGRESS IN THE YEAR ENDED 30 SEPTEMBER 2013 AND OBJECTIVES FOR THE YEAR AHEAD

Set out below is an extract from our report on progress against the key targets this year and the objectives for the year to 30 September 2014. We are independently assessed by RPS Group plc.

OBJECTIVES	ACHIEVED IN 2013	TARGETS FOR 2014
STAKEHOLDER AND COMMUNITY ENGAGEMENT		
Continue to support local community groups and be proactive in identifying and working with charitable and other organisations	Membership of the London Benchmarking Group and adoption of their methodology for reporting community involvement has continued 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 2014
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 20 (out of 22) refurbishment schemes a minimum of 90% of facade and a minimum of 80% of the primary structure was retained 23 energy performance certificates were assessed against an initial baseline and three did not achieve target	Maintain BREEAM criteria for re-use of structure and facade in 100% of refurbishment schemes ie a minimum of 50% of the facade and 80% of the primary structure re-used Aim for BREEAM "Very Good" for all new commercial developments Extend the useful life of buildings and improve their sustainability by raising the energy performance certificate rating of properties being refurbished according to predetermined targets
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 and 45% using Forestry Stewardship Commission timber	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 purchased from legal sources
Monitor and, where possible, reduce energy consumption. Investigate opportunities for the use of renewable energy	Green tariff electricity usage: 100% of head office, Chinatown, Soho, Seven Dials and Carnaby	Purchase green electricity where costs are within 5% of brown electricity
Manage construction waste to ensure legal compliance and maximise re-use and/or recycling of non-hazardous waste	18 contracts achieved target of a minimum of 80% recycled construction and demolition waste	Aim to re-use or recycle 80% non-hazardous demolition and construction waste
Portfolio waste - recycle a minimum of 30% in Carnaby and Seven Dials and divert 80% from landfill Recycle a minimum of 10% of tenants' waste in St Martin's Courtyard and divert 80% from landfill	In Carnaby and Seven Dials, 37% of tenants' waste was recycled and, of the remaining waste, 100% was diverted from landfill to energy from waste In St Martin's Courtyard, 21% of tenants' waste was recycled and the remaining waste diverted from landfill to energy from waste	Maintain the proportion of tenant-generated waste recycled and divert 90% of tenant-generated waste at Carnaby, Seven Dials and St Martin's Courtyard (70% of the portfolio) from landfill
SOCIAL RESPONSIBILITY		
Ensure there are no reportable health and safety accidents/incidents throughout the portfolio	No reportable health and safety accidents recorded in a refurbishment project or in the day-to-day management of the portfolio	Aim for no reportable accident and incidents throughout the Group's activities
Ensure all refurbishment schemes above a specified capital value are registered with the Considerate Constructors' Scheme and continue to achieve 26 out of 40 (above a "satisfactory" score)	95% of eligible schemes were registered 95% of schemes achieved the target score on the first visit. The overall average for the sites visited was 31.6 out of 40 and 34.6 out of 50 under new scoring arrangements	Continue to achieve 30 out of 50 (above a "satisfactory" score)

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. The nature of our portfolio does not expose us to risks inherent in major speculative development schemes and we manage our Balance Sheet on a conservative basis with moderate leverage and good interest cover.

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

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

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, 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. We have detailed emergency response plans in place for each village. 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. **+ The West End's prosperity, reputation and growth - page 10.**
COMPETING DESTINATIONS	
Competition from other locations results in long-term decline in footfall and consequently rents and values.	The West End has a wide and enduring appeal. More than just a shopping destination, its variety of theatres, cinemas, parks, museums, galleries and leisure venues attract unrivalled numbers of visitors, compared with shopping centres outside the West End. We are not complacent and recognise that these visitors, and the local working and resident communities, have a choice of where to shop and spend their leisure time. We ensure that our villages maintain a distinct identity and seek out new concepts, brands and ideas to keep our villages interesting. **+ The West End's prosperity, reputation and growth - page 10.** **+ Prosperity for tenants and sustainable rental growth - page 12.**
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 the need for it to evolve over time. Fostering, developing and promoting the unique character of our villages are key aspects of our business model. We maintain a regular open dialogue with tenants and, being close to our portfolio, we have a deep understanding of the environment needed by our tenants to prosper. The Group invests in areas where rental values are initially low relative to surrounding areas. The overall village management strategies we adopt (eg tenant selection, village reputation management, promotional activity, refurbishment schemes, public realm improvements etc) are designed to create prosperous locations where higher rents are sustainable. Our management team is experienced and is incentivised to deliver sustainable growth in rents. The Board continually monitors individual village performance and prospects. **+ Prosperity for tenants and sustainable rental growth - page 12.** **+ Key performance indicators – page 13.**

RISK AND IMPACT	MITIGATION
REGULATORY RISK	
Increasing regulation and its unforeseen consequences causes uncertainty. Changes in national and local policies and regulation could increase costs, adversely limit our ability to optimise revenues and affect our values.	
PLANNING POLICIES	
All of the Group's properties are located within the jurisdictions of Westminster City Council and the London Borough of Camden. Changes to their policies, particularly those relating to planning and licensing, could have a significant impact on the Group's ability to maximise the long-term potential of its assets.	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. The portfolio has a mix of uses so the Group is not reliant on income from one particular use. **+ Prosperity for tenants and sustainable rental growth - page 12.** **+ Engaging with stakeholders and the local community - page 13.**
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 endeavour 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. **+ Engaging with stakeholders and the local community - page 13.** **+ Corporate responsibility - pages 43 to 45.**
VALUATION RISK	
The valuation of property assets includes assumptions regarding the income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value, amplified by the effect of gearing. Such reduction in property values and loss of net asset value could result in the Group being unable to meet the asset-related covenants contained in its various finance agreements.	The Group has chosen to invest in property assets in a particular location and with uses which have, historically, demonstrated a much lower degree of valuation volatility than the wider market. As part of its regular internal reporting, the Group reviews quarterly forecasts of compliance with value-related banking covenants and the extent to which values could fall before any asset-related covenant would be breached. The Group has a substantial pool of uncharged assets which could be used to top up the security held by its existing debt providers. **+ The West End's prosperity, reputation and growth - page 10.** **+ Security and covenants - page 40.**

PORTFOLIO ANALYSIS

AT 30 SEPTEMBER 2013		NOTE	CARNABY	COVENT GARDEN	CHINATOWN
Portfolio	Fair value	1	£684.5m	£576.7m	£446.0m
	% of total fair value		33%	28%	22%
	Current income	2	£27.6m	£24.9m	£19.0m
	ERV	3	£37.7m	£29.2m	£21.1m
Shops	Number		119	111	62
	Area – sq. ft.		182,000	138,000	60,000
	% of current income	4	53%	35%	25%
	% of ERV	4	51%	35%	23%
	Average unexpired lease length – years	5	4	5	7
Restaurants, cafés and leisure	Number		41	87	65
	Area – sq. ft.		85,000	165,000	189,000
	% of current income	4	13%	34%	60%
	% of ERV	4	14%	34%	62%
	Average unexpired lease length – years	5	12	11	14
Offices	Area – sq. ft.		228,000	84,000	33,000
	% of current income	4	28%	13%	6%
	% of ERV	4	29%	13%	6%
	Average unexpired lease length – years	5	5	2	3
Residential	Number		85	197	91
	Area – sq. ft.		51,000	116,000	61,000
	% of current passing rent	4	6%	18%	9%
	% of ERV	4	6%	18%	9%

* Shaftesbury Group's 50% share

BASIS OF VALUATION

AT 30 SEPTEMBER 2013	NOTE	CARNABY	COVENT GARDEN	CHINATOWN
Overall initial yield	7	3.74%	3.95%	3.99%
Initial yield ignoring contractual rent-free periods	8	4.04%	4.08%	4.17%
Overall equivalent yield	9	4.76%	4.46%	4.40%
Tone of retail equivalent yields	10	4.40 - 5.50%	4.25 - 5.65%	4.25 - 5.50%
Tone of retail ERVs - ITZA £ per sq. ft.	10	£115 - £445	£63 - £450	£140 - £300
Tone of restaurant equivalent yields	10	4.85 - 5.25%	4.25 - 5.50%	4.25 - 5.15%
Tone of restaurant ERVs - £ per sq. ft.	10	£93 - £115	£40 - £150	£300 - £350 ITZA
Tone of office equivalent yields	10	5.60 - 6.00%	4.75 - 6.00%	5.50 - 6.00%
Tone of office ERVs - £ per sq. ft.	10	£45 - £70	£30 - £52	£35 - £48
Tone of residential ERVs - £ per annum	10	£13,400 - £78,250	£10,000 - £130,000	£10,200 - £41,000

SOHO	CHARLOTTE STREET	WHOLLY OWNED PORTFOLIO	LONGMARTIN	TOTAL PORTFOLIO
£146.8m	£54.9m	£1,908.9m	£143.7m*	£2,052.6m
7%	3%	93%	7%	100%
£5.9m	£2.5m	£79.9m	£6.0m*	£85.9m
£7.4m	£2.7m	£98.1m	£7.8m*	£105.9m
34	4	330	23	
38,000	8,000	426,000	69,000	
28%	8%	37%	41%	
28%	8%	37%	37%	
4	2	5	5	
26	15	234	8	
52,000	34,000	525,000	43,000	
37%	55%	34%	17%	
38%	56%	33%	16%	
10	13	12	13	
33,000	8,000	386,000	102,000	
16%	9%	17%	25%	
14%	8%	18%	33%	
2	1	4	6	
58	39	470	75	
32,000	18,000	278,000	55,000	
19%	28%	12%	17%	
20%	28%	12%	14%	

SOHO	CHARLOTTE STREET	WHOLLY OWNED PORTFOLIO	LONGMARTIN
3.64%	3.97%	3.86%	3.51%
3.96%	3.98%	4.08%	3.58%
4.50%	4.28%	4.55%	4.58%
4.60 - 6.55%	5.00 - 5.85%		4.00 - 5.75%
£95 - £250	£85 - £115		£94 - £500
4.50 - 5.00%	4.25 - 5.00%		5.00 - 6.00%
£75 - £127 (£237 ITZA)	£60 - £86		£41 - £74
5.00 - 6.00%	5.50 - 5.75%		5.00 - 5.75%
£30 - £45	£30 - £35		£50 - £59
£15,150 - £58,970	£13,000 - £31,200		£18,200 - £88,400

NOTES

1. The fair values at 30 September 2013 (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, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
3. ERV is the respective valuers' opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents 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 and as if any future stepped rental uplifts under leases had occurred.
9. Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income so discounted at this rate equals the capital outlay at values current at the valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.
10. The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.
11. All commercial floor areas are net lettable. All residential floor areas are gross internal.
12. For presentation purposes some percentages have been rounded to the nearest integer.
13. The analysis includes accommodation which is awaiting or undergoing refurbishment or development and is not available for occupation at the date of valuation.


AWP

GOVERNANCE

Directors, officers and advisors

Executive directors

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 implementing the Group's strategy and day-to-day operations.

SIMON J QUAYLE, BSC, MRICS
EXECUTIVE DIRECTOR
Joined in 1987 and appointed a director on 1.10.1997. Responsible for the asset management and operational strategy in Carnaby and the Group's holdings in Soho and Charlotte Street.

THOMAS J C WELTON, MRICS
EXECUTIVE DIRECTOR
Joined in 1989 and appointed a director on 1.10.1997. Responsible for the asset management and operational strategy in Covent Garden (including the Longmartin joint venture) and Chinatown.

CHRISTOPHER P A WARD, MA(OXON), ACA
FINANCE DIRECTOR
Joined and appointed a director on 9.1.2012. Responsible for implementation of the financial strategy and all aspects of accounting and taxation.

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CORPORATE WEBSITE

www.shaftesbury.co.uk

Includes library of annual and half year reports 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.sevendials.co.uk
www.stmartinscourtyard.com
www.berwickstreetlondon.co.uk

Chairman and non-executive directors

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

Joined as managing director on 3.11.1986. Chief Executive until 30.9.2011. Executive Deputy Chairman from 1.10.2011 and then from 8.2.2013 non-executive Chairman. Non-executive chairman of The Tennis Foundation and trustee of the Royal Theatrical Support Trust.

2 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.

3 SALLY E WALDEN*
NON-EXECUTIVE DIRECTOR

Appointed to the Board on 1.10.2012.

From 1984 to 2009 with Fidelity International where she held several senior positions which included head of UK Equities. Trustee of the Fidelity Foundation.

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

4 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 senior partner of the firm and chairman of the policy board of BDO International. Member of the Industrial Development Advisory Board from 2005-2011.

5 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.

6 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, J.P. 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. Retires from the Board at the 2014 AGM.

7 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 Fashion and Textiles Children's Trust and member of the Commercial Panel of the National Trust.

Officers and advisors

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
Liberum

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 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)

Corporate governance

Good corporate governance is essential for the proper management of all businesses, underpinning investor confidence in strategy and behaviour. Your Board is committed to maintaining high standards of corporate governance throughout all aspects of our business, to ensure the UK Corporate Governance Code is applied consistently and comprehensively.

John Manser retired from the Board on 8 February 2013. Until then, I served as executive Deputy Chairman and became non-executive Chairman on that date.

We continue to review the composition of the Board to ensure that it has the skills and balance required for the proper stewardship of the business.

Dermot Mathias and Sally Walden joined the Board on 1 October 2012 as part of our succession planning for the Board. They have brought a range of skills to the Board to complement the existing non-executive directors' experience. Gordon McQueen will retire from the Board at the conclusion of the 2014 AGM having served on the Board for almost nine years. On his retirement, the Board will appoint Jill Little as Senior Independent Director. She will hand over the role of Chairman of the Remuneration Committee to Sally Walden. Dermot Mathias will take on the role of Chairman of the Audit Committee.

Jonathan Lane
Chairman

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (THE "CODE")

The Board is responsible to shareholders for the success of the business. The strategy set by the Board, described in the Strategic Report, is to invest in real estate in London's West End. The Board ensures that the business follows the strategy and that a financial and operational structure is in place to enable the Group to meet its goals.

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 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. The Board has adopted a statement of the division of responsibilities between the two roles and a schedule of matters reserved for the Board for decision. Both documents are available on the Group's website.

Until 8 February 2013, Jonathan Lane had the role of executive Deputy Chairman with specific responsibilities agreed by the Board, including deputising for the Chairman and reviewing the Group's succession planning process. This role ceased when he became non-executive Chairman. As described in last year's Annual Report, an extensive shareholder consultation was undertaken prior to the decision by the Board to appoint Jonathan Lane as non-executive Chairman as he had been Chief Executive from 1986 to 2011.

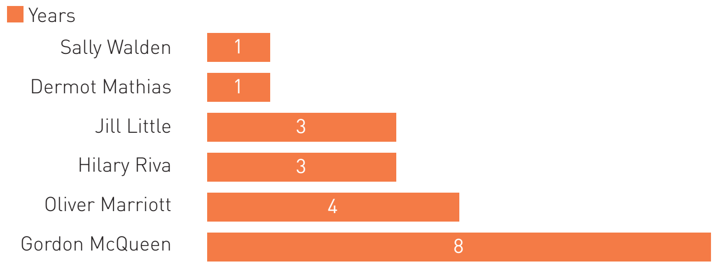
EFFECTIVENESS

Composition of the Board

The Nomination Committee keeps the composition of the Board under review and makes recommendations to the Board on the appointment of directors. There are six independent non-executive directors, one of whom has the role of Senior Independent Director. The Board's composition meets the Code's requirements that at least half of the Board is comprised of independent non-executive directors:

Non-executive directors have a wide range of experience encompassing property, finance, fund management and retailing. Each of the non-executive directors, other than the Chairman, is considered to be independent. The Board's policy on gender diversity is described in the Nomination Committee Report on page 60.

The tenure of independent non-executive directors, as at 30 September 2013, is set out below:



Gordon McQueen will not stand for re-election at the 2014 AGM, having served on the Board for almost nine years.

