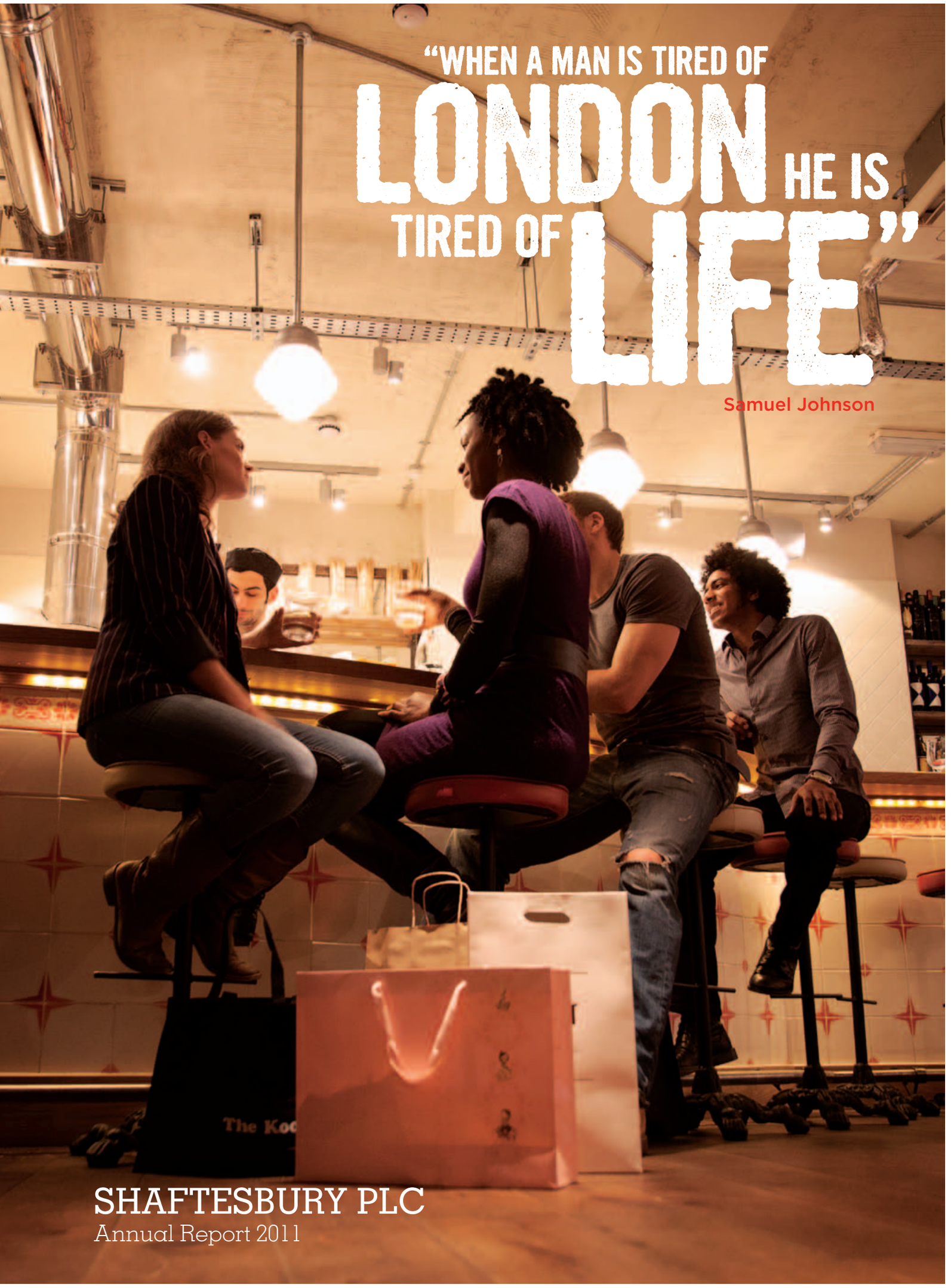

SHAFTESBURY PLC

Annual Report 2011

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Dr Samuel Johnson (1709 - 1784) was an English author, famous as a poet, essayist, literary critic, bigrapher and editor.

In the 1760s Dr Samuel Johnson with other leading literary figures, founded The Club which met weekly at the Turk's Head Tavern, 9 Gerrard Street. Within Chinatown, 9 Gerrard Street is owned by Shaftesbury and is occupied by the New Loon Moon Supermarket.