The Board and its Committees

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. Each member of the Audit and Remuneration Committees is an independent non-executive director. As Jonathan Lane did not meet the criteria of independence set out in the Code at the time of his appointment, he has not been appointed to the Audit and Remuneration Committees. He is a member and Chairman of the Nomination Committee, as permitted by the Code.

During the year, the non-executive directors met three times without executive directors present.

Reports from each committee follow on pages 59 to 81.

Set out below is attendance at the scheduled Board meetings during the year ended 30 September 2013. Additional meetings were held, as required, to deal with routine and operational matters and attendance at these meetings is not included in the table below.

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED
Brian Bickell	Chief Executive	●●●●●
Simon Quayle	Property director	●●●●●
Tom Welton	Property director	●●●●●
Chris Ward	Finance director	●●●●●
Jonathan Lane*	Executive Deputy Chairman (to 8.2.2013)	●●
	Non-executive Chairman (from 8.2.2013)	●●●
John Manser**	Chairman (to 8.2.2013)	●●
Gordon McQueen	Non-executive director	●●●●●
Oliver Marriott	Non-executive director	●●●●○
Dermot Mathias	Non-executive director	●●●●●
Jill Little	Non-executive director	●●●●●
Hilary Riva	Non-executive director	●●●●●
Sally Walden	Non-executive director	●●●●●

● Attended
○ Absent

*Jonathan Lane could have attended a maximum of two meetings as executive Deputy Chairman and three meetings as non-executive Chairman.

**John Manser could have attended a maximum of two meetings.

Training

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 director. Training records are maintained by the Company Secretary. Each director is expected to maintain their professional skills. Non-executive directors are expected to ensure they are familiar with the business through regular communication with executive directors and employees including making visits to the Group's portfolio.

Information

The Board is provided with timely information including financial data for Board meetings and receives regular updates between meetings.

The Board may seek the advice and services of the Company Secretary who is responsible for ensuring compliance with Board procedures and advice to the Board on matters of corporate governance. 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. An externally-facilitated review was undertaken during the year and the results of this are described in the Nomination Committee Report on page 59.

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 in the Strategic Report on pages 48 and 49.

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 are identified with appropriate action taken at an early stage to mitigate them. This includes ensuring insurance is in place where appropriate. Reports on these reviews are submitted during the year to the Audit Committee and the Board to enable each to assess the effectiveness of the process and ensure that the Group complies with the Turnbull Guidance on Internal Control.

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. This includes acquisitions, disposals, major contracts and material refurbishment or development proposals above a specific monetary level;

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 are effective. The Audit Committee Report is on pages 79 to 81;

e) The day-to-day management of the Group's portfolio is outsourced to three managing agents. The Group monitors the performance of each managing agent and has established extensive financial and operational controls to ensure that each maintains an acceptable level of service and that the information they provide is reliable. 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 the 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.

GOING CONCERN

The Group's business activities, together with the factors affecting performance, financial position and future development are set out in the Strategic Report on pages 9 to 51. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 38 to 40.

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

REMUNERATION

This information is contained in the remuneration reports on pages 61 to 78.

RELATIONS WITH SHAREHOLDERS

The Board places great importance on a regular dialogue with both shareholders who invest in our business, and contact with potential investors, in order to explain our philosophy and strategy.

Annual and interim results are presented to formal meetings of real estate analysts. Copies of these presentations are available on our corporate website from the time of the meeting. Analysts are encouraged to tour our portfolio with us, so they maintain a good understanding of our activities.

During the year ended 30 September 2013, the Chief Executive and other executive directors held over 150 meetings with UK and overseas institutional shareholders and potential investors. These meetings comprised individual and group presentations and tours of our portfolio. Our tours provide an opportunity to see our assets, understand our management initiatives, and also to meet members of our wider team. In addition, during the year we conducted two portfolio tours with members of the UK Shareholders' Association, which represents the interests of private investors.

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

Our corporate website, together with the websites and social media channels we use to promote our villages, are important sources of information on the Group, explaining our philosophy, strategy, current activities and events across our villages.

All presentations and discussions are conducted within the boundaries of the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority.

The Chairman met a number of shareholders during the year. The Chairman of the Remuneration Committee contacted shareholders representing 50% of the Company's issued share capital as part of a consultation on the Group's remuneration policy. The policy will be tabled for approval at the 2014 AGM, in compliance with the new regulations on directors' remuneration.

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

SHARE CAPITAL STRUCTURE

Details regarding the share capital structure are given in the Directors' Report on page 82.

Nomination committee report

The Committee keeps the composition of the Board under review, makes recommendations on its membership and monitors succession planning for directors. It also evaluates Board and Committee performance.

Gordon McQueen is approaching nine years' service as a director of the Company and will retire at the 2014 AGM. The Committee considers that, following his retirement, the composition of the Board will remain appropriate for the Group and therefore no additional appointment is necessary at the present time.

Gordon McQueen is Chairman of the Audit Committee and our Senior Independent Director. The Board will appoint Jill Little as Senior Independent Director, Sally Walden will become Chairman of the Remuneration Committee and Dermot Mathias will become Chairman of the Audit Committee. All these changes will take place at the conclusion of the 2014 AGM.

Jonathan Lane
Chairman of the Nomination Committee

COMMITTEE MEMBERS AND ATTENDANCE

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED
Jonathan Lane*	Chairman (from 8.2.2013)	●●
John Manser**	Chairman (to 8.2.2013)	●
Jill Little	Member	●●●
Gordon McQueen	Senior Independent Director and Member	●●●
Oliver Marriott	Member	●●○
Dermot Mathias	Member	●●●
Hilary Riva	Member	●●●
Sally Walden	Member	●●●

● Attended
○ Absent

*Jonathan Lane could have attended a maximum of two meetings.
**John Manser could have attended a maximum of one meeting.

COMMITTEE ATTENDEES BY INVITATION ONLY

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

ACTIVITIES DURING THE YEAR

STANDING MATTERS	ADDITIONAL MATTERS
Succession planning for the Board and senior executives	Change in composition of the Committee
Board and Committee performance evaluation	Recommendation of the appointment of the Senior Independent Director with effect from 7.2.2014
Evaluation of the skills of the directors for re-election	Recommendation of the appointment of the Chairman of Audit and Remuneration Committees with effect from 7.2.2014
Directors for re-election and election	
Review of the annual committee report	

BOARD PERFORMANCE EVALUATION

The Board engaged Lintstock Limited to undertake the annual evaluation of the performance of the Board and its Committees, building on the external evaluation conducted in 2011 and seeking to identify areas where performance and procedures might be further improved.

The scope of the review was agreed with the Chairman and the Company Secretary to set the context for the evaluation.

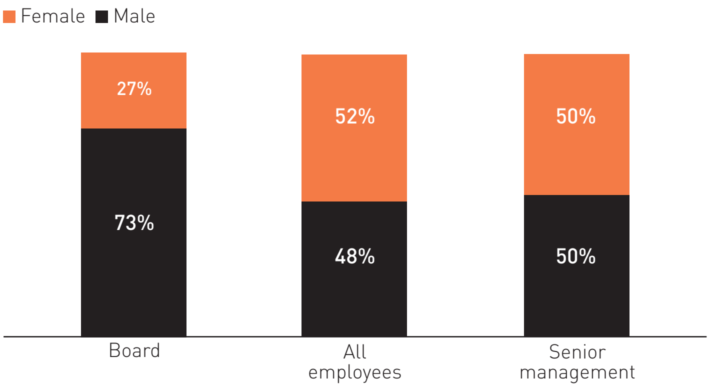
Each director completed a questionnaire on the performance of the Board, its Committees and the Chairman. The anonymity of respondents was ensured in order to promote the open and frank exchange of views. Lintstock then produced a report mapping the performance of the Board against the results of the review in 2011, which addressed the following areas:

- dynamics of the Board, including the engagement of the directors in the affairs of the Company and the environment in the boardroom,
- the Chairman's transition into the role and priorities for Board meetings,
- management of time, planning of the annual cycle of work and agenda,
- evaluation of the Board's oversight of operations,
- management of risk, including the Board's review and testing of risk management policies,
- composition and performance of the Committees of the Board,
- identification of the main priorities for the Board for the coming year.

The content for each subsequent evaluation will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured.

POLICY ON DIVERSITY

All aspects of diversity, including gender, are considered at every level of recruitment. All appointments to the Board are made on merit. The Board's policy was approved in September 2011 and states clearly that the Board seeks a composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate for its representation and has therefore chosen not to set targets. Gender diversity of the Board and Company is set out below:



SUCCESSION PLANNING

The Board comprises a team of four executive directors, three of whom have an average length of service with the Company of 25 years, complemented by non-executive directors who have wide business experience and skills as well as a detailed understanding of the Group's philosophy and strategy. Continuity of experience and knowledge, particularly of the unique environment of London's West End, within the executive team is particularly important in a focused, long-term business such as ours.

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

The Committee also addresses continuity in, and development of, the executive management team below board level.

DIRECTORS STANDING FOR RE-ELECTION

All directors will stand for re-election at the 2014 AGM with the exception of Gordon McQueen, 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 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, on the advice of the Committee, therefore recommends the re-election of each director standing for re-election. Full biographical details of each director are available on pages 54 to 55.

CHANGE IN BOARD ROLES

At the conclusion of the 2014 AGM, following Gordon McQueen's retirement, the following changes in responsibilities will take place:

Jill Little	Resigns as Chairman of the Remuneration Committee and appointed Senior Independent Director
Sally Walden	Appointed Chairman of the Remuneration Committee
Dermot Mathias	Appointed Chairman of the Audit Committee

Remuneration report

Our policy is to remunerate and incentivise executive directors and management through simple and transparent arrangements which align executive rewards with the Group's long-term business strategy, goals and shareholder returns.

This year we are following the new remuneration reporting regulations which divide the remuneration report into two sections:

- the Remuneration Policy Report which sets out the Committee's policy and framework for executive remuneration. This section will be proposed for a binding vote by shareholders at our 2014 AGM, and
- the Annual Remuneration Report which sets out how the Group has remunerated directors during the year and is proposed for an advisory vote by shareholders at the same meeting.

The Group's remuneration policy has not changed during the year and is as proposed in the policy table. We have, however, increased the level of disclosure in line with the new regulations. Whilst the policy below is already being operated, the Committee felt it prudent to consult its major shareholders to ensure that it continues to meet current investor expectations. Their responses were reported to, and considered by, the Committee.

We believe our remuneration policy has been successful in remunerating directors fairly, providing stability in the executive management team which is desirable in this long-term business.

We continue to review our remuneration policy and have reviewed in detail all components of remuneration to ensure that they remain appropriate, competitive and are in accord with the new regulations. Further aspects of this review will be completed in 2014. If the outcome requires any substantive changes to the remuneration policy we would consult with shareholders as necessary.

Against a background of a buoyant wider West End economy, the Group has performed well this year, meeting or exceeding substantially all the annual objectives set by the Committee, and delivering a good financial performance. In recognition of this annual performance, the Committee recommended to the Board awards of annual bonuses for each executive director of 50% of base salary. This compares with a maximum award under our remuneration policy of 125% and an on-target award of 62.5%.

Delivery of long-term growth in shareholder value is rewarded through our LTIP arrangements, which are an important element of the remuneration package we provide. This year, performance for the three year period ended 30 September 2013 has resulted in the vesting of 50% of performance-related options granted in December 2010.

As a result of changes in the composition of the Board due to the impending retirement of Gordon McQueen, I will step down as Committee Chairman at the conclusion of the 2014 AGM. The Board will appoint Sally Walden as Chairman of the Committee at that time.

Jill Little
Chairman of the Remuneration Committee

CONTEXT FOR THE GROUP'S REMUNERATION APPROACH

The Group has 23 employees, including four executive directors. Of those four, three have an average length of service of 25 years. They have built up substantial shareholdings in the Group, mainly through retaining shares awarded under employee share schemes. The combined holdings of the executive directors stand at just over 2.3 million shares with a current market value of circa £14 million. The average length of service below Board level is 11 years.

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

Remuneration policy report

Set out below is the Group's policy on directors' remuneration, which will be proposed for a binding vote at the 2014 AGM. If approved, the policy will be effective from that date.

EXECUTIVE DIRECTORS

ELEMENT	LINK WITH STRATEGY	OPERATION
Salary	Fixed remuneration at a level appropriate to skills, experience and complexity of the role	Reviewed annually with effect from 1 December, with reference to inflation and other employees, unless there is a change of role or responsibility or a new director is recruited (see recruitment policy) Sector and other relevant market data (eg against constituent companies of the FTSE 350 Real Estate Index) may be requested from remuneration advisors as required
Annual bonus	To incentivise performance in the reporting year through the setting of targets at the beginning of the year. These annual targets are consistent with the Group's long-term strategy The opportunity to defer the bonus and take it in shares seeks to align directors' interests with those of shareholders and avoid short-term decision making	Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives of long-term growth in rental income and net asset value. The Group's two non-financial KPIs are used in the metrics to align directors' interests with strategy At the end of the financial year, the Committee evaluates performance against these objectives whilst also taking into account overall financial performance and future prospects. The Committee also satisfies itself that short-term targets have not been met at the expense of long-term interests. This discretion is, however, only exercised within the limits of the scheme Minimum performance required for any part of the bonus to be earned is calibrated so as to be appropriately stretching and achievable Where directors take all or part of the bonus in shares, these are held for a minimum of three years in a Deferred Annual Share Bonus Scheme. No further performance conditions apply. Dividend equivalents are paid at the end of the deferral period The Committee has discretion to exercise malus provisions to reduce the award prior to payment or release of the shares in the event of material misstatement of the financial statements or gross misconduct

MAXIMUM POTENTIAL VALUE	PERFORMANCE MEASURES AND PERFORMANCE PERIODS	CHANGE FROM PREVIOUS YEAR?
The Committee does not specify a maximum salary or maximum salary increase due to unintended consequences such as setting undue expectations. When deciding salary increases, the Committee considers average increases across the Company, prevailing rates of inflation and, from time-to-time, market data The Committee recognises the importance of setting salaries at levels in the context of market median levels in the real estate sector, but which are not excessive in relation to the Group's particular strategy and features. The emphasis in the Group's remuneration policies is to place greater weight on performance-based rewards within the overall remuneration package Further details on salary levels and any increases for a given year are provided in the Annual Remuneration Report	None	No
Directors have the choice to take a bonus in shares or cash, in full or part as follows: Up to 125% of salary if taken entirely in shares; or Up to 100% of salary if taken entirely in cash	Performance is assessed against a set of key financial and non-financial annual measures which may vary each year depending on the annual priorities of the business. These are set by the Committee, for example: - Grow ERVs above the levels assessed by the Group's valuers (KPI) - Let vacant space on a timely basis in light of market conditions (KPI) - Maximise occupancy of the Group's portfolio - Manage property expenses as a percentage of rental income - Corporate responsibility performance - Deliver projects/transactions successfully Performance against the above targets will be assessed in the context of the overriding principle that lettings/lease renewals must be in accordance with the Group's strict policies regarding tenant mix Measures will be weighted in alignment with the Group's strategy for each year. Weightings for each measure can be up to 30% Within the limits of the scheme, the Committee has discretion to adjust bonus outcomes (upwards or downwards) as it considers appropriate to ensure alignment of pay with overall performance and market conditions Further details of the measures, weightings and targets applicable for a given period are provided in the Annual Remuneration Report for that year	No

ELEMENT	LINK WITH STRATEGY	OPERATION
LTIP	To incentivise and reward performance over the long-term, aligning directors' interests with shareholders and to encourage the management of the Group's business in accordance with its long-term strategy and goals	Operated in accordance with plan rules approved by shareholders at the 2006 AGM Award of nil cost options over ordinary shares with performance determined by two separate and independent performance conditions over a set period. The Committee reviews the targets prior to making each grant of nil cost options Dividends accrue on any shares which vest and are paid in cash at vesting The Committee has discretion to exercise malus provisions to reduce the award prior to vesting in the event of material misstatement of the financial statements or gross misconduct
Sharesave	Part of overall package for executive directors, encouraging share ownership	An HMRC approved scheme where employees may save a regular amount over three or five years Options granted at a 20% discount to the prevailing share price at the date of grant
Pension	Part of overall package for executive directors providing comprehensive remuneration and retirement benefits	Contribution paid into a personal pension plan or taken as a cash equivalent, reduced for employer's national insurance liability
Other benefits	Part of overall package for executives providing comprehensive remuneration	Each executive director receives: • car allowance • private medical insurance • life insurance • permanent health insurance

In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment or retention of an individual, exercising the discretion available under Listing Rule 9.4.2 R. Such discretion would only be used in unforeseeable and exceptional circumstances.

Any commitment made prior to, but due to be fulfilled after, the approval and implementation of the remuneration policy detailed in this report will be honoured, and is the same as that which is contained in the policy table.

NON-EXECUTIVE DIRECTORS AND CHAIRMAN

ELEMENT	LINK WITH STRATEGY	OPERATION
Fees	To provide market-competitive director fees	Fees are reviewed every two years. Sector and other relevant market data (eg constituent companies in the FTSE 350 Real Estate Index) may be requested from remuneration advisors where required An additional fee is payable to reflect the additional time commitment required to chair Board committees or act as Senior Independent Director The fee paid to the Chairman is determined by the Committee and fees to non-executive directors are set by the Board No director takes part in discussions regarding their own remuneration

DIFFERENCE BETWEEN POLICY FOR DIRECTORS AND EMPLOYEES

Pay and conditions throughout the Group are taken into consideration when setting remuneration policy. It is the Group's approach that all executive directors and 19 other employees are offered the same remuneration package elements, though not all employees are eligible for all benefits provided to executive directors. Individual salary levels, percentage levels of awards in the annual bonus and LTIP vary according to the employees' level of responsibility and their contribution to the business.

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

MAXIMUM POTENTIAL VALUE	PERFORMANCE MEASURES AND PERFORMANCE PERIODS	CHANGE FROM PREVIOUS YEAR?
Maximum value 150% of salary at date of grant in normal circumstances Maximum value 200% of salary in exceptional circumstances such as executive recruitment (this has not been used to date) Threshold vesting is 10% of maximum award for TSR and 15% of maximum award for NAV	Two equally weighted measures apply to a three-year performance period: - TSR versus FTSE 350 Real Estate Index - NAV growth in excess of RPI The detailed metrics are set out in the Annual Remuneration Report	No
Up to £250 savings per month	None	No
25% of salary	None	No
No executive director received total benefits exceeding 15% of salary during the most recent financial year and it is not anticipated that the cost of benefits provided will exceed this level over the next three years The Committee retains the discretion to approve a higher cost in exceptional circumstances or in circumstances where factors outside the Company's control have changed materially eg increases in insurance premiums	None	No

Notes to the table:

Performance measures

1. The performance measures set by the Committee for the annual bonus scheme reflect Group KPIs and short-term measures which help the Group achieve its strategic goals of long-term growth in rental income and net asset value. The Committee makes reasonable changes to the measures each year in order to ensure continued alignment with strategy
2. LTIP performance measures have been selected to align the interests of directors with those of shareholders. Performance targets are set by the Committee to be appropriately stretching and achievable taking into account the Company's strategic priorities and the economic environment in which the Company operates

OPPORTUNITY	PERFORMANCE MEASURES AND PERFORMANCE PERIODS	CHANGE FROM PREVIOUS YEAR?
As with the policy for the executive directors, the Company does not specify a maximum level of increase	Not applicable	No

RECRUITMENT POLICY

Executive directors

A new director's remuneration is proposed by the Committee and approved by the Board in line with this policy. The Group offers salary, benefits, annual bonus and nil cost options in the LTIP on the same basis as existing directors receive, whilst recognising that existing directors have experience and knowledge that a new appointees does not. As stated on page 64, the Committee has the discretion to implement a one-off arrangement in accordance with Listing Rule 9.4.2 R. If the Group considered it appropriate to buy out any pre-existing variable pay arrangements of an incoming director, it would only be with replacement awards structured on a comparable basis eg in terms of vesting period, performance conditions etc. In doing so, the Committee would consider relevant factors when structuring such awards, including the likelihood of those pre-existing conditions being met.

External appointment

ELEMENT	APPROACH	MAXIMUM ANNUAL GRANT VALUE*
Salary	The salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current salary. Where new appointees have initial salaries set below market, any shortfall will be managed with phased increases within three years subject to the individual's development in the role	
Annual bonus	In line with the policy for other executive directors. For executive directors joining part way through a year, awards would be pro-rated	125% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives as described in the policy table	200% of salary
Sharesave **Pension** **Other benefits**	In line with the policy for other executive directors	

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

Internal appointment

In the event of appointing a new executive director by way of internal promotion, the policy will be consistent with that for external appointees as detailed above. Further detail on the policy for other employees is set out on page 64.

Non-executive directors

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

LOSS OF OFFICE PAYMENT

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

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

Any new executive director would be appointed on the same loss of office terms as Brian Bickell and Christopher Ward, namely 12 months' salary and benefits with a duty to mitigate loss.

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

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

APPROACH TO OTHER REMUNERATION PAYMENTS ON TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL

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

COMPONENT	GOOD LEAVER*	BAD LEAVER*	CHANGE OF CONTROL
Annual bonus	Only eligible to receive award if completed a full year and cannot elect to defer pro-rated award into shares	Outstanding award forfeited	At the discretion of the Committee
Deferred Annual Share Bonus Scheme	Eligible to continue to hold shares until end of deferral period	Shares forfeited and original cash bonus amount before uplift is paid	The scheme permits early exercise
LTIP	Eligible to receive pro-rata payment from outstanding LTIP awards for time in employment. Any vesting is calculated and made at the end of performance period in the normal way. The Committee has discretion to accelerate and/or disapply pro-rating in exceptional circumstances	Outstanding awards are forfeited	Awards would be made pro-rata for time and performance, and would vest as soon as practicable. The Committee has discretion to disapply pro-rating in exceptional circumstances Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate
Sharesave	In line with HMRC rules	In line with HMRC rules	In line with HMRC rules

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

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

CONSIDERATION OF SHAREHOLDER VIEWS

Shareholders, representing almost 50% of the Company's issued share capital, have been given the opportunity to comment and question the Committee on the policy. The consultation involved written correspondence, conference calls and meetings. The Chairman of the Committee made herself available to answer questions on the policy, and shareholder responses were reported to, and considered by, the Committee.

SHAREHOLDING REQUIREMENTS

Each executive director is required to build up and maintain a minimum shareholding in the Company equivalent to one year's salary at date of appointment to the Board. Newly appointed executive directors are expected to accumulate a fixed shareholding to this value over a period of five years from the date of their appointment and may include shares held within the Deferred Annual Share Bonus Scheme. Shares received under the LTIP and Deferred Annual Share Bonus scheme, net of deductions for income tax and national insurance, are retained until the minimum shareholding level is attained.

There are no shareholding requirements for non-executive directors.

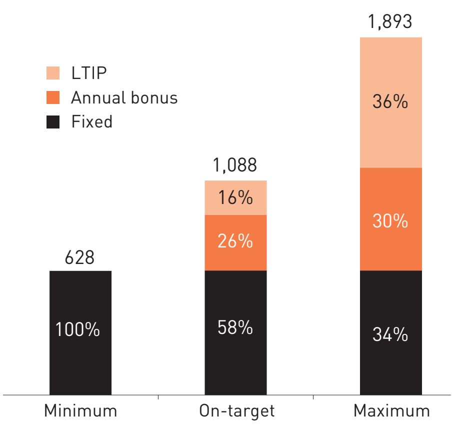
EXTERNAL APPOINTMENTS

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

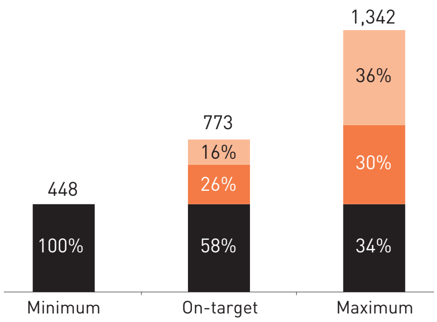
POTENTIAL REMUNERATION FOR DIRECTORS

The charts below set out the potential remuneration receivable by directors for below threshold, on-target and maximum performance. Potential reward opportunities are based on the policy and applied to salaries as at 1 December 2013. Note that the projected values exclude the impact of any share price movement or dividend accrual.

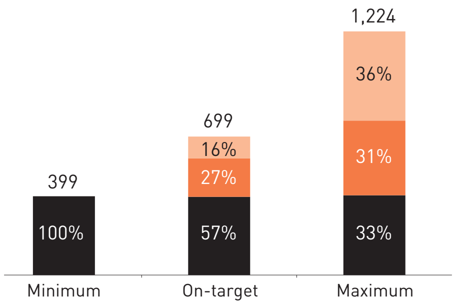
B BICKELL (£'000)



S QUAYLE AND T WELTON (£'000)



C WARD (£'000)



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

The on-target scenario reflects fixed remuneration as above, plus bonus payout of 62.5% of salary and LTIP threshold vesting at 25% of maximum award (ie 10% of maximum for median TSR performance and 15% of maximum for NAV growth in excess of RPI plus 3% pa).

The maximum scenario reflects fixed remuneration, plus full payout of all incentives.

Annual remuneration report

Set out below is the Annual Remuneration Report on directors' pay for the year ended 30 September 2013. In accordance with the Committee's terms of reference and the Group's remuneration policy, the Committee determines executive directors' actual remuneration for the year.

COMMITTEE MEMBERS AND ATTENDANCE

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED
Jill Little	Committee Chairman	●●●●
Gordon McQueen	Senior Independent Director and member	●●●●
Oliver Marriott	Member	●●●○
Dermot Mathias	Member	●●●●
Hilary Riva	Member	●●●●
Sally Walden	Member	●●●●

● Attended
○ Absent

COMMITTEE ATTENDEES BY INVITATION ONLY

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

ADVISORS TO THE COMMITTEE

The Committee is advised by Kepler Associates who were appointed advisor to the Committee in 2012 following a tender process. During the year, fees in respect of remuneration advice amounted to £78,000. Kepler Associates has provided the Committee with a statement of independence and that they have no other relationship with the Group. The Committee accepted the statement on independence and was satisfied that the advice it received was independent.

ACTIVITIES DURING THE YEAR

The Committee had four scheduled and two additional meetings during the year to deal with the following matters:

STANDING MATTERS	ADDITIONAL MATTERS
Annual review of remuneration policy	Detailed review of Group's remuneration policy under the new directors' remuneration reporting guidelines
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	Shareholder consultation on remuneration policy
Operation of the annual bonus scheme (including performance objectives) for the executive directors, the Company Secretary and employees for the year ahead	Instruct and commence a review of Group remuneration strategy, which is ongoing
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	
Note LTIP vesting calculated by reference to the degree of attainment of performance conditions set at the date of award	
Determine annual LTIP awards and performance conditions	
Appointment of advisors for salary review and general advice regarding remuneration structure, if required	
Review Chairman's fees every two years	
Review the Remuneration Reports	

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 30 September 2013 and the prior year:

	SALARY		BENEFITS[3]		PENSION BENEFIT[4]		SINGLE YEAR VARIABLE[5]		MULTIPLE YEAR VARIABLE[6]		OTHER[7]		TOTAL	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
B Bickell	**442**	430	**53**	41	**97**	98	**223**	215	**248**	391	**15**	23	**1,078**	1,198
S J Quayle	**313**	303	**42**	36	**75**	73	**158**	153	**240**	377	**14**	23	**842**	965
T J C Welton	**313**	302	**43**	39	**75**	72	**158**	153	**231**	363	**14**	22	**834**	951
C P A Ward[1]	**271**	183	**24**	16	**66**	46	**138**	94	**-**	-	**1**	1	**500**	340
J S Lane[2]	**62**	175	**25**	60	**-**	-	**-**	70	**329**	548	**20**	32	**436**	885

1. The single figure amount for Christopher Ward in 2012 was for nine months as he joined part way through the year
2. At the AGM on 8 February 2013, Jonathan Lane retired as executive Deputy Chairman and was appointed non-executive Chairman. His remuneration in respect of his role as Deputy Chairman is shown above and as Chairman is shown in the single figure for non-executive directors below
3. Benefits comprise car benefit, permanent health insurance, life insurance and health insurance.
4. Pension contribution is 25% of salary and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group
5. Payment for performance during the year ie annual bonus. For 2013, the executive directors received bonuses of 50% of salary. Each director has elected to take their 2013 bonus entirely in shares. No further performance criteria apply. See page 62 and 63 for further details
6. Multiple year variable is the LTIP. 50% of LTIP awards granted in December 2010 will vest on 9 December 2013. The value of these awards has been calculated by multiplying the number of shares that will vest by the 3-month average share price to 30 September 2013 of £6.13. See below for further details. As disclosed last year, the award for Jonathan Lane was made pro-rata according to the time he was an executive director
7. This includes Sharesave which has been valued based on the monthly savings amount (£250) and the discount provided (20%) ie £250 x 12 x 20%. It also includes any dividend equivalents to be paid in respect of LTIP shares due to vest on 9 December 2013

Nil cost options under the LTIP granted on 8 December 2010 are due to vest on 9 December 2013 for Brian Bickell, Simon Quayle, Tom Welton and Jonathan Lane. Of the options granted in December 2010, 50% of the options will vest in December 2013. The TSR performance condition over the three years ended 30 September 2013 was not met, whilst NAV performance resulted in 100% vesting for this element.

Retrospective disclosure of the extent to which the targets have been met for the annual bonus in respect of the year ending 30 September 2013, payable in December 2013, and included within the single figure remuneration for that year is as follows:

TARGET	PERFORMANCE
Achieve growth in ERVs compared to levels assessed by our valuers in the year end valuation (KPI)	Achieved rents 4.5% above ERV at 30.9.2012
Let vacant space on a timely basis in light of market conditions (KPI)	Exceeded target letting times on average by 33%
Corporate responsibility performance	DJSI score improved from 63 to 65. GRESB score ranked the Group 3 out of 10 in a peer group
Outperform UK IPD benchmark index	Outperformed IPD benchmark for total property return by 6.9%
Manage property expenses as a percentage of rental income	Ratio of property expenses compared to rents receivable unchanged from previous financial year
Deliver projects/transactions successfully	Projects identified were either completed satisfactorily or, if delayed by external factors, satisfactory progress was made during the year

During the year ended 30 September 2013, the Group has performed well with EPRA profit before tax of £30.4 million, EPRA earnings per share of 12.0p and EPRA NAV of £5.67. Operational and financial performance of the business in the year has met or exceeded the Board's expectation.

In determining the level of 2013 annual bonuses for executive directors, the Committee carefully analysed the Group's performance against the objectives set at the beginning of the financial year. Each of the objectives was considered to be substantially met or exceeded. However it was noted this good performance was achieved against the background of a buoyant wider West End economy. Taking into account the environment in which the Group was operating and EPRA profit and NAV growth for the year, together with the Group's policy of rewarding delivery of sustained growth in shareholder value through LTIP arrangements, it was decided that an annual bonus award of 50% of base salary was appropriate. This compares with the Group's policy of a maximum award of 125% and an on-target award of 62.5%. In all cases the bonus level is reduced by 20% where an employee elects to take their annual bonus in cash rather than shares.

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 30 September 2013 and the prior year:

	FEE		COMMITTEE CHAIR FEES		TOTAL	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
P J Manser[1]	**41**	113	**-**	-	**41**	113
J S Lane[2]	**73**	n/a	**-**	n/a	**73**	n/a
J C Little	**50**	50	**8**	6	**58**	56
W G McQueen	**50**	50	**8**	6	**58**	56
O J D Marriott	**50**	50	**-**	-	**50**	50
D C A Mathias	**50**	n/a	**-**	n/a	**50**	n/a
H S Riva	**50**	50	**-**	-	**50**	50
S E Walden	**50**	n/a	**-**	n/a	**50**	n/a

1. John Manser retired as Chairman on 8 February 2013 and was succeeded by Jonathan Lane

2. For Jonathan Lane, the remuneration shown here is in respect of his role as non-executive Chairman since 8 February 2013

There have been no payments for loss of office during the year.