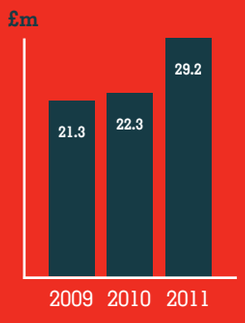

financial highlights



Net property income

£66.6 million - **up 15.6%**

2010: **£57.6 million**



EPRA adjusted profit before tax

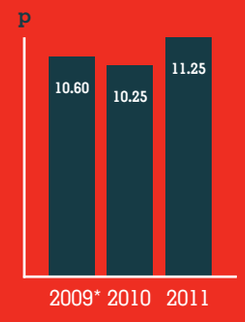
£29.2 million - **up 30.9%**

2010: **£22.3 million**

EPRA adjusted diluted earnings per share

11.9p per share - **up 22.7%**

2010: **9.7p per share**

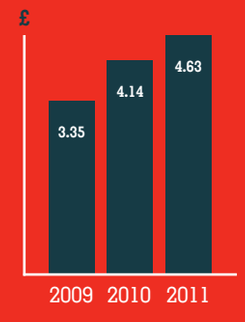


Dividends declared in respect of financial year

11.25p per share - **up 9.8%**

2010: **10.25p per share**

* adjusted for the bonus element inherent in the Rights Issue in June 2009



EPRA adjusted diluted net asset value

£4.63 per share - **up 11.8%**

2010: **£4.14 per share**


ADIDAS ORIGINALS
FLY LONDON
MANGOSTEEN
ALL THE FUN OF THE FAIR
EILEEN FISHER
GELATORINO
5 KINGLY STREET
LONDON JADE GARDEN
THE KOOPLES
AMBASSADORS THEATRE
AQUA
BEAD AURA
COLLECTIF
BALI BALI
TOMCAT LEATHER
LEE
WALK IN BACK RUB
DAVID AND GOLIATH
SOUK
SUPERGA
CHATEAU ROUX
NO.6 BY ADIDAS
NEW FOOK LAM MOON
BOND AT 24:LONDON
UPPER PLAYGROUND
FENG SHUI INN
BARBER'S POINT
MARK POWELL
LA PIAZZETTA
THE LINGERIE COLLECTIVE
REVIVAL
MELVITA
SHAMPERS
"THE BEST COLOUR IN THE WHOLE WORLD IS THE ONE THAT LOOKS GOOD ON YOU"
Coco Chanel

Our strategy is to produce sustainable growth in net rental income from our investments over the long term. This underpins the long term growth in the value of our property assets and is delivered to our shareholders through rising distributions.

We achieve this through our focus of investing exclusively in London's West End, a location which in our experience has demonstrated great resilience over many years. Within the West End, we concentrate on central locations which have enduring appeal, vibrancy and creativity, and which continue to attract huge numbers of visitors from across the world.

Our wholly owned holdings now extend to 12½ acres of freeholds, across over 500 buildings, and comprise 1.55 million sq. ft. of commercial and residential space. Shops, restaurants, bars and leisure space now account for 71% of our current income, whilst offices provide 19% and apartments 10%. The Longmartin joint venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden with 269,000 sq. ft. of mixed use space.

Our portfolio is now valued at almost £1.7 billion.

results overview

Financial highlights

		2011	2010	Change
Net property income	£m	**66.6**	57.6	**+15.6%**
Property assets at book value	£m	**1,675.4**	1,480.7	
EPRA adjusted results*				
Profit before tax	£m	**29.2**	22.3	**+30.9%**
Diluted earnings per share	pence	**11.9**	9.7	**+22.7%**
Net assets	£m	**1,164.0**	948.4	
Diluted net asset value per share	£	**4.63**	4.14	**+11.8%**
Dividends				
Interim dividend per share	pence	**5.5**	5.0	**+10.0%**
Final dividend per share	pence	**5.75**	5.25	**+9.5%**
Total distribution declared in respect of the financial year	£m	**28.2**	23.3	**+21.0%**
Unadjusted results				
Profit before tax	£m	**115.7**	171.9	**-32.7%**
Diluted earnings per share	pence	**47.0**	73.0	**-35.6%**
Net assets	£m	**1,053.7**	863.7	
Diluted net asset value per share	£	**4.19**	3.78	**+10.8%**

* Adjusted in accordance with EPRA Best Practice Recommendations

Performance summary

		Shaftesbury Group	Benchmark
			IPD UK Monthly Index: Capital Growth*
Capital value return		**+7.2%**	**+1.7%**
	2010	+14.2%	+14.2%
			IPD UK Monthly Index: Total Return*
Total return		**+11.3%**	**+8.7%**
	2010	+18.5%	+22.6%
Net asset value return			
Based on EPRA adjusted net assets		**+14.4%**	
	2010	+26.5%	
Based on unadjusted net assets		**+13.7%**	
	2010	+23.1%	
			FTSE 350 Super Sector Real Estate Index:
Total shareholder return			
(share price at 30.9.2011: £4.68)		**+10.0%**	**-0.4%**
	2010 (closing share price: £4.33)	+24.4%	+2.1%

* Source: Investment Property Databank Ltd © 2011.
Shaftesbury Group data (other than total shareholder return) derived from financial results.