GAINS MADE BY DIRECTORS ON EXERCISE OF SHARE OPTIONS (AUDITED)

During the year, the directors below exercised options granted in the 2001 share option scheme at £2.65 each. They also exercised nil cost options granted under the LTIP which vested in December 2012.

The executive directors sold sufficient shares to meet income tax and national insurance liabilities on the exercise of their share options, retaining the balance.

Total gains are set out below.

	2013 £'000	2012 £'000
B Bickell	**796**	610
S J Quayle	**715**	575
T J C Welton	**672**	525
J S Lane	**1,103**	852
	3,286	2,562

EXECUTIVE DIRECTOR EXTERNAL APPOINTMENTS (UNAUDITED)

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 period from 1 October 2012 to 8 February 2013 (when he became non-executive Chairman) in respect of his directorship of a private company unconnected with the Group's business totalling £1,500 for the period to 8 February 2013 (2012: £4,500).

SHARE SCHEME INTERESTS AWARDED DURING THE YEAR (AUDITED)

	DATE OF GRANT	SCHEME	AWARDS MADE DURING THE YEAR	MARKET PRICE AT DATE OF AWARD £	FACE VALUE AT DATE OF AWARD £
B Bickell	6.12.2012	LTIP*	100,600	5.55	556,250
	10.12.2012	Deferred Annual Share Bonus Scheme**	38,867	5.56	215,000
S J Quayle	6.12.2012	LTIP*	71,200	5.55	393,750
	10.12.2012	Deferred Annual Share Bonus Scheme**	27,569	5.56	152,500
T J C Welton	6.12.2012	LTIP*	71,200	5.55	393,750
	10.12.2012	Deferred Annual Share Bonus Scheme**	27,569	5.56	152,500
C P A Ward	6.12.2012	LTIP*	62,150	5.55	343,750
	10.12.2012	Deferred Annual Share Bonus Scheme**	16,948	5.56	93,750

* Awards of nil cost options were made at 125% of salary. LTIP performance period is 1.10.2012 to 30.9.2015; performance measures are set out on page 73.

** Deferred Annual Share Bonus Scheme relates to the annual bonus in respect of the year ended 30.9.2012 taken in shares. No further performance criteria relate to this scheme

Both the schemes are described in detail in the policy table on pages 62 to 65.

DIRECTORS' SHARE SCHEME INTERESTS (AUDITED)

1. Deferred Annual Share Bonus Scheme

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

			ENTITLEMENT TO ORDINARY SHARES			
	DATE OF GRANT	MARKET PRICE ON DATE OF GRANT £	AT 1.10.2012	AWARDED IN YEAR*	DELIVERED IN YEAR	AT 30.9.2013
B Bickell	17.12.2010	4.50	19,352	-	-	**19,352**
	21.12.2011	4.64	52,335	-	-	**52,335**
	10.12.2012	5.56	-	38,867	-	**38,867**
			71,687	38,867	-	**110,554**
S J Quayle	17.12.2010	4.50	18,673	-	-	**18,673**
	21.12.2011	4.64	50,590	-	-	**50,590**
	10.12.2012	5.56	-	27,569	-	**27,569**
			69,263	27,569	-	**96,832**
T J C Welton	17.12.2010	4.50	17,994	-	-	**17,994**
	21.12.2011	4.64	49,719	-	-	**49,719**
	10.12.2012	5.56	-	27,569	-	**27,569**
			67,713	27,569	-	**95,282**
C P A Ward	10.12.2012	5.56	-	16,948	-	**16,948**
J S Lane	17.12.2010	4.50	27,161	-	-	**27,161**
	21.12.2011	4.64	103,866	-	-	**103,866**
			131,027	-	-	**131,027**

* In respect of the annual bonus for the year ended 30 September 2012. Shares are held in an employee benefit trust which at 30 September 2013 held 471,760 shares.

2. LTIP

Awards of nil cost options are made by the Committee based on a multiple of salary divided by the average share price over five days prior to the date of grant. Vesting of options is determined by performance over a three year period against the following criteria:

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

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

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

			NUMBER OF ORDINARY SHARES UNDER OPTION							
	DATE OF GRANT	MARKET PRICE OF SHARE ON GRANT £	AT 1.10.2012	GRANTED DURING YEAR	VESTED AND EXERCISED DURING YEAR	LAPSED DURING YEAR	AT 30.9.2013	MARKET PRICE OF SHARE ON DATE OF EXERCISE £	PERFORMANCE PERIOD	EXERCISE PERIOD
B Bickell	8.12.2009	3.89	70,150	-	70,150	-	**-**	6.42	1.10.2009-30.9.2012	12.2012-6.2013
	8.12.2010	4.32	81,050	-	-	-	**81,050**	-	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	108,150	-	-	-	**108,150**	-	1.10.2011-30.9.2014	12.2014-6.2015
	6.12.2012	5.55	-	100,600	-	-	**100,600**	-	1.10.2012-30.9.2015	12.2015-6.2016
S J Quayle	8.12.2009	3.89	67,600	-	67,600	-	**-**	6.42	1.10.2009-30.9.2012	12.2012-6.2013
	8.12.2010	4.32	78,200	-	-	-	**78,200**	-	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	76,750	-	-	-	**76,750**	-	1.10.2011-30.9.2014	12.2014-6.2015
	6.12.2012	5.55	-	71,200	-	-	**71,200**	-	1.10.2012-30.9.2015	12.2015-6.2016
T J C Welton	8.12.2009	3.89	65,050	-	65,050	-	**-**	6.42	1.10.2009-30.9.2012	12.2012-6.2013
	8.12.2010	4.32	75,375	-	-	-	**75,375**	-	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	76,750	-	-	-	**76,750**	-	1.10.2011-30.9.2014	12.2014-6.2015
	6.12.2012	5.55	-	71,200	-	-	**71,200**	-	1.10.2012-30.9.2015	12.2015-6.2016
C P A Ward	17.1.2012	4.91	65,800	-	-	-	**65,800**	-	1.10.2011-30.9.2014	1.2015-7.2015
	6.12.2012	5.55	-	62,150	-	-	**62,150**	-	1.10.2012-30.9.2015	12.2015-6.2016
J S Lane	8.12.2009	3.89	98,200	-	98,200	-	**-**	6.42	1.10.2009-30.9.2012	12.2012-6.2013
	8.12.2010	4.32	136,500	-	-	29,170	**107,330**	-	1.10.2010-30.9.2013	12.2013-6.2014
	7.12.2011	4.99	44,050	-	-	24,097	**19,953**	-	1.10.2011-30.9.2014	12.2014-6.2015

Options are structured as nil cost options. Options granted on 8.12.2010 will vest on 9.12.2013. Of the options granted in December 2010, 50% of the options will vest in December 2013. The TSR performance condition over the three years ended 30 September 2013 was not met, whilst NAV performance resulted in 100% vesting for this element.

3. 2001 share option scheme (now closed)

No grants under this scheme have been made since 2004. All options under the scheme have now vested and been exercised or have lapsed.

		NUMBER OF ORDINARY SHARES UNDER OPTION					
	DATE OF GRANT	AT 1.10.2012	EXERCISED DURING YEAR	AT 30.9.2013	EXERCISE PRICE £	MARKET VALUE OF SHARE ON DATE OF EXERCISE £	EXERCISE PERIOD
B Bickell	15.12.2004	84,825	84,825	-	2.65	6.42	12.2007-12.2014
S J Quayle	15.12.2004	68,406	68,406	-	2.65	6.42	12.2007-12.2014
T J C Welton	15.12.2004	61,955	61,955	-	2.65	6.42	12.2007-12.2014
J S Lane	15.12.2004	115,207	115,207	-	2.65	6.42	12.2007-12.2014

4. Sharesave

Options are granted at a 20% discount to the market price on date of grant up to the maximum monthly savings amount permitted by HMRC of £250 per month over three or five years. All directors have opted for five-year savings contracts.

			NUMBER OF ORDINARY SHARES UNDER OPTION						
	DATE OF GRANT	AT 1.10.2012	GRANTED DURING YEAR	LAPSED DURING YEAR	EXERCISED DURING YEAR	AT 30.9.2013	OPTION PRICE £	MARKET VALUE OF SHARE ON DATE OF EXERCISE £	EXERCISE PERIOD
B Bickell	8.7.2011	3,595	-	-	-	**3,595**	4.29	-	8.2016-1.2017
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	-	2,487	1,108	**-**	4.29	5.60	8.2016-1.2017

*In accordance with the rules of the scheme, Jonathan Lane exercised 1,108 sharesave options on his retirement as an executive director on 8.2.2013. The remaining options lapsed.

The closing price of shares at 30 September 2013 was £5.90 and the range during the year was £5.20 to £6.70.

DIRECTORS' SHAREHOLDINGS

DIRECTORS' INTERESTS IN SHARES (AUDITED)

	SHARES HELD AT 1.10.2012	SHARES ACQUIRED DURING THE YEAR	SHARES HELD AT 30.9.2013
Executive director			
B Bickell	801,900	63,822	**865,722**
S J Quayle	777,912	57,300	**835,212**
T J C Welton	608,303	53,919	**662,222**
C P A Ward	2,000	3,448	**5,448**
Non-executive director			
J S Lane	1,043,918	16,082	**1,060,000**
P J Manser (retired 8.2.2013)	175,000	-	**n/a**
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	-	8,000	**8,000**
S E Walden	-	20,000	**20,000**

There have been no changes in directors' shareholdings since 30 September 2013 up to the date of this report.

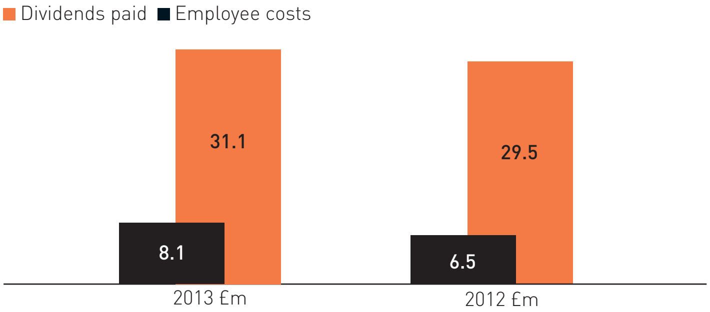
TOTAL EXECUTIVE DIRECTORS' SHAREHOLDINGS

		ENTITLEMENT TO SHARES				
	SHARES OWNED OUTRIGHT	DEFERRED SHARES*	OPTIONS VESTED BUT NOT EXERCISED	SHARES UNDER OPTION NOT VESTED AND SUBJECT TO PERFORMANCE CRITERIA	SHARESAVE	SHAREHOLDING REQUIREMENT MET**
B Bickell	865,722	110,554	-	289,800	3,595	Yes
S J Quayle	835,212	96,832	-	226,150	3,595	Yes
T J C Welton	662,222	95,282	-	223,325	3,595	Yes
C P A Ward	5,448	16,948	-	127,950	3,759	No

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

**100% of salary at date of appointment to the Board, to be accumulated over five years from that date. For Christopher Ward, this is 54,000 shares

RELATIVE IMPORTANCE OF SPEND ON PAY (AUDITED)

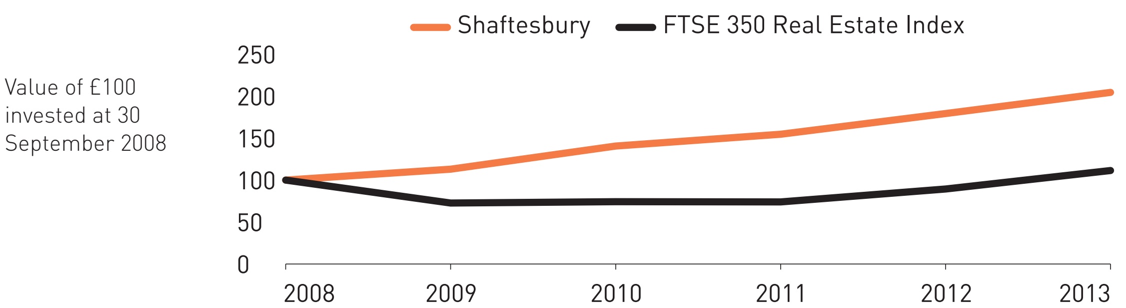


REVIEW OF PAST PERFORMANCE (AUDITED)

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

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

5-YEAR TSR CHART TO 30 SEPTEMBER 2013



FIVE YEAR CHIEF EXECUTIVE SINGLE FIGURE REMUNERATION

	2009 J S LANE	2010 J S LANE	2011 J S LANE	2012 B BICKELL	**2013 B BICKELL**
Chief Executive single figure of remuneration (£'000)	850	1,013	1,650	1,198	**1,078**
Short-term award % against maximum opportunity (percentage of maximum 125% of salary)	50%	50%	90%	40%	**40%**
Long-term award % against maximum opportunity (LTIP)	50%	50%	76.7%	100%	**50%**

PERCENTAGE CHANGE IN CHIEF EXECUTIVE REMUNERATION (AUDITED)

The table below shows the percentage change in Chief Executive remuneration from the prior year compared to the average percentage change in remuneration for all other employees. To provide a meaningful comparison, the analysis for other employees is based on a consistent group of employees ie the same individuals appear in the 2012 and 2013 group.

	CHIEF EXECUTIVE (£'000)			OTHER EMPLOYEES (£'000)		
	2013	2012	% CHANGE	**2013**	2012	% CHANGE
Base salary	**442**	430	2.8%	**1,655**	1,584	4.5%
Taxable benefits	**18**	18	0%	**115**	111	3.6%
Annual bonus	**223**	215	3.7%	**797**	737	8.1%
Total	**683**	663	3.0%	**2,567**	2,432	5.6%

SHAREHOLDER VOTING (UNAUDITED)

At the Annual General Meeting on 8 February 2013, there was an advisory vote on the Remuneration Report. Voting by shareholders representing 83% of the issued share capital was as follows:

FOR	% FOR	AGAINST	% AGAINST	WITHHELD	TOTAL VOTES
208,444,032	99	1,876,258	1	8,915	210,329,205

REMUNERATION FOR THE YEAR ENDING 30 SEPTEMBER 2014 (UNAUDITED)

SALARIES FROM 1 DECEMBER 2013 EXECUTIVE DIRECTORS

Executive directors' salaries were reviewed with effect from 1 December 2013. The Committee recommended general increases in line with RPI for executive directors and employees. Christopher Ward received an increase of 9% recognising that when he joined the Company he received a lower salary as he was new to the role. This reflects the policy on recruitment to manage any below market level salary on appointment with phased increases.

	1.12.2013 £'000	1.12.2012 £'000	INCREASE
B Bickell	**460**	445	3%
S J Quayle	**325**	315	3%
T J C Welton	**325**	315	3%
C P A Ward	**300**	275	9%

Pension and benefits are as described in the policy table.

Each executive director will receive an award of nil cost options to the value of 125% of salary under the LTIP in December 2013 in respect of the performance period 1 October 2013 to 30 September 2016. The performance measures will be as set out on page 73.

Disclosure of annual bonus targets for the year ahead (ie for the year ending 30 September 2014) is deemed to be commercially sensitive and therefore the actual targets are not set out in this report, other than as contained in the remuneration policy.

TARGET	MEASURE OR REASON FOR NON-DISCLOSURE
Achieve growth in ERVs compared to levels assessed by our valuers in the year end valuation (KPI) Let vacant space on a timely basis in light of market conditions (KPI) Effectively achieve full lettings Deliver projects/transactions successfully Manage property expenses as a percentage of rental income	The Committee considers the disclosure of management targets regarding the achievement of rental levels, the speed of completing letting or delivery of specific projects or transactions would be prejudicial to the interests of shareholders. As a consequence of the geographic concentration of the Group's portfolio, disclosure of such targets could have a material adverse impact on the Group's position when negotiating transactions with current or potential tenants or other counter-parties
Corporate responsibility performance	To match this year's corporate responsibility scores (DJSI 65 and GRESB ranked 3 out of 10 in peer group)

Performance against all targets will be disclosed retrospectively.

FEES FROM 1 DECEMBER 2013 FOR NON-EXECUTIVE DIRECTORS

Non-executive director fees are reviewed every two years. The previous review was undertaken in 2011. Fees have been reviewed with effect from 1 December 2013 as follows:

Non-executive directors	£52,500 per annum (2012: £50,000)
Committee chair	£8,250 per annum (2012: £7,500)
Senior Independent Director (if not receiving an additional fee for chairing a committee)	£8,250 per annum (2012: n/a)

Actual fees payable with effect from 1 December 2013 are therefore as set out below:

	FEE 1.12.2013 £'000	**COMMITTEE CHAIR FEE £'000**	**TOTAL FEE £'000**	FEE 1.12.2012 £'000	COMMITTEE CHAIR FEE £'000	TOTAL FEE £'000
P J Manser*	**-**	**-**	**-**	115	-	115
J S Lane*	**125**	**-**	**125**	115	-	115
J C Little**	**53**	**8**	**61**	50	8	58
W G McQueen	**53**	**8**	**61**	50	8	58
D C A Mathias**	**53**	**-**	**53**	50	-	50
O J D Marriott	**53**	**-**	**53**	50	-	50
H S Riva	**53**	**-**	**53**	50	-	50
S E Walden**	**53**	**-**	**53**	50	-	50

* Fees pro rata for the year

** Dermot Mathias and Sally Walden will receive a Committee fee from 8 February 2014. Jill Little will receive a Senior Independent Director fee from that date.

Audit committee report

The Committee reviews, and reports to the Board on financial reporting, internal control and risk management, and reviews the performance, independence and effectiveness of the external auditors.

This year, the Committee has focused on the changes to the narrative reporting and corporate governance disclosures in the Annual Report. As part of this, the Board asked the Committee to advise on the statement by directors that the Annual Report, when read as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Gordon McQueen
Chairman of the Audit Committee

COMMITTEE MEMBERS AND ATTENDANCE

MEMBER	POSITION	NUMBER OF MEETINGS ATTENDED
Gordon McQueen	Chairman and Senior Independent Director	●●●
Jill Little	Member	●●●
Oliver Marriott	Member	●●○
Dermot Mathias	Member	●●●
Hilary Riva	Member	●●●
Sally Walden	Member	●●●

● Attended
○ Absent

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

COMMITTEE ATTENDEES BY INVITATION ONLY

ATTENDEES	POSITION
Penny Thomas	Secretary to the Committee
Chris Ward	Finance Director
PwC	Independent auditors

The auditors have the opportunity for discussion without management present.

ACTIVITIES DURING THE YEAR

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

STANDING 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
- Reviewed management accounts
- Reviewed significant issues and areas of judgement with the potential to have a material impact on the financial statements, making any consequent recommendations to the Board
- Met with the Group's valuers to discuss the valuation process
- Reviewed key business procedures and controls
- Reviewed 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 re-appointment of the Group's auditors by shareholders
- Planned for year end and reviewed the audit plan
- Reviewed the whistle-blowing policy
- Considered the need for an internal audit function
- Reviewed the Committee's performance
- Reviewed the Committee Report

ADDITIONAL MATTERS

- Reviewed catastrophic event risk planning
- Reviewed cyber risk and security
- Approved non-audit assignment awarded to the external audit firm

RISK REVIEW PROCESS

As part of standing matters, the Committee and the Board reviewed the business risks and internal controls' framework twice during the year. In addition, it considered the Group's catastrophic event risk planning and cyber risk/security. The Group's principal risks and uncertainties are reported in the Strategic Report. The Group's internal control and risk management procedures are set out in the Corporate Governance Report.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

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

The directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2013 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess Shaftesbury's performance, business model and strategy. It was satisfied that, taken as a whole, the 2013 Annual Report is fair, balanced and understandable and included the necessary information as set out above. It confirmed this to the Board, whose statement in this regard is set out on page 86.

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

The key area of judgement that it considered in reviewing the financial statements was the valuation of the investment property portfolio.

Whilst this is conducted by independent external valuers, it is one of the key components of the annual and half year financial results and is inherently subjective, requiring significant judgement. As well as detailed management procedures and reviews of the process, members of the Committee met the Group's valuers without management present to discuss the valuations, reviewed the key judgements and discussed whether there were any significant disagreements with management. This year, the Committee reviewed and challenged the 9.5% increase in the valuation, the overall yield decrease and the 4.5% like-for-like ERV growth. These were challenged with the valuers in order to agree and conclude on the appropriateness of the assumptions applied. Furthermore, the auditors use specialists, who meet with the valuers, as part of their audit and report their findings and conclusions to the Committee. The Board considered the valuation in detail at its meeting to approve the financial statements; as part of this the external valuers presented their findings.

In addition, the Committee has considered a number of other judgements which have been made by management, none of which had a material impact on the Group results. These include judgements concerning the charge for equity settled remuneration, valuation of derivative financial instruments, claims in the ordinary course of business and bad debt provisions.

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

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

EXTERNAL AUDITORS

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 and, under the Code, the Company will next need to tender the audit by 2020. The Committee is monitoring developments in the area of audit tendering and best practice and will keep the matter under review.

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

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:

	2013 £'000	2012 £'000
Audit of the parent company's annual accounts	**50**	45
Audit of the consolidated Group	**83**	89
Total audit services	**133**	134
Audit related assurance services – half year review	**20**	19
Other assurance services	**-**	6
Total assurance services	**20**	25
Total audit and assurance services	**153**	159
Tax compliance services	**36**	56
Tax advisory services	**24**	88
Services related to taxation	**60**	144
Other non-audit services	**6**	-
Total fees related to taxation and other non-audit services	**66**	144
Total fees	**219**	303

Total fees related to taxation and other non-audit services represented 43% of the total fees for audit and assurance services (2012: 91%). Tax advisory services represent various assignments carried out during the year, none of which were individually significant.

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

ANNUAL AUDITOR ASSESSMENT

On an annual basis, the Committee assesses the qualifications, expertise and resources, and independence of the Group's external auditors, as well as the effectiveness of the audit process. It does this through discussion and enquiry with the senior management team, review of a detailed assessment questionnaire and confirmation from the external auditor.

PricewaterhouseCoopers LLP has confirmed to the Committee that:

- They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditors and to ensure the objectivity of their audit report;
- The total fees paid by the Group during the year do not represent a material part of their firm's fee income; and
- They consider that they have maintained their audit independence throughout the year.

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

The Committee resolved to recommend to the Board that PricewaterhouseCoopers LLP continue as auditors.

PricewaterhouseCoopers LLP are recommended for re-appointment at the 2014 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.

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2013.

STRATEGIC REPORT

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's Statement and the Strategic Report which should be read in conjunction with this report.

RESULTS AND DIVIDENDS

The results for the year ended 30 September 2013 are set out in the Group Statement of Comprehensive Income on page 91.

An interim dividend of 6.25p per ordinary share was paid on 5 July 2013 (2012: 5.95p).

The directors recommend a final dividend in respect of the year ended 30 September 2013 of 6.25p per ordinary share (2012: 6.05p), making a total dividend for the year of 12.5p per ordinary share (2012: 12.0p). If authorised at the 2014 AGM, the dividend will be paid on 14 February 2014 to members on the register at the close of business on 24 January 2014. 3.75p of the dividend will be paid as a PID and 2.5p as an ordinary dividend.

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.

The ordinary dividend is not subject to withholding tax.

SHARE CAPITAL

During the year, a total of 841,476 shares were issued at par, £4.29 and £2.65 on the exercise of employee share options. At 30 September 2013, the Company's issued share capital comprised 252,314,167 ordinary shares of 25p each.

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

DIRECTORS

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

Details of the directors of the Company who served throughout the year ended 30 September 2013 and up to the date of the financial statements, and their interests in the ordinary share capital of the Company and details of options granted to executive directors under the Group's share schemes are set out in the Annual Remuneration Report on pages 69 to 78.

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 30 September and 27 November 2013, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules, that the following eight shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital amounting to a total of 46.62%:

	ISSUED SHARE CAPITAL %
BlackRock Inc	11.01
Norges Bank	8.01
Ameriprise 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 Banking Group plc	4.12
Stichting Pensioenfonds ABP	3.56

PURCHASE OF OWN SHARES

The Company was granted authority at the 2013 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2014 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 2013 to 27 November 2013.

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.

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 106 to 108.

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.

GREENHOUSE GAS REPORTING

This year we have followed the 2013 UK Government environmental reporting guidance and used 2013 UK Government's Greenhouse Gas Conversion Factors for Company Reporting. Greenhouse gas emissions are reported using the following parameters to determine what is included within landlord and tenant consumption:

- Scope 1 – direct emissions includes whole building gas data in Opera Quarter and St Martin's Courtyard. Fugitive emissions from air conditioning are included where it is the landlord's responsibility within the common parts. There are no company vehicles to report within Scope 1.
- Scope 2 – indirect energy emissions includes purchased electricity for the head office, landlord-controlled common parts areas and a small number of buildings where the occupied areas and common parts are on the same meter. Electricity used in refurbishment projects has not been recorded separately. In the majority of cases, the electricity consumed is recorded for the individual properties as part of the data collection for the management of common parts, but from 2014 contractors will be required to provide project-specific data.
- Scope 3 – other indirect emissions, which include emissions associated with electricity losses and generation. It also includes business air and rail travel, but no other business travel as, given the central London location, this is considered negligible.

Greenhouse gas emissions for our head office and the portfolio (including 50% of the joint venture on the basis of equity share) in tCO2e are set out below and show a 7% increase over the year which is attributable to both an increase in energy consumption and increased business travel.

	TOTAL OPERATIONAL CONTROL 2013 TCO2E	TOTAL OPERATIONAL CONTROL 2012 TCO2E
Scope 1 Direct (gas for wholly owned)	53.9	28.8
Scope 1 Direct (gas joint venture)	21.0	15.8
Scope 1 Direct (fugitive wholly owned)	3.5	7.2
Scope 1 Direct (fugitive joint venture)	4.1	n/d
Sub Total Scope 1	**82.5**	**51.8**
Scope 2 Indirect (wholly owned and head office electricity)	969.4	*914.4
Scope 2 Indirect (joint venture electricity)	118.0	168.0
Sub Total Scope 2	**1,087.4**	**1,082.4**
Scope 3 Other indirect air travel**	60.5	10.9
Scope 3 Other indirect energy use*** – electricity generation and losses (wholly owned and head office)	84.8	77.9
Scope 3 – Other indirect: energy use – electricity generation and losses (joint venture)	10.0	13.3
Sub Total Scope 3	**155.3**	**102.1**
Total All Scopes	**1,325.2**	**1,236.3**

*Restated electricity consumption due to inclusion of omitted data for Charlotte Street

**Air travel data restated for 2012

***Restatement for 2012 data due to changes in transmission and distribution factor significantly reduced for 2013 compared with previous Defra guidance

Consistent with the reported year-on-year emissions, the intensity measure has increased from 68 $kgCO_2/m^2$ to 70.8 $kgCO_2/m^2$ for the wholly owned portfolio but has decreased in St Martin's Courtyard from 155.6 $kgCO_2/m^2$ to 117.7 $kgCO_2/m^2$.

It should be noted that the common parts floor area is linked to consumption using an estimate of 10% of portfolio floor area. It is recognised that this approach may result in understatement and will, therefore, be reviewed in 2014.

The greenhouse gas emission data for 2012 and 2013 has been externally verified by Planet and Prosperity Limited. The verification statements may be found on the Company's website.

Energy consumption (not including solar-derived energy at St Martin's Courtyard) has increased from 2,593,355 kWh in 2012 to 2,824,553 kWh for 2013, an increase of 9% compared with the target of a 5% reduction against 2011-2012. The increase is due to increased activity in the portfolio.

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

EMPLOYMENT AND ENVIRONMENTAL MATTERS

The Group has 23 employees. KPIs relating to employees and the Group's employment and environmental policies are summarised in Corporate Responsibility on pages 43 to 45 and are also available in full on the Group's website.

INDEPENDENT AUDITORS

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2014 AGM. The Board, on the advice of the Audit Committee, recommends their reappointment. PricewaterhouseCoopers LLP have consented to act if re-appointed.

2014 ANNUAL GENERAL MEETING

The 2014 AGM will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares and authority to call a general meeting on not less than 14 days' notice. The resolutions are set out in the Notice of Meeting together with explanatory notes which are contained in a separate circular to shareholders which accompanies this Annual Report.

DISCLOSURE OF INFORMATION TO AUDITORS

Each director has confirmed that:

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

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

This confirmation is given in accordance with section 418 of the Companies Act 2006.

By Order of the Board

Penny Thomas
Company Secretary

27 November 2013

Summary report by the valuer

To the Directors of Shaftesbury PLC

In accordance with your instructions, we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30 September 2013 (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 25 November 2013 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2013 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. Charles Smith is the signatory of our Reports. This is the first time that he has been signatory of valuation reports addressed to the Subsidiary Companies. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars. There 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 2013, 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 2013, 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 £16,962,000 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 2013, of the freehold and long leasehold property interests owned by the Company and the Subsidiary Companies, subject to the Assumptions and comments in our Reports dated 25 November 2013, were as follows:-

Freehold properties	£1,793,310,000 (One billion, seven hundred and ninety-three million, three hundred and ten thousand pounds)
Long leasehold properties	£115,595,000 (One hundred and fifteen million, five hundred and ninety-five thousand pounds)
Total	**£1,908,905,000** **(One billion, nine hundred and eight million, nine hundred and five thousand pounds)**

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

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

Charles Smith MRICS
International Director
RICS Registered Valuer

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

Directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Remuneration Reports comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Each of the directors, whose names and functions are listed on pages 54 to 55 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained on pages 9 to 51 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Independent auditors' report

To the members of Shaftesbury PLC

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- 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 2013 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The 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.

This opinion is to be read in the context of what we say below.

WHAT WE HAVE AUDITED

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by Shaftesbury PLC, comprise:

- the Group Statement of Comprehensive Income for the year ended 30 September 2013;
- the Group and Parent Company Balance Sheets as at 30 September 2013;
- the Group and Parent Company Statements of Cash Flows and Changes in Shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £3.1 million. Our materiality was based on profit before tax, adjusted for net finance income and investment property valuation movements.

OVERVIEW OF THE SCOPE OF OUR AUDIT

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

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, notably in respect of accounting estimates relating to the valuation of investment properties. This required them to make assumptions and consider future events that are inherently uncertain. We primarily focused our work on these significant accounting estimates by assessing the directors' judgements against available evidence, forming our own independent judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 80.

AREA OF FOCUS	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE AREA OF FOCUS
Valuation of investment properties We focused on this area because of the magnitude of the balance and the underlying assumptions involved in determining the fair value of investment properties involve significant judgement and complexities.	We tested the data inputs to the investment property including rental income, acquisitions and capital expenditure, by checking them back to supporting documentation. We met with management's third party valuers to understand and assess the assumptions used in the valuation. We tested the valuation performed by the external valuers by challenging the assumptions used in the calculation, including tenure and tenancy of properties, prevailing market yields and comparable market transactions.
Risk of fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve planned results.	We tested key controls over the completeness, accuracy and timing of revenue recognised in the financial statements and we also tested income back to signed leases and the reconciliations of revenue to cash receipts. We also met with management to understand the key fraud risks and controls and tested manual journals related to revenue accounts to identify unusual or irregular items.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of potential bias by the directors that might indicate a risk of material misstatement due to fraud. In particular, we tested key estimates and journal entries.

GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 58, in relation to going concern. We have nothing to report having performed our review.

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

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

OPINIONS ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Annual Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Corporate Governance Statement set out on pages 56 to 58 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

CORPORATE GOVERNANCE STATEMENT

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

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

On page 86 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 80, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

OTHER INFORMATION IN THE ANNUAL REPORT

Under ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

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

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 86, the directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company financial statements in accordance with applicable law and ISAs (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.