"THERE IS MORE TO LIFE THAN INCREASING ITS SPEED"

Mahatma Ghandi

DRESS CIRCLE

ONITSUKA TIGER

B STORE

BANANA REPUBLIC

WAXYS

LONDON BEAD SHOP

ROSSO POMODORO

MURDOCK

SAVAGE LONDON

CAMISA

MINI DIAMOND

MISS SIXTY

N2

NEAL'S YARD SALAD BAR

THE FACE

SCRIBBLER

NEW CHINA

LA PERLA

OFFICE

MON PLAISIR

FUR COAT NO KNICKERS

MOLINARE

KARINE JACKSON

CARHARTT

TWO FLOORS

CCK

THE GLOBE

ILLAMASQUA

OLLIE & NIC

TSHIRT STORE

BLAQUA

STORM

CREATIVE BEADCRAFT

HAIR BY FAIRY

GROSVENOR PRINTS

SAGAR VEGETARIAN RESTAURANT

AKASIRO

ENERGIE

HAVAIANAS

LOMOGRAPHY GALLERY STORE

LOLLIPOPS

THE WHITE COMPANY

SLAM CITY SKATES

ARTBOX

NEW LOON FUNG

FOOT PATROL

PRIMROSE BAKERY

NEW AROMA

HOPE & GREENWOOD

LITTLE LAMB

RAMEN SETO

SUPER SUPERFICIAL

BARACUTA

MILLER HARRIS

WAXYS LITTLE SISTER

DROP DEAD CLOTHING

BLUE PORTS

YUMCHAA

O'NEILLS

ZEBRANO

MENNULA

STRADA

THE MAKE UP STORE

KU BAR

55DSL

MW BUFFET

PIXI



"LET THEM EAT CAKE"

Marie Antoinette

chairman's statement

I am pleased to report another year of strong performance in terms of growth in our rental income, adjusted profit, dividends and net asset value.

In contrast to the considerable uncertainty surrounding the outlook for Western economies and the global economy generally, London continues to prosper and grow. Its resilience reflects London's status as the leading tourist and global financial centre and the largest city in Europe. With its unrivalled cultural and leisure attractions, many located in and around the West End, London attracts more international visitors than any other city in the world.

Our portfolio, located entirely in the heart of London's West End, continues to benefit from strong demand for all uses. Consequently our rental income and values are growing and levels of occupancy remain high.

During the year we completed the St Martin's Courtyard project in our joint venture with The Mercers' Company. This is now making an important contribution to our income. We have acquired new investments totalling £64.9 million and initiated more schemes across the portfolio. In March 2011 we raised £99.8 million (net of expenses) from a Share Placing, which is enabling us to pursue further acquisition opportunities.

Results

	2011 £million	2010 £million
Profit before tax reported in the Group Statement of Comprehensive Income	**115.7**	171.9
Adjusted for:		
Surplus arising on revaluation of investment properties	**(110.6)**	(183.6)
Movement in fair value of financial derivatives	**24.1**	34.4
Profit on disposal of investment properties	**–**	(0.4)
EPRA adjusted profit before taxation	**29.2**	22.3

The EPRA adjusted profit before tax for the year ended 30 September 2011, amounted to £29.2 million compared with £22.3 million last year, an increase of £6.9 million or 30.9%.

Group rental income (adjusted for lease incentives) increased to £75.4 million (2010: £65.7 million), a rise of £9.7 million of which £7.6 million was in the wholly owned portfolio. Here, the continuing crystallisation of reversionary rental potential, with sustained high levels of occupancy and demand, accounted for £6.3 million and acquisitions contributed £1.3 million.

Following the completion and letting of St Martin's Courtyard our share of rental income from the Longmartin joint venture has increased by £2.1 million to £4.3 million this year.

Property outgoings, which totalled £8.8 million (2010: £8.1 million), included our share of the day-to-day non-recoverable costs associated with St Martin's Courtyard, which opened to the public in November 2010.

Overall, net property income increased by £9.0 million to £66.6 million, compared with £57.6 million last year, a rise of 15.6%.

Total administration expenses amounted to £9.6 million compared with £8.2 million last year, an increase of £1.4 million. Of this increase, additional provision for employee annual bonuses accounted for £0.8 million, reflecting the Group's good performance this year.

Interest payable totalled £27.8 million, an increase of £0.6 million compared with last year. Interest rates on the portion of our bank debt in excess of the £360 million which is subject to fixed rate hedging have continued at low levels throughout the year. The level of our bank debt fell over the year as a whole by £21.4 million as expenditure on acquisitions and capital projects for the year of £79.3 million was offset by the net Share Placing proceeds of £99.8 million.

The market expectation that low interest rates will continue for an even longer period than was originally thought has resulted in an increase of £24.1 million in the non-cash mark-to-market valuation deficit on our long term interest rate swaps. The valuation of long term hedging arrangements continues to be volatile, reflecting global financial uncertainties and the future direction of interest rates. The deficit attributable to our swaps fell by £37.4 million to £43.1 million in the six months to 31 March 2011, followed by a rise in the second half of £61.5 million to £104.6 million, as market sentiment changed dramatically.

The profit before tax reported in the Group Statement of Comprehensive Income of £115.7 million (2010: £171.9 million) included investment property revaluation surpluses of £110.6 million (2010: £183.6 million) and an increase in the fair value deficit of financial derivatives of £24.1 million referred to above (2010: £34.4 million).

	2011 £million	2010 £million
Taxation charge reported in the Group Statement of Comprehensive Income	**1.9**	4.8
Adjusted for:		
Deferred tax arising on the revaluation of investment properties and in respect of capital allowances	**(1.5)**	(4.1)
Current tax in respect of REIT conversion charge in connection with company acquired during the year	**-**	(0.6)
Adjusted taxation charge on EPRA adjusted profit	**0.4**	0.1
EPRA adjusted profit after taxation	**28.8**	22.2

Provision for current and deferred tax on EPRA adjusted profit for the year amounted to £0.4 million (2010: £0.1 million). The Group's wholly-owned business is subject to the REIT regime so its net rental income and gains included in the results for the year are exempt from corporation tax. The wholly owned Group has little other taxable income or gains and consequently has a minimal tax charge.

Our interest in the Longmartin joint venture is outside our REIT group, so our share of its profit is subject to corporation tax and deferred tax is provided in respect of property revaluation surpluses and accelerated capital allowances. The tax charge of £1.9 million (2010: £4.8 million) on the unadjusted profit included deferred tax of £1.5 million (2010: £4.1 million) arising in Longmartin. As this deferred tax is not expected to crystallise, it is added back to arrive at the EPRA adjusted tax charge.

The EPRA adjusted profit after tax for the year, adjusted for the items referred to above, amounted to £28.8 million (2010: £22.2 million). The profit after tax reported in the Group Statement of Comprehensive Income amounted to £113.8 million (2010: £167.1 million).

	2011 £million	2010 £million
Net assets reported in the Group Balance Sheet	**1,053.7**	863.7
Adjusted for:		
Fair value adjustment in respect of derivative financial instruments	**104.6**	80.5
Deferred tax arising on the revaluation of investment properties and in respect of capital allowances	**5.7**	4.2
EPRA adjusted net assets	**1,164.0**	948.4
EPRA adjusted diluted net asset value per share	**£4.63**	£4.14

EPRA adjusted net assets at 30 September 2011, totalled £1,164.0 million, equivalent to a diluted net asset value per share of £4.63. The increase in EPRA adjusted diluted net asset value per share over the year, after the payment of dividends of 10.75p per share, was 49p, an uplift of 11.8% (2010: 23.6%). The increase in EPRA adjusted diluted net asset value per share before the payment of dividends amounted to 59.75p or 14.4% (2010: 26.5%).

Shareholders' funds shown in the unadjusted Group Balance Sheet at 30 September 2011 totalled £1,053.7 million, equivalent to a diluted net asset value per share of £4.19. The increase in unadjusted net assets per share since the last year end after payment of dividends amounted to 41p, an uplift of 10.8% (2010: 20.0%). The increase before payment of dividends amounted to 13.7% (2010: 23.1%).

Dividends

Your Directors are pleased to recommend a final dividend of 5.75p per share, representing a distribution of £14.4 million. This compares with last year's final dividend of 5.25p per share. The final dividend will be paid entirely as a Property Income Distribution.

Together with the interim dividend of 5.5p (2010: 5.0p), this will bring the total payable in respect of this financial year to 11.25p per share (2010: 10.25p), an increase of 9.8%.

Our total distribution for the financial year will amount to £28.2 million, an increase of 21.0% compared with the 2010 total of £23.3 million. This increase reflects the additional shares in issue as a result of our Share Placing in March 2011, equivalent to approximately 9.9% of the number of shares in issue at the time, as well as the higher distribution per share referred to above.

We expect to maintain steady growth in our dividends in future years in line with the rise in our net rental income and profits.