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

London
27 November 2013

FINANCIAL STATEMENTS

Group statement of comprehensive income

For the year ended 30 September 2013

	NOTE	2013 £M	2012 £M
Continuing operations			
Revenue from properties	4	**89.6**	87.0
Property charges	5	**(16.4)**	(16.0)
Net property income	6	**73.2**	71.0
Administrative expenses	7	**(7.5)**	(7.2)
Charge for annual bonuses		**(1.4)**	(1.2)
Charge in respect of equity settled remuneration	8	**(2.7)**	(1.6)
Total administrative expenses		**(11.6)**	(10.0)
Operating profit before investment property disposals and valuation movements		**61.6**	61.0
Profit on disposal of investment properties		**-**	1.6
Investment property valuation movements	13	**174.3**	90.2
Operating profit		**235.9**	152.8
Finance income		**0.1**	0.1
Finance costs	9	**(31.3)**	(29.9)
Change in fair value of derivative financial instruments	21	**37.0**	(28.2)
Net finance income/(costs)		**5.8**	(58.0)
Profit before tax		**241.7**	94.8
Current tax		**(0.2)**	(0.6)
Deferred tax		**(2.2)**	(1.2)
Tax charge for the year	10	**(2.4)**	(1.8)
Profit and total comprehensive income for the year		**239.3**	93.0
Earnings per share:	11		
Basic		**95.0p**	37.1p
Diluted		**94.7p**	36.8p
EPRA		**12.0p**	12.2p

The notes on pages 95 to 113 form an integral part of this Group financial information.

Balance sheets

As at 30 September 2013

	NOTE	GROUP 2013 £M	GROUP 2012 £M	COMPANY 2013 £M	COMPANY 2012 £M
Non-current assets					
Investment properties	13	**2,046.6**	1,823.5	**-**	-
Lease incentives	14	**9.3**	8.2	**-**	-
Property, plant and equipment		**0.6**	0.6	**0.6**	0.6
Investment in subsidiaries	15	**-**	-	**626.0**	638.2
Investment in joint venture	16	**-**	-	**59.0**	59.0
		2,056.5	1,832.3	**685.6**	697.8
Current assets					
Trade and other receivables	17	**19.7**	17.4	**585.5**	521.3
Cash and cash equivalents	18	**5.7**	5.3	**-**	-
Total assets		**2,081.9**	1,855.0	**1,271.1**	1,219.1
Current liabilities					
Trade and other payables	19	**35.8**	34.3	**7.5**	14.8
Non-current liabilities					
Borrowings	20	**610.5**	561.6	**554.1**	504.8
Derivative financial instruments	21	**95.8**	132.8	**95.8**	132.8
Deferred tax liabilities	23	**9.1**	6.9	**-**	-
Total liabilities		**751.2**	735.6	**657.4**	652.4
Net assets		**1,330.7**	1,119.4	**613.7**	566.7
Equity					
Ordinary shares	24	**63.1**	62.9	**63.1**	62.9
Share premium	25	**124.3**	123.6	**124.3**	123.6
Share based payments reserve	25	**3.0**	2.7	**3.0**	2.7
Retained earnings	25	**1,140.3**	930.2	**423.3**	377.5
Total equity		**1,330.7**	1,119.4	**613.7**	566.7
Net asset value per share:	26				
Basic		**£5.27**	£4.45		
Diluted		**£5.26**	£4.43		
EPRA		**£5.67**	£4.98		

The notes on pages 95 to 113 form an integral part of this Group financial information.

On behalf of the Board who approved the financial statements on pages 91 to 113 on 27 November 2013.

Brian Bickell
Chief Executive

Christopher Ward
Finance Director

Cash flow statements

For the year ended 30 September 2013

	NOTE	GROUP 2013 £M	GROUP 2012 £M	COMPANY 2013 £M	COMPANY 2012 £M
Cash flows from operating activities					
Cash generated from operating activities	27	**62.0**	59.4	**(9.0)**	(9.1)
Interest received		**0.1**	0.1	**-**	-
Interest paid		**(30.4)**	(28.7)	**(27.8)**	(28.1)
Corporation tax paid		**(0.4)**	(0.5)	**-**	-
Net cash generated from operating activities		**31.3**	30.3	**(36.8)**	(37.2)
Cash flows from investing activities					
Property acquisitions		**(28.1)**	(44.7)	**-**	-
Capital expenditure on properties		**(20.7)**	(16.9)	**-**	-
Proceeds from sales of properties		**-**	2.6	**-**	-
Purchase of property, plant and equipment		**(0.2)**	(0.2)	**(0.2)**	(0.2)
Dividends received from joint venture		**-**	-	**0.3**	2.4
Net cash used in investing activities		**(49.0)**	(59.2)	**0.1**	2.2
Cash flows from financing activities					
Proceeds from exercise of share options		**0.9**	1.0	**0.9**	1.0
Proceeds from/(repayment of) borrowings	28	**48.5**	1.4	**48.9**	(1.6)
Proceeds from secured term loan	28	**-**	60.0	**-**	-
Facility arrangement costs	28	**-**	(0.7)	**-**	-
Payment of head lease liabilities	28	**(0.4)**	(0.2)	**-**	-
Equity dividends paid		**(30.9)**	(29.3)	**(30.9)**	(29.3)
Decrease in loans to subsidiaries		**-**	-	**17.8**	12.7
Decrease in loans to joint venture		**-**	-	**-**	52.2
Net cash from financing activities		**18.1**	32.2	**36.7**	35.0
Net change in cash and cash equivalents		**0.4**	3.3	**-**	-
Cash and cash equivalents at the beginning of the year	18	**5.3**	2.0	**-**	-
Cash and cash equivalents at the end of the year	18	**5.7**	5.3	**-**	-

The notes on pages 95 to 113 form an integral part of this Group financial information.

Statements of changes in shareholders' equity

For the year ended 30 September 2013

	NOTE	ORDINARY SHARES £M	SHARE PREMIUM £M	SHARE BASED PAYMENTS RESERVE £M	RETAINED EARNINGS £M	TOTAL £M
Group						
At 1 October 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	12	-	-	-	(29.5)	(29.5)
Shares issued in connection with the exercise of share options	24	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**
Total comprehensive income and profit for the year		**-**	**-**	**-**	**239.3**	**239.3**
Transactions with owners:						
Dividends paid during the year	12	**-**	**-**	**-**	**(31.1)**	**(31.1)**
Shares issued in connection with the exercise of share options	24	**0.2**	**0.7**	**-**	**-**	**0.9**
Fair value of share based payments	8	**-**	**-**	**2.2**	**-**	**2.2**
Transfer in respect of options exercised		**-**	**-**	**(1.9)**	**1.9**	**-**
At 30 September 2013		**63.1**	**124.3**	**3.0**	**1,140.3**	**1,330.7**
Company						
At 1 October 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	12	-	-	-	(29.5)	(29.5)
Shares issued in connection with the exercise of share options	24	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**
Total comprehensive income and profit for the year		**-**	**-**	**-**	**75.0**	**75.0**
Transactions with owners:						
Dividends paid during the year	12	**-**	**-**	**-**	**(31.1)**	**(31.1)**
Shares issued in connection with the exercise of share options	24	**0.2**	**0.7**	**-**	**-**	**0.9**
Fair value of share based payments	8	**-**	**-**	**2.2**	**-**	**2.2**
Transfer in respect of options exercised		**-**	**-**	**(1.9)**	**1.9**	**-**
At 30 September 2013		**63.1**	**124.3**	**3.0**	**423.3**	**613.7**

The notes on pages 95 to 113 form an integral part of this Group financial information.

Notes to the financial statements

For the year ended 30 September 2013

1. GENERAL INFORMATION

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 30 September 2013 comprise the results of the Company, its subsidiaries and joint venture and were approved by the Board for issue on 27 November 2013.

The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 10 to 13.

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 55.

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 periods 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 £75.0 million (2012: £0.1 million) in the year.

GOING CONCERN

The Group adopts the going concern basis in preparing its consolidated financial statements as explained on page 58.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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

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

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. The investment property valuations contain a number of assumptions upon which DTZ Debenham Tie Leung Limited and Knight Frank LLP have based their valuations; these are detailed in the Basis of Valuation on pages 50 to 51 . These assumptions are in accordance with the RICS Valuation Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial condition.

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 2012:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
IAS 1 'Presentation of financial statements' on OCI	1 July 2012

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

b) Standards, amendments and interpretations relevant to the Group that are not yet effective in the year ending 30 September 2013 and not expected to have a significant impact on the Group's financial statements:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
IFRS 10 Consolidated financial statements	1 January 2014
IFRS 12 Disclosure of interests in other entities	1 January 2014
IAS 27 (revised 2011) Separate financial statements	1 January 2014
IAS 28 (revised 2011) Associates and joint ventures	1 January 2014
IAS 32 Financial instruments presentation on offsetting financial assets and liabilities	1 January 2014
IFRS 7 Financial instruments asset and liability offsetting	1 January 2013
IFRS 9 Financial instruments - classification and measurement	1 January 2015
IAS 39 Financial instruments - recognition and measurement	1 January 2014
Annual improvements 2011	1 January 2013
IAS 19 (revised 2011) Employee benefits	1 January 2013
IAS 12 Income taxes on deferred tax	1 January 2013
IAS 36 Impairment of assets	1 January 2014

2. ACCOUNTING POLICIES CONTINUED

c) The following new standards are relevant to the Group but not yet effective in the year ending 30 September 2013 which are expected to have a significant impact on the Group's financial statements:

STANDARD OR INTERPRETATION	EFFECTIVE FROM	IMPACT ON FINANCIAL STATEMENTS
IFRS 11 Joint arrangements	1 January 2014	The Group currently accounts for its joint venture using proportionate consolidation. Under IFRS 11, joint ventures must be accounted for on an equity basis. This will result in the Group recognising a single line item for the investment and its share of the joint venture's profit or loss. This change will not affect the Group's reported net assets nor profit after tax.
IFRS 13 Fair value measurement	1 January 2013	Under IFRS 13 the Group's derivative financial instruments will be subject to a credit value adjustment (CVA). The CVA takes into account the credit worthiness of the respective counterparties. The impact will be to increase/(decrease) reported net assets if the fair value is in a liability/(asset) position and increase/(decrease) profit after tax.

BASIS OF CONSOLIDATION

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

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

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

JOINT VENTURES

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

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

The profit or loss arising on transactions with the joint venture entity are recognised only to the extent 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 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.

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.

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments 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.

2. ACCOUNTING POLICIES CONTINUED

BORROWINGS AND COSTS OF RAISING FINANCE

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Expenses and discounts relating to the issue of long-term debt are deducted from the proceeds and written-off in the Statement of Comprehensive Income over the life of the debt instrument using an effective yield method. Any premium arising on the issue of long-term debt is added to the proceeds and credited to the Statement of Comprehensive Income over the life of the debt instrument using an effective interest method.

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, 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 the earlier of 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.

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

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

The amount charged in the Statement of Comprehensive Income is credited to the share based payments reserve. Following the exercise of share options, the charges previously recognised in respect of these options are released from the share based payments reserve to retained earnings.

(ii) Pension contributions

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

LEASES

(i) The Group as lessor

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

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

(ii) *The Group as a lessee*

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 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 the leasehold investment property and to long-term liabilities. On payment of ground rent all of the costs are 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.

2. ACCOUNTING POLICIES CONTINUED

CURRENT AND DEFERRED CORPORATION TAX

The tax expense or credit in a given year comprises current and deferred tax.

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

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

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

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

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.

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

	2013 £M	2012 £M
Rents receivable		
Wholly owned Group	**77.6**	75.4
Group's share of Longmartin joint venture (note 16)	**5.9**	5.6
Rents receivable	**83.5**	81.0
Recoverable property expenses	**6.1**	6.0
	89.6	87.0

Rents receivable includes lease incentives recognised of £1.3 million (2012: £1.5 million).

5. PROPERTY CHARGES

	2013 £M	2012 £M
Property operating costs	**4.8**	4.9
Fees payable to managing agents	**1.9**	1.7
Letting, rent review, and lease renewal costs	**2.5**	2.5
Village promotion costs	**1.1**	0.9
Property outgoings	**10.3**	10.0
Recoverable property expenses	**6.1**	6.0
	16.4	16.0

6. NET PROPERTY INCOME

	2013 £M	2012 £M
Wholly owned Group	**67.9**	66.2
Group's share of Longmartin joint venture (note 16)	**5.3**	4.8
	73.2	71.0

7. ADMINISTRATIVE EXPENSES

	2013 £M	2012 £M
Administrative expenses include:		
Administrative fees receivable from joint venture	**(0.2)**	(0.2)
Depreciation	**0.2**	0.2
Operating lease rentals - office premises	**0.2**	0.2

AUDITOR'S REMUNERATION	2013 £000	2012 £000
Audit of the Company	**50**	45
Audit of the consolidated Group	**83**	89
Total audit services	**133**	134
Audit related assurance services, including the interim review	**20**	19
Other assurance services	**-**	6
Total assurance services	**20**	25
Total audit and assurance services	**153**	159
Tax compliance services	**36**	56
Tax advisory services	**24**	88
Services related to taxation	**60**	144
Other non-audit services	**6**	-
Total fees related to taxation and other non-audit services	**66**	144
Total fees	**219**	303

The £6,000 (2012: £Nil) of other non-audit services related to accounting and reporting advice.

Total audit and assurance fees accounted for 70% (2012: 52%) of total fees paid to PricewaterhouseCoopers LLP.

EMPLOYEE COSTS (GROUP)	£M	£M
Wages and salaries	**3.2**	2.9
Annual bonuses (including social security costs)	**1.4**	1.2
Social security costs	**0.4**	0.4
Other pension costs	**0.4**	0.4
Equity settled remuneration (see note 8)	**2.7**	1.6
	8.1	6.5

AVERAGE MONTHLY NUMBER OF EMPLOYEES (GROUP)	NUMBER	NUMBER
Executive directors	**4**	5
Head office and property management	**16**	15
Estate management	**2**	2
	22	22

A summary of directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Annual Remuneration Report on pages 69 to 78.

8. CHARGE IN RESPECT OF EQUITY SETTLED REMUNERATION

	2013 £M	2012 £M
Charge for share based remuneration	**2.2**	1.2
Employer's national insurance in respect of share awards and share options vested or expected to vest	**0.5**	0.4
	2.7	1.6

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

9. FINANCE COSTS

	2013 £M	2012 £M
Debenture stock interest and amortisation	**5.0**	5.0
Bank and other interest	**9.8**	10.0
Facility arrangement cost amortisation	**0.5**	0.6
Amounts payable under derivative financial instruments	**15.6**	14.1
Amounts payable under head leases	**0.4**	0.2
	31.3	29.9

10. TAXATION

	2013 £M	2012 £M
Current tax		
UK corporation tax	**0.2**	0.6
Deferred tax		
Provided in respect of investment property revaluation gains	**2.1**	1.1
Provided in respect of capital allowances	**0.1**	0.1
	2.2	1.2
Tax charge for the year	**2.4**	1.8
Factors affecting the tax charge:		
Profit before tax	**241.7**	94.8
UK corporation tax at 23.5% (2012: 25%)	**56.8**	23.7
REIT tax exempt profits and gains	**(7.1)**	(7.7)
Fair value movements not provided due to REIT status	**(37.9)**	(21.5)
Non REIT fair value adjustments not allowable for tax purposes	**(8.7)**	7.1
Excess losses of residual business not recognised	**0.4**	0.6
Change in deferred tax rate	**(1.1)**	(0.4)
Tax charge for the year	**2.4**	1.8

The reconciliation of the prior year tax charge has been restated to reflect a consistent presentation with the current year analysis. This has no impact on the prior year tax charge, the reported results and net assets in either year.

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

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

11. EARNINGS PER SHARE

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

	2013			2012		
	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	**239.3**	**251.9**	**95.0**	93.0	251.0	37.1
EPRA adjustments:						
Profit on sale of investment properties	**-**		**-**	(1.6)		(0.6)
Investment property valuation movements	**(174.3)**		**(69.2)**	(90.2)		(36.0)
Movement in fair value of derivative financial instruments	**(37.0)**		**(14.7)**	28.2		11.2
Deferred tax on property valuations and capital allowances	**2.2**		**0.9**	1.2		0.5
EPRA	**30.2**	**251.9**	**12.0**	30.6	251.0	12.2
Diluted	**239.3**	**252.7**	**94.7**	93.0	252.4	36.8

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.