Our portfolio

Our property portfolio has been valued at £1,678.5 million resulting in a revaluation surplus for the year of £110.6 million. Allowing for acquisitions and capital expenditure during the year, this represents a capital value return of 7.2%. The return for the six months ended 31 March 2011 amounted to 3.2%.

Our portfolio out-performed the IPD UK Monthly Index of capital growth for all classes of commercial property, which rose by 1.7% over the year. Our portfolio showed a total return for the year of 11.3%, out-performing the all-property IPD UK Monthly Index of total returns, which rose by 8.7%.

We have always held the view that sustained income growth is fundamental to long term growth in property values. Our consistent and long established strategies to deliver a steadily growing stream of income are explained in detail in the Business Review. This year, the principal driver of the improvement in our values has been the generation of actual and prospective rental income from within our portfolio.

The portfolio's current gross income at 30 September 2011, which excludes pre-lettings and contracted rent free periods, amounted to £77.5 million, compared with £68.3 million at 30 September 2010. In the wholly owned portfolio current gross income has increased from £66.5 million to £73.6 million, arising from average like-for-like growth in rental income of around 7.5% as well as from acquisitions. This like-for-like growth rate, which is above our average in recent years, reflects good tenant demand and low levels of vacancies throughout the year.

Our valuers have estimated the rental value of our portfolio at 30 September 2011, including our share of the Longmartin joint venture, at £92.2 million compared with £83.9 million at 30 September 2010. The reversionary potential across the wholly owned portfolio now stands at £11.6 million, an increase of £1.1 million or 10.5% since 30 September 2010. Our share of Longmartin's potential additional income amounted to £3.1 million of which 80% was contracted at the year end.

Shops and restaurants account for 72% of the current estimated rental value and 78% of the reversionary potential within our wholly owned portfolio. Our experience is that demand for these uses in our locations has not been cyclical. In the centre of London's West End shops and restaurants have been underpinned by sustained and growing demand over many years. We therefore expect that over time we will realise the current reversionary potential and, through our management strategies, continue to deliver further growth in rental values.

The equivalent yield attributed by our valuers to our wholly owned portfolio at 30 September 2011 was 4.93%, compared with 5.10% at 30 September 2010 and 5.07% at 31 March 2011.

The demand for secure investments, particularly in prime locations in London's West End, remains strong. However, despite current low interest rates and the expectation that this environment will continue for some time, the already generally limited availability of finance is restricting this demand.

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

Our experience has been that, over a five year period – our usual rent review cycle – the values of our villages generally perform in a similar manner. This year Carnaby, 34% by value of our portfolio, has produced a capital value return of 9.7%, driven by higher rental income and ERVs, particularly for larger shops and offices. Improved contracted rents as well as ERVs for restaurant uses were the principal drivers of value increases of 7.1% in Covent Garden (29% of our portfolio) and 8.3% in Charlotte Street (2% of our portfolio). Although Chinatown, 24% of our portfolio, has our greatest concentration of restaurants, an absence of new open market rental evidence this year in Gerrard Street has tempered its growth to 4.7%. Our holdings in Soho, where we are in the early stages of a long term investment strategy, rose by 3.8%. Across our villages the capital values of apartments have risen generally by around 10%, reflecting strong demand both to rent and buy apartments in Central London.

The properties in our Longmartin joint venture showed a capital value return of 5.9% over the year. The equivalent yield attributed to Longmartin's portfolio at 30 September 2011 was 4.80% compared with 4.98% at 30 September 2010 and 4.86% at 31 March 2011.

Portfolio reversionary potential

	Valuers' estimates			Attributable to	
At 30 September:	Current gross *income £million	Estimated rental value £million	Reversionary potential £million	Wholly owned portfolio £million	Longmartin £million
2007	57.9	72.4	14.5	13.1	1.4
2008	60.4	80.2	19.8	13.9	5.9
2009	63.4	78.3	14.9	9.7	5.2
2010	68.3	83.9	15.6	10.5	5.1
2011	**77.5**	**92.2**	**14.7**	**11.6**	****3.1**

* Excludes pre-lettings and contracted rent free periods

** Of this amount, £2.5 million (80%) was contracted at 30 September 2011


COWSHED
NEW FRAMES
JONES BOOTMAKER
LAZY OAF
DIESEL
RASA SAYANG
RED ONION
MASSIMO DUTTI
TAPAS BRINDISA
L.K.BENNETT
FRANCO'S
TOKYO FIXED GEAR
TWENTY8TWELVE
SPECIALIZED
FOXCROFT & GINGER
INDIAN BRASSERIE
PEPE JEANS LONDON
TATTY DEVINE
CHRIS KERR
JOE & THE JUICE
GREAT FROG
JOHNNY CUPCAKES
ANTIDOTE
CRISPY DUCK
GARY HOLDER
ST MARTIN'S THEATRE
YOUNG CHENG
TRAFFIC PEOPLE
SPEAKEASY
SUPERDRY
STAR JEWELLERS
WOLSEY
MARSHMALLOW MOUNTAIN
ASSA
"I WANT TO DIE WITH MY BLUE JEANS ON"
Andy Warhol

Finance

The Board keeps under review the Group's financial resources to ensure we maintain appropriate levels of equity and debt finance to support our long term business objectives.

In early March 2011 we issued 22.7 million Ordinary shares, equivalent to approximately 9.9% of our issued share capital at that time, by way of a Share Placing. The shares were issued at a price of £4.50 each, representing a small premium to our adjusted net asset value at the date of issue, realising net proceeds after expenses of £99.8 million. This share issue has further strengthened our equity base and will allow us to continue to add to our portfolio.

At the year end we had committed bank facilities of £575 million, of which £141 million was undrawn and available to finance future investment. We have strong revenue cash flow, supported by rising rents and good levels of occupancy. In our portfolio, where obsolescence is limited, capital expenditure commitments are modest in relation to its size. Our gearing levels are conservative which we consider is appropriate for a REIT focussed on delivering rising income to shareholders.

Although we have no facility maturities before April 2016, we are monitoring opportunities to refinance existing facilities and raise additional long term finance to fund the expansion of our portfolio.

Total shareholder return

Over the year we delivered a total shareholder return of 10.0%, compared with a decline of 0.4% shown by the FTSE 350 Super Sector Real Estate Index, our chosen benchmark. We believe our continuing out-performance in part reflects the equity market's evaluation of the resilience and qualities of our unique portfolio and its record of and future prospects for income and capital growth.

Board changes

As previously announced Jonathan Lane, who has been Chief Executive of Shaftesbury from the Company's inception in 1986, retired from that role on 30 September 2011. He has been succeeded by Brian Bickell, our Finance Director since 1987.

Jonathan's contribution to the progress of our business over the last 25 years has been outstanding. Under his stewardship Shaftesbury has become one of the most successful and innovative companies in the real estate sector. We are pleased that Jonathan will continue with us in the role of part-time Deputy Chairman.

On 3 October 2011 we announced the appointment of Christopher Ward to the position of Finance Director. He will join us in January 2012.

John Emly, a non-executive Director since 2000 and until 2009 our Senior Independent Director, will retire from the Board at the 2012 Annual General Meeting. We have greatly appreciated John's wide experience and sound advice throughout this period.

Prospects

Sentiment is currently dominated by the well-publicised problems associated with rising debt levels in Western economies, and the uncertainties and ramifications of measures that may be necessary to restore economic stability. Whilst London and the West End cannot be completely immune from these global concerns, our portfolio continues to flourish, underwritten as it is by London's unique features and attractions.

London's special status as a "global city" will be further enhanced with the hosting of events in 2012 including the Queen's Diamond Jubilee, World Pride and the Olympics. Although the popularity of these events will attract unprecedented numbers of visitors, in the short term they may well disrupt the usual patterns of life and activity during the summer months, particularly within Central London and the West End. Longer term however, they will further enhance London's reputation across the world as the city to visit.

Our portfolio continues to benefit from strong demand and virtually full occupancy across all of our locations and for all uses. We have a forensic local knowledge which, together with substantial resources, will enable us to add to our portfolio when suitable new investments become available as well as advance schemes within our existing holdings.

We remain confident that, despite the current general climate of great uncertainty, we will maintain our record of delivering rising income, dividends and capital growth in the years ahead.

John Manser Chairman

30 November 2011

business review

Our strategy

The objective of our strategy is to produce sustainable growth in net rental income from our investments over the long term. This underpins the long term growth in the value of our property assets and is delivered to our shareholders through rising distributions.

We achieve this through our focus of investing exclusively in London's West End, a location which in our experience has demonstrated great resilience over many years. Within the West End, we concentrate on central locations which have enduring appeal, vibrancy and creativity, and which continue to attract huge numbers of visitors from across the world.

We invest in buildings which provide considerable management flexibility and in a mix of uses which reduce the long term impact of obsolescence.

Evolution of our strategy

We have followed a consistent strategy since the early 1990s, investing only in the heart of London's West End. In the economic recession of 1990-1993, with its severe impact on real estate, we realised that the unique features of the West End provided much greater long term resilience in tenant demand, rental growth and capital values than other locations either in London or the UK generally. This arose from our experience with our then modest holdings in Chinatown, where tenant demand and rental levels were sustained and capital values declined much less than in the wider market during that very challenging period.