12. DIVIDENDS PAID

	2013 £M	2012 £M
Final dividend paid in respect of:		
Year ended 30 September 2012 at 6.05p per share	**15.4**	-
Year ended 30 September 2011 at 5.75p per share	**-**	14.6
Interim dividend paid in respect of:		
Six months ended 31 March 2013 at 6.25p per share	**15.7**	-
Six months ended 31 March 2012 at 5.95p per share	**-**	14.9
	31.1	29.5

The final dividend was approved by the Board on 27 November 2013. Subject to approval by shareholders at the 2014 AGM, the final dividend will be paid on 14 February 2014 to shareholders on the register at 24 January 2014. 3.75p of the total distribution of 6.25p per share will be paid as a PID under the UK REIT regime and 2.50p will be paid as an ordinary dividend. The dividend totalling £15.8 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2014.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 471,760 (2012: 355,644) ordinary shares during the year.

13. INVESTMENT PROPERTIES

	2013 £M	2012 £M
At 1 October	**1,818.1**	1,670.0
Acquisitions	**28.0**	44.0
Refurbishment and other capital expenditure	**20.8**	14.9
Disposals	**-**	(1.0)
Net gain on revaluation	**174.3**	90.2
	2,041.2	1,818.1
Add: Head leases capitalised	**5.4**	5.4
Book value at 30 September	**2,046.6**	1,823.5
Fair value at 30 September:		
Properties valued by DTZ Debenham Tie Leung Limited	**1,908.9**	1,699.0
Properties valued by Knight Frank LLP	**143.7**	129.2
	2,052.6	1,828.2
Add: Head lease capitalised	**5.4**	5.4
Less: Lease incentives recognised to date	**(11.4)**	(10.1)
Book value at 30 September	**2,046.6**	1,823.5
Historic cost of properties carried at valuation	**1,076.0**	1,027.2

Investment properties were subject to external valuation as at 30 September 2013 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, either working for DTZ Debenham Tie Leung Limited, Chartered Surveyors (in respect of the Group's wholly owned portfolio) or Knight Frank LLP, Chartered Surveyors (in respect of properties owned by Longmartin Properties Limited), both firms acting in the capacity of External Valuers. All such properties were valued on the basis of fair value in accordance with the RICS Valuation - Professional Standards 2012.

The investment properties valuation comprises:

	2013 £M	2012 £M
Freehold properties	**1,793.3**	1,590.7
Leasehold properties with an unexpired term of over 50 years	**150.7**	136.4
Notional apportionment in respect of part freehold/part leasehold greater than 50 years unexpired	**108.6**	101.1
	2,052.6	1,828.2

The fair value of each of the properties has been primarily derived using comparable recent market transactions on an arm's length basis. There are a number of assumptions that are made in deriving the fair value including assessments of market yields and estimated income. The key assumptions are set out in the Basis of Valuation on pages 50 to 51.

13. INVESTMENT PROPERTIES CONTINUED

EXTERNAL VALUATION FEES

	2013 £M	2012 £M
Annual and half year valuations	**0.3**	0.3
Bank security valuations	**0.1**	0.1
	0.4	0.4

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

CAPITAL COMMITMENTS

	WHOLLY OWNED GROUP		LONGMARTIN JOINT VENTURE*	
	2013 £M	2012 £M	2013 £M	2012 £M
Authorised and contracted	**19.1**	8.1	**0.2**	-
Authorised but not contracted	**0.5**	16.5	**-**	0.2

*Group's share.

The Company had £0.4 million (2012: £Nil) of authorised and contracted capital commitments at 30 September 2013.

14. LEASE INCENTIVES

	2013 £M	2012 £M
Lease incentives recognised to date	**11.4**	10.1
Less: included in trade and other receivables (note 17)	**(2.1)**	(1.9)
	9.3	8.2

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

15. INVESTMENT IN SUBSIDIARIES

	2013 £M	2012 £M
Shares in Group undertakings		
At 1 October	**638.2**	638.2
Write-off of non-trading subsidiary prior to liquidation	**(12.2)**	-
At 30 September	**626.0**	638.2

During the year the Company wrote-down the book value of its non-trading subsidiary, Covent Garden Central Portfolio Limited to £Nil, following the receipt of a £12.2 million distribution prior to liquidation.

The Group comprises a number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of directors, principally affect the financial statements.

The Company owns, directly, all of the ordinary issued share capital of the following principal subsidiary undertakings:

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

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

16. INVESTMENT IN JOINT VENTURE

	2013 £M	2012 £M
Shares at cost		
1 October	**59.0**	79.0
Capital repaid by joint venture	**-**	(20.0)
At 30 September	**59.0**	59.0

16. INVESTMENT IN JOINT VENTURE CONTINUED

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

Longmartin Properties Limited's principal place of business is the same as the Group's, as set out on page 55.

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 paid £16.0 million (2012: £16.0 million) in dividends to its shareholders which were settled through joint venture indebtedness. The company also paid £0.5 million (2012: £4.8 million) in cash dividends.

The Group's share of the results of its joint venture for the year ended 30 September 2013 and of 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:

	2013 £M	2012 £M
Statement of Comprehensive Income		
Rents receivable (adjusted for lease incentives)	**5.9**	5.6
Recoverable property expenses	**0.6**	0.5
Revenue from properties	**6.5**	6.1
Property outgoings	**(0.6)**	(0.8)
Recoverable property expenses	**(0.6)**	(0.5)
Property charges	**(1.2)**	(1.3)
Net property income	**5.3**	4.8
Administrative expenses	**(0.3)**	(0.3)
Operating profit before investment property valuation movements	**5.0**	4.5
Investment property revaluation movements	**13.0**	6.0
Operating profit	**18.0**	10.5
Net finance costs	**(2.9)**	(1.5)
Profit before tax	**15.1**	9.0
Current tax	**(0.3)**	(0.6)
Deferred tax	**(2.2)**	(1.2)
Tax charge for the year	**(2.5)**	(1.8)
Profit and total comprehensive income for the year	**12.6**	7.2
Transactions with owners:		
Dividends paid	**(8.3)**	(10.4)
Movement in retained earnings	**4.3**	(3.2)

	2013 £M	2012 £M
Balance Sheet		
Non-current assets		
Investment properties at book value	**145.3**	130.8
Lease incentives	**3.1**	3.1
	148.4	133.9
Current assets	**7.4**	15.6
Total assets	**155.8**	149.5
Current liabilities	**5.3**	5.5
Non-current liabilities		
Secured term loan	**60.0**	60.0
Other non-current liabilities	**13.9**	11.7
Total liabilities	**79.2**	77.2
Net assets attributable to the Shaftesbury Group	**76.6**	72.3

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Amounts due from tenants	**11.4**	12.3	**-**	-
Provision for doubtful debts	**(0.4)**	(0.3)	**-**	-
	11.0	12.0	**-**	-
Lease incentives (note 14)	**2.1**	1.9	**-**	-
Amounts due from subsidiaries	**-**	-	**584.8**	520.9
Other receivables and prepayments	**6.6**	3.5	**0.7**	0.4
	19.7	17.4	**585.5**	521.3

Amounts due from tenants at each year end included amounts contractually due and invoiced on 29 September in respect of rents and service charge contributions in advance for the period 29 September to 24 December. As of 30 September 2013, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2013, totalled £1.2 million (2012: £1.4 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.4 million (2012: £0.3 million).

At 30 September 2013, cash deposits totalling £13.7 million (2012: £11.0 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents.

18. CASH AND CASH EQUIVALENTS

Cash balances at 30 September 2013 included amounts of £4.2 million (2012: £4.2 million), which are held in accounts or on deposit that have certain conditions that restrict 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.

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Rents and service charges invoiced in advance	**19.4**	17.7	**-**	-
Corporation tax	**0.2**	0.4	**-**	-
Amounts due in respect of property acquisitions	**0.1**	0.2	**-**	-
Trade payables and accruals in respect of capital expenditure	**4.6**	4.5	**-**	-
Amounts due to joint venture	**-**	-	**-**	8.0
Other payables and accruals*	**11.5**	11.5	**7.5**	6.8
	35.8	34.3	**7.5**	14.8
* Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's and joint venture's assets.	**3.1**	3.0	**2.5**	2.3

20. BORROWINGS

	2013			2012		
	NOMINAL VALUE £M	UNAMORTISED PREMIUM AND ISSUE COSTS £M	BOOK VALUE £M	NOMINAL VALUE £M	UNAMORTISED PREMIUM AND ISSUE COSTS £M	BOOK VALUE £M
Group						
Debenture Stock	**61.0**	**2.5**	**63.5**	61.0	2.6	63.6
Secured bank loans	**484.2**	**(2.0)**	**482.2**	435.7	(2.5)	433.2
Secured term loan	**60.0**	**(0.6)**	**59.4**	60.0	(0.6)	59.4
Debenture and secured loans	**605.2**	**(0.1)**	**605.1**	556.7	(0.5)	556.2
Head lease obligations	**5.4**	**-**	**5.4**	5.4	-	5.4
Total borrowings	**610.6**	**(0.1)**	**610.5**	562.1	(0.5)	561.6
Company						
Debenture Stock	**61.0**	**2.5**	**63.5**	61.0	2.6	63.6
Secured bank loans	**492.6**	**(2.0)**	**490.6**	443.7	(2.5)	441.2
Debenture and bank borrowings	**553.6**	**0.5**	**554.1**	504.7	0.1	504.8

NET DEBT (GROUP)

	2013 £M	2012 £M
Borrowings (as above)	**610.6**	562.1
Cash and cash equivalents (note 18)	**(5.7)**	(5.3)
	604.9	556.8

The Group's head lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 167 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 2013, Group and Company bank loans included overdrafts of £0.7 million (2012: £0.8 million).

AVAILABILITY AND MATURITY OF GROUP BORROWINGS

	2013 FACILITIES		2012 FACILITIES	
	COMMITTED £M	UNDRAWN £M	COMMITTED £M	UNDRAWN £M
Repayable between 10 and 15 years	**121.0**	**-**	121.0	-
Repayable between 5 and 10 years	**200.0**	**32.5**	200.0	65.1
Repayable between 2 and 5 years	**375.0**	**58.3**	375.0	74.2
	696.0	**90.8**	696.0	139.3
Head lease obligations - leases expiring in 167 years	**5.4**	**-**	5.4	-
	701.4	**90.8**	701.4	139.3

20. BORROWINGS CONTINUED

INTEREST RATE PROFILE OF INTEREST BEARING BORROWINGS (GROUP)

	INTEREST RATE FIXED UNTIL	2013 DEBT £M	2013 INTEREST RATE	2012 DEBT £M	2012 INTEREST RATE
Floating rate borrowings					
LIBOR-linked loans (including margin)	12.2013 (at the latest)	**124.2**	**1.41%**	75.7	1.50%
Hedged borrowings					
Interest rate swaps (including margin)	see below	**360.0**	**5.78%**	360.0	5.75%
Total bank borrowings		**484.2**	**4.66%**	435.7	5.01%
Fixed rate borrowings					
Secured term loan	12.2026	**60.0**	**4.43%**	60.0	4.43%
8.5% First Mortgage Debenture Stock - book value	3.2024	**63.5**	**7.93%**	63.6	7.93%
Weighted average cost of drawn borrowings			**4.98%**		5.28%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2013, the weighted average charge on the undrawn facilities of £90.8 million (2012: £139.3 million) was 0.52% (2012: 0.54%).

At 30 September 2013, the weighted average credit margin on the Group's current bank facilities was:

	2013	2012
Drawn facilities	**0.91%**	0.88%
If facilities were fully drawn	**1.04%**	1.04%

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 2013 of 4.87%. The swaps, which are settled against three month LIBOR, expire between December 2027 and November 2038. The weighted average term is 19.4 years (2012: 20.4 years). If mutual break or early termination options are exercised the weighted average term is 4.2 years (2012: 5.2 years).

21. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS	2013 BOOK VALUE £M	2012 BOOK VALUE £M
Group		
Financial liabilities at fair value through the profit and loss	**(95.8)**	(132.8)
Financial assets: loans and receivables		
Trade and other receivables (note 17)	**11.0**	12.0
Cash and cash equivalents (note 18)	**5.7**	5.3
	16.7	17.3
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 19)	**(16.1)**	(16.0)
Interest bearing borrowings (note 20)	**(605.1)**	(556.2)
Head lease obligations (note 20)	**(5.4)**	(5.4)
	(626.6)	(577.6)
Net financial instruments	**(705.7)**	(693.1)
Company		
Interest rate swaps	**(95.8)**	(132.8)
Financial assets: loans and receivables		
Loans receivable from subsidiaries (note 17)	**584.8**	520.9
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 19)	**(7.5)**	(6.8)
Interest bearing borrowings (note 20)	**(554.1)**	(504.8)
Loan payable to joint venture (note 19)	**-**	(8.0)
	(561.6)	(519.6)
Net financial instruments	**(72.6)**	(131.5)

21. FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

	2013 £M	2012 £M
Interest rate swaps		
At 1 October - deficit	**(132.8)**	(104.6)
Fair value deficit credited/(charged) to the Statement of Comprehensive Income	**37.0**	(28.2)
At 30 September - deficit	**(95.8)**	(132.8)

Changes in the fair value of the Group's interest rate swaps, which are not held for speculative purposes, are reflected in the Statement of Comprehensive Income as the Group has chosen not to adopt hedge accounting under the provisions of IAS 39 (Financial Instruments: Recognition and Measurement).

The extent to which the fair value deficit will crystallise will depend on the course of interest rates over the life of the swaps. The weighted average maturity of the swaps at the Balance Sheet date is set out in note 20.

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 £14.0 million (2012: £18.5 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 are fair valued by J.C. Rathbone Associates Limited, 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.	-

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.

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

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

30 SEPTEMBER 2013	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	95.8	111.2	13.9	43.7	22.9	30.7
Financial liabilities						
Interest bearing borrowings:						
Principal	605.1	605.2	-	316.7	167.5	121.0
Interest	-	102.2	13.3	44.2	37.8	6.9
Head lease obligations	5.4	88.4	0.5	2.1	2.6	83.2
Total	**706.3**	**907.0**	**27.7**	**406.7**	**230.8**	**241.8**

21. FINANCIAL INSTRUMENTS CONTINUED

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

The Group's trade and other payables are all due within one year (2012: all due within one year).

22. MANAGEMENT OF FINANCIAL RISK

CREDIT RISK

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

The Group reviews the creditworthiness of potential tenants prior to entering into contractual arrangements. Where appropriate, tenants are required to provide cash rental deposits to mitigate the potential loss in the event of default. Deposits held are referred to in note 17. The Group has a large and diverse tenant base so that tenant credit risk is widely spread.

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

The Group's bankers are set out on page 55. The Group tends to hold minimal cash balances, utilising overdraft and loan facilities for its day-to-day cash requirements. Where cash deposits are held, they are placed with one of the Group's existing facility providers.

LIQUIDITY RISK

The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing commitments and to extend its portfolio through investment and acquisition of additional properties. The Group's policies regarding finance and its current financial position are set out in the Strategic Report on pages 38 to 40.

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 Strategic Report on pages 38 to 40, the Board keeps under review the Group's market risk, particularly in light of expectations of future interest rate movements.

Details of the Group's interest and hedging arrangements are set out in note 20.

INTEREST RATE SENSITIVITY

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

	MOVEMENT IN MARKET RATES		
	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	**(1.2)**	**(0.6)**	**0.6**
Decrease/(increase) in fair value deficit of interest rate swaps	**59.2**	**29.6**	**(29.6)**
Increase/(decrease) in profit and shareholders' equity	**58.0**	**29.0**	**(29.0)**

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 deposit. The type and maturity of the Group's borrowings is set out in note 20 and the Group's equity structure is set out in the Statement of Changes in Shareholders' Equity. The Group regularly reviews its covenant compliance as discussed in the Strategic Report on page 40.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The Group's capital structure such as levels of gearing and loan-to-value ratios are discussed in the Strategic Report on page 39 and 40.