Since we adopted this strategy, our progress in delivering sustained rental growth and out-performance in capital values underlines the exceptional qualities of our central locations.

Our wholly owned portfolio, entirely located in the West End, now extends to 12½ acres of freeholds, across over 500 buildings, and comprises 1,552,000 sq. ft. of commercial and residential space. Shops, restaurants, bars and leisure space now account for 71% of our current income, whilst offices provide 19% and apartments 10%. The Longmartin joint venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden with 269,000 sq. ft. of mixed use space.

Our cumulative investment in our portfolio, including acquisitions and refurbishment expenditure, amounts to £969 million and is now valued at almost £1.7 billion.

London and the West End

London is one of the world's principal global cities. It is the largest city in Europe in terms of population and gross domestic product, and is the fifth largest world city measured by GDP. It is widely considered to be the world's largest financial centre. Importantly for Shaftesbury, London's unique features and attractions bring more international visitors than any other city in the world.

Within London, the West End offers an unrivalled diversity of attractions. It includes historic sites of world renown and has a unique reputation for culture in its galleries, museums and facilities for performing arts, with 38 theatres in the West End alone. In addition, the number and variety of its shops and restaurants is unmatched by any other city.

The combination of these features attracts huge numbers of domestic and overseas visitors, which are an essential element of the local economy and bring great prosperity to the area. Recent research has indicated that some 200 million visits are made annually to the West End, of which 25% are from overseas and 21% are from the rest of the UK outside the South East. London's own population of eight million and the twenty million people who are easily able to visit for the day have always been important elements of overall visitor numbers.

Deliberately, all our investments are close to London's principal visitor attractions, and are concentrated in well-known locations. We work closely with a number of organisations and tenants to support and co-ordinate projects and campaigns which promote London as a visitor destination to a global audience.

We focus on and foster distinctive villages, such as Carnaby and Chinatown. In Covent Garden we have concentrated our investments in the districts of Seven Dials, Coliseum, Opera Quarter and St Martin's Courtyard (adjacent to Seven Dials). In addition, we are investing in Charlotte Street, a small but long established restaurant district, and more recently in Soho. Here, in Berwick Street and neighbouring streets, rents are modest and we see potential both to create clusters of ownerships and to instigate changes over the longer term.

London has an extensive public transport system, which is essential for the movement of huge numbers of people into and around this populous city, and particularly the West End. All of our villages are located close to the West End's principal underground railway stations of Oxford Circus, Piccadilly Circus, Tottenham Court Road and Leicester Square.

The transport network in London is now receiving substantial investment to further increase its capacity. Improvements to underground lines are underway to enable trains to run at increased frequencies. Importantly the Crossrail project is now underway, with the initial stages including the rebuilding and extension of the stations at Tottenham Court Road and Bond Street to create major interchanges close to our villages. Once fully operational, Crossrail will increase London's rail transport capacity by 10% and bring some 1.5 million more residents within 45 minutes of the West End and the City.

Although construction of such major schemes brings lengthy disruption, they are already a catalyst for regeneration and new investment in London and the West End, creating new links and bringing greater capacity and accessibility to the whole of London's transport network.

Investment and management strategy

Our strategy is to establish clusters of ownerships in areas and in properties which have, or have potential for, predominantly retail and leisure uses. These uses are an essential aspect of the visitor-based local economy and, for the landlord, give rise to minimal costs of obsolescence.

Using our extensive and detailed local knowledge gained over many years, we identify areas which, although well located, are neglected and lack a cohesive strategy for uses and tenant mix to attract footfall and tenant demand. We acquire buildings which are under-utilised or dilapidated. The condition of these areas and buildings is reflected in initial rental levels which we consider are modest but offer the potential for us to create long term growth.

The concentration of our holdings allows us to implement a consistent management strategy across each area and provides us with great flexibility to accommodate a variety of uses appealing to a broad range of occupiers.

We achieve our objective of creating sustainable rental growth from a low base through our innovative management approach of:

- Implementing a comprehensive long term tenant mix strategy for the dominant retail and leisure aspects of the area, creating distinctive destinations to bring greater footfall and prosperity;
- Wherever possible, maximising retail and leisure uses within the lower floors of individual buildings. We introduce alternative uses for upper floors where appropriate, to avoid the cyclicality and obsolescence of offices;
- Restoring the fabric of often dilapidated buildings, respecting their traditional features, but extending their useful lives to meet the requirements of modern occupiers;
- Working with local authorities and community stakeholders to improve the public environment in and around our locations, to create safe and welcoming areas for tenants, their customers and employees, and local residents.

Our knowledge of the West End and our locations has been accumulated over many years. We take a consistent and long term view in the management of our holdings. In our experience our holistic approach to fostering and advancing all aspects of the character of our villages enhances their appeal, bringing greater footfall and demand from potential tenants.

All our investments are within a short walk of our office, so we are always close by to respond quickly to opportunities and problems. We have regular and open contact with our tenants, the local authorities and stakeholders in the local community which provides us with important insights into their needs and how best to tailor our plans and work together to achieve our shared goals.

Sustainability

Wherever possible we seek to preserve the fabric of existing buildings in order to extend their useful lives and improve their efficiency. We believe this approach minimises the environmental impact of our business.

All our buildings are in Conservation Areas and many are listed, reflecting their collective grouping as well as their special architectural and historic features. The average age of our buildings is over 150 years and some have parts which date back to the seventeenth century. The historic nature of our buildings, and the long established street patterns in our locations, most of which were laid out by the early eighteenth century, combine to give our areas a lively and cosmopolitan atmosphere. We encourage a wide variety of suitable uses to ensure the economic viability of our buildings is improved and sustained.

Our experience is that traditional London terraced buildings, which form the majority of our portfolio, offer much greater flexibility than more modern properties. Our refurbishment projects improve buildings to meet the requirements of today's occupiers, introducing contemporary uses and enhanced environmental performance.

Community engagement

We work closely with Westminster City Council and Camden Council, within whose jurisdictions all our properties are located, to improve the public realm in and around our villages. We promote and contribute to the costs of up-grading streets, pedestrianisation and improving street lighting and public safety. In our experience, by focussing on the needs of pedestrians, the schemes which we support bring greater footfall and security. They increase the time visitors spend in our villages, benefitting the local community as a whole and bringing greater prosperity to our commercial tenants.

We recognise the importance of working with other stakeholders in the local community to support both charities based in our areas and initiatives associated with social issues, community projects and the arts.

Details of our sustainability and community engagement policies and activities are set out in Corporate Responsibility on pages 37 to 41.

Risks associated with our strategy

Our investments are concentrated in the centre of London's West End, so our prosperity and prospects are inextricably linked to and dependent upon this small geographic area, its local economy, visitor numbers and the policies of the authorities which administer it.

The key risks identified by the Board inherent in property investment generally and specific to our strategy are set out in greater detail on pages 34 to 35.



X-IT

PRODUCTS OF C.P. COMPANY & STONE ISLAND

MUJI

AMERICAN APPAREL

CRAZY BEAR

COCO DE MER

LUCY IN DISGUISE

BENJA BANGKOK TABLES

ORLA KIELY

FRED PERRY

THE BLUE POSTS

TERMINAL D

FORNATA

PALM COURT BRASSERIE

CAMBRIDGE THEATRE

WESC

TAPAS BRINDISA

LITTLE WU

C'EST ICI

ALBAM

DONMAR WAREHOUSE

EXPERIMENTAL

RECKLESS RECORDS

PRETTY BALLERINAS

MISHKINS

KATYA KATYA SHEHURINA

CHROME ACCESSORIES

SOFRA

SPUD

MD'S

MINT

EASTPAK

THE KINGLY CLUB

"I LOVE SHOPPING. THERE IS A LITTLE BIT OF MAGIC FOUND IN BUYING SOMETHING NEW"

Rebecca Bloom



Portfolio summary

	Market value £m	% of portfolio	Current gross income £m
Wholly owned portfolio			
Carnaby	563.5	34%	26.9
Covent Garden	481.1	29%	22.7
Chinatown	401.1	24%	19.2
Soho	73.8	4%	2.9
Charlotte Street	38.5	2%	1.9
	1,558.0	93%	73.6
Longmartin joint venture*	120.5	7%	3.9
Total portfolio	**1,678.5**	**100%**	**77.5**

*Shaftesbury Group's share

	Wholly owned portfolio			Longmartin joint venture*		
	Number	Area sq. ft.	% of current gross income	Number	Area sq. ft.	% of current gross income
Shops	317	393,000	37%	23	69,000	47%
Restaurants, cafes and leisure	212	483,000	34%	8	43,000	22%
Offices		412,000	19%		102,000	7%
Residential	392	264,000	10%	75	55,000	24%
Total		**1,552,000**	**100%**		**269,000**	**100%**

*Shaftesbury Group has a 50% interest in the above

Our portfolio

Virtually all our buildings have a mix of uses. Lower floors contain our most valuable uses of retail, restaurant or leisure whilst upper floors are either offices or residential or a combination of both.

Our wholly owned portfolio includes 317 shops extending to 393,000 sq. ft. which provide