23. DEFERRED TAX LIABILITIES

GROUP	2013 £M	2012 £M
At 1 October	**6.9**	5.7
Provided in the Statement of Comprehensive Income (note 10)	**2.2**	1.2
At 30 September	**9.1**	6.9
Comprising:		
Provision in respect of revaluation gains	**8.5**	6.4
Provision in respect of accelerated capital allowances	**0.6**	0.5
	9.1	6.9

A 20% tax rate (2012: 23%) has been used in the calculation of the deferred tax balance as this was substantively enacted at 30 September 2013.

24. ORDINARY SHARES

	2013 NUMBER MILLION	2012 NUMBER MILLION	2013 £M	2012 £M
Alloted and fully paid (ordinary 25p shares)				
At 1 October	**251.5**	250.5	**62.9**	62.6
Issued in connection with the exercise of share options	**0.8**	1.0	**0.2**	0.3
At 30 September	**252.3**	251.5	**63.1**	62.9

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

The following options to subscribe for ordinary shares granted to executive directors and employees under the Company's share option schemes were outstanding at 30 September 2013:

DATE OF GRANT	NUMBER OF SHARES UNDER OPTION OUTSTANDING 1.10.2012	AWARDED	EXERCISED	LAPSED	NUMBER OF SHARES UNDER OPTION OUTSTANDING 30.9.2013	EXERCISABLE 30.9.2013	OPTION EXERCISE PRICE	EXERCISE PERIOD
2001 Scheme								
15.12.2004	330,393	-	(330,393)	-	-	-	£2.65	2007-2014
Sharesave Scheme								
14.7.2009	13,122	-	-	-	13,122	-	£2.37	2012-2014
8.7.2011	22,654	-	(1,108)	(2,487)	19,059	-	£4.29	2014-2016
5.7.2012	30,219	-	-	-	30,219	-	£3.99	2015-2017
LTIP								
8.12.2009	509,975	-	(509,975)	-	-	-	Nil cost	2012-2013
8.12.2010*	595,180	-	-	(29,170)	566,010	-	Nil cost	2013-2014
7.12.2011	552,350	-	-	(24.097)	528,253	-	Nil cost	2014-2015
16.1.2012	65,800	-	-	-	65,800	-	Nil cost	2015
6.12.2012	-	576,475	-	-	576,475	-	Nil cost	2016-2017
	2,119,693	**576,475**	**(841,476)**	**(55,754)**	**1,798,938**	**-**		

* 283,005 options over ordinary shares will vest in December 2013, following satisfaction of performance targets in respect of the three years ended 30 September 2013.

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

SCHEME	DATE OF GRANT	DATE OF EXERCISE	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE AT EXERCISE
2001 Scheme	15.12.2004	23.5.2013	330,393	£6.59
LTIP	8.12.2009	10.12.2012	208,975	£5.53
	8.12.2009	23.5.2013	301,000	£6.59
Sharesave	8.7.2011	8.2.2013	1,108	£5.60

The rules of the schemes referred to above are set out on pages 64 to 67 of the Remuneration Policy Report.

25. RESERVES

The Statement of Changes in Shareholders' Equity is set out on page 94.

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

RESERVE	DESCRIPTION AND PURPOSE
Share premium	Share premium is the amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share based payments reserve	The equity settled remuneration expense charged to the Statement of Comprehensive Income is credited to the share based payments reserve. This is spread 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 2013 include amounts distributable of £259.2 million (2012: £250.2 million).

26. NET ASSET VALUE PER SHARE

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

	2013			2012		
	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	**1,330.7**	**252.3**	**5.27**	1,119.4	251.5	4.45
Additional equity if all vested share options are exercised	**0.2**	**0.9**		1.1	1.7	
Diluted	**1,330.9**	**253.2**	**5.26**	1,120.5	253.2	4.43
Fair value deficit in respect of Debenture and secured term loan	**(14.0)**		**(0.06)**	(18.5)		(0.08)
EPRA triple net	**1,316.9**	**253.2**	**5.20**	1,102.0	253.2	4.35
Fair value deficit in respect of Debenture and secured term loan	**14.0**		**0.06**	18.5		0.08
Fair value of derivative financial instruments	**95.8**		**0.37**	132.8		0.52
Deferred tax on property valuations and capital allowances	**9.1**		**0.04**	6.9		0.03
EPRA	**1,435.8**	**253.2**	**5.67**	1,260.2	253.2	4.98

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.

27. CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
OPERATING ACTIVITIES	2013 £M	2012 £M	2013 £M	2012 £M
Profit before tax	**241.7**	94.8	**75.0**	0.1
Adjusted for:				
Lease incentives recognised	**(1.3)**	(1.5)	**-**	-
Charge for share based remuneration	**2.2**	1.2	**2.2**	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	**(174.3)**	(90.2)	**-**	-
Net finance (income)/costs	**(5.8)**	58.0	**(8.7)**	56.5
Administrative charges, finance charges, and dividends received from subsidiaries settled through inter-company indebtedness	**-**	-	**(81.8)**	(56.3)
Dividends received from joint venture	**-**	-	**(8.3)**	(10.4)
Write-off of non-trading subsidiary prior to liquidation	**-**	-	**12.2**	-
Cash flows from operations before changes in working capital	**62.7**	60.9	**(9.2)**	(8.7)
Changes in working capital:				
Change in trade and other receivables	**(2.1)**	(1.4)	**(0.4)**	0.2
Change in trade and other payables	**1.4**	(0.1)	**0.6**	(0.6)
Cash generated from operating activities	**62.0**	59.4	**(9.0)**	(9.1)

28. MOVEMENT IN BORROWINGS

	1.10.2012 £M	CASH FLOWS £M	NON-CASH ITEMS £M	30.9.2013 £M
Group				
8.5% First Mortgage Debenture Stock 2024	(63.6)	-	0.1	**(63.5)**
Secured bank loans	(435.7)	(48.5)	-	**(484.2)**
Secured term loan	(60.0)	-	-	**(60.0)**
Facility arrangement costs	3.1	-	(0.5)	**2.6**
Head lease obligations	(5.4)	0.4	(0.4)	**(5.4)**
	(561.6)	**(48.1)**	**(0.8)**	**(610.5)**
Year ended 30 September 2012	(500.5)	(60.5)	(0.6)	(561.6)
Company				
8.5% First Mortgage Debenture Stock 2024	(63.6)	-	0.1	**(63.5)**
Secured bank loans	(443.7)	(48.9)	-	**(492.6)**
Facility arrangement costs	2.5	-	(0.5)	**2.0**
	(504.8)	**(48.9)**	**(0.4)**	**(554.1)**
Year ended 30 September 2012	(506.1)	1.6	(0.3)	(504.8)

29. OPERATING LEASES

THE GROUP AS LESSOR

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

	2013 £M	2012 £M
Not later than one year	**81.0**	74.9
Later than one year but not later than five years	**209.5**	192.7
Later than five years but not later than ten years	**142.2**	132.1
Later than ten years	**118.0**	130.0
	550.7	529.7

The comparative disclosure has been restated to include additional leases that should have been included in the prior year. This has no impact on the reported results and net assets in either year.

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 have a typical 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:

	2013 £M	2012 £M
Not later than one year	**0.1**	0.2
Later than one year but not later than five years	**-**	0.1
	0.1	0.3

The Group leases its head office accommodation.

30. OBLIGATIONS UNDER HEAD LEASES

GROUP	2013 £M	2012 £M
The minimum lease payments under head leases fall due as follows:		
Not later than one year	**0.3**	0.3
Later than one year but not more than five years	**1.0**	1.0
More than five years	**41.9**	42.2
	43.2	43.5
Future finance charges on head leases	**(37.8)**	(38.1)
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

31. RELATED PARTY TRANSACTIONS

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

	2013 £M	2012 £M
Transactions with subsidiaries:		
Administrative fees receivable	**8.5**	7.6
Dividends receivable	**43.8**	20.6
Interest receivable	**29.6**	28.1
Net amounts receivable from subsidiaries	**584.8**	520.9
Transactions with joint venture:		
Administrative fees receivable	**0.4**	0.3
Dividends receivable	**8.3**	10.4
Interest payable	**(0.2)**	(0.8)
Amount due to joint venture	**-**	(8.0)

All amounts are unsecured and are repayable on demand.

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 69 to 78, there were no other transactions with directors.

32. SHARE BASED REMUNERATION

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

	2006 LTIP
Grant date	6.12.2012
Share price at date of grant	£5.53
Exercise price	£Nil
Expected life – years	3
Performance condition	NAV and TSR
Assumed return volatility per annum	36%
Assumed dividend yield per annum	2.17%
Risk free discount rate per annum	0.34%
Assumed index return volatility* – TSR performance condition	34%
Assumed correlation between the Company's shares and those in the index*	0.79
Basis of option pricing:	
NAV performance condition	Modified binomial
TSR performance condition	Monte Carlo
Fair values:	
NAV	£5.18
TSR	£2.74

* The index is the FTSE 350 Real Estate Index.

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

The vesting conditions relating to options granted under 2006 LTIP are described in the Annual Remuneration Report on page 73.

Five year financial summary

INCOME STATEMENTS

	2013 £M	2012 £M	2011 £M	2010 £M	2009 £M
Rents receivable	**83.5**	81.0	75.4	65.7	61.7
Recoverable property expenses	**6.1**	6.0	6.0	5.5	6.1
	89.6	87.0	81.4	71.2	67.8
Property outgoings	**(16.4)**	(16.0)	(14.8)	(13.6)	(13.3)
Net property income	**73.2**	71.0	66.6	57.6	54.5
Administrative expenses	**(11.6)**	(10.0)	(9.6)	(8.2)	(6.8)
	61.6	61.0	57.0	49.4	47.7
Profit on disposal of properties	**-**	1.6	-	0.4	0.3
Property valuation movements	**174.3**	90.2	110.6	183.6	(48.1)
Operating profit/(loss)	**235.9**	152.8	167.6	233.4	(0.1)
Net finance costs	**(31.2)**	(29.8)	(27.8)	(27.1)	(26.4)
Change in fair value of derivative financial instruments	**37.0**	(28.2)	(24.1)	(34.4)	(31.6)
Profit/(loss) before taxation	**241.7**	94.8	115.7	171.9	(58.1)
Taxation charge	**(2.4)**	(1.8)	(1.9)	(4.8)	(0.3)
Profit/(loss) after taxation	**239.3**	93.0	113.8	167.1	(58.4)
Adjust for:					
Property disposal surpluses	**-**	(1.6)	-	(0.4)	(0.3)
Property valuation movements	**(174.3)**	(90.2)	(110.6)	(183.6)	48.1
Change in fair value of derivative financial instruments	**(37.0)**	28.2	24.1	34.4	31.6
Deferred tax on property valuations and capital allowances	**2.2**	1.2	1.5	4.1	-
Effect of REIT conversion	**-**	-	-	0.6	0.1
EPRA profit after taxation	**30.2**	30.6	28.8	22.2	21.1
Basic EPS	**95.0p**	37.1p	47.4p	73.6p	(31.3p)
EPRA EPS	**12.0p**	12.2p	12.0p	9.8p	11.3p
Total dividends per ordinary share declared in respect of the financial year:					
Actual	**12.50p**	12.00p	11.25p	10.25p	12.25p
Restated*	**-**	-	-	-	10.60p

* the interim 2009 dividend has been restated to show the theoretical dividend per share that would have been declared had the bonus shares inherent in the 2009 Rights Issue been in existence at the dividend date.

NET ASSETS

	2013 £M	2012 £M	2011 £M	2010 £M	2009 £M
Investment properties					
At 1 October	**1,818.1**	1,670.0	1,475.3	1,204.5	1,202.2
Acquisitions	**28.0**	44.0	64.9	65.3	29.8
Refurbishment and other capital expenditure	**20.8**	14.9	19.2	22.5	20.6
Disposals	**-**	(1.0)	-	(0.6)	-
Net revaluation gain/(deficit)	**174.3**	90.2	110.6	183.6	(48.1)
	2,041.2	1,818.1	1,670.0	1,475.3	1,204.5
Head lease liabilities	**5.4**	5.4	5.4	5.4	5.4
At 30 September – book value	**2,046.6**	1,823.5	1,675.4	1,480.7	1,209.9
Other assets	**0.6**	0.6	0.6	0.5	0.3
Lease incentives	**9.3**	8.2	7.0	5.4	4.2
	2,056.5	1,832.3	1,683.0	1,486.6	1,214.4
Net current liabilities	**(10.4)**	(11.6)	(18.5)	(16.0)	(19.6)
	2,046.1	1,820.7	1,664.5	1,470.6	1,194.8
Taxation payable	**-**	-	-	-	(3.8)
Borrowings	**(610.5)**	(561.6)	(500.5)	(522.2)	(427.5)
Derivative financial instruments	**(95.8)**	(132.8)	(104.6)	(80.5)	(46.1)
Deferred tax liabilities	**(9.1)**	(6.9)	(5.7)	(4.2)	(0.1)
Net assets	**1,330.7**	1,119.4	1,053.7	863.7	717.3
Add:					
Derivative financial instruments	**95.8**	132.8	104.6	80.5	46.1
Deferred tax on property valuations and capital allowances	**9.1**	6.9	5.7	4.2	-
EPRA net assets	**1,435.6**	1,259.1	1,164.0	948.4	763.4
Diluted net asset value	**£5.26**	£4.43	£4.19	£3.78	£3.15
EPRA net asset value	**£5.67**	£4.98	£4.63	£4.14	£3.35
Mid market price of an ordinary share at 30 September	**£5.90**	£5.28	£4.68	£4.33	£3.57

Shareholders and corporate information

ANALYSIS OF SHAREHOLDERS AT 30 SEPTEMBER 2013

	NUMBER OF ACCOUNTS	NUMBER OF SHARES HELD '000	% OF SHARES HELD
Banks and Nominees	466	243,584	**96**
Limited and Plc	127	1,098	**1**
Other organisations	32	1,720	**1**
Individuals	246	5,912	**2**
	871	**252,314**	**100**

NUMBER OF SHARES	NUMBER OF ACCOUNTS	NUMBER OF SHARES HELD '000	% OF SHARES HELD
1-100,000	675	8,395	**3**
100,001-500,000	107	25,169	**10**
500,001-1,000,000	30	19,901	**8**
1,000,001 or over	59	198,849	**79**
	871	**252,314**	**100**

CORPORATE TIMETABLE

Financial calendar

Annual General Meeting	7 February 2014
Interim Management Statement (first half)	7 February 2014
2014 Half Year Results to be announced	May 2014
Interim Management Statement (second half)	July/August 2014

DIVIDENDS AND DEBENTURE INTEREST

Proposed 2013 final dividend:

Ex-dividend	22 January 2014
Record date	24 January 2014
Payment date	14 February 2014
2014 interim dividend to be paid	July 2014
Debenture stock interest to be paid	31 March 2014 and 30 September 2014

REGISTRAR

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

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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 plus network extras. Lines open 8.30 am to 5.30 pm, Monday to Friday.

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

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

Further information and the forms for completion to apply for PIDs to be paid gross are available on the Group's website or from the registrar. The deadline for completed forms to be with the registrar for payment of the 2013 final dividend is 24 January 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties that have been held for the whole period of account.

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

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

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

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

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

Operational Energy (kg CO2 / m2)
This is the carbon dioxide produced in supplying energy for the day-to-day operation of a building.

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

Real Estate Investment Trust (REIT)
A REIT is a tax designation for an entity or group investing in real estate that reduces or eliminates corporation tax providing certain criteria obligations set out in tax legislation are met.

Tonnes of carbon dioxide equivalent (tCO2e)
Tonnes of carbon dioxide equivalent, which is a measure that allows the comparison of emissions from other greenhouse gases relative to one unit of CO2. It is calculated by multiplying the greenhouse gas emissions by its 100-year global warming potential.

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

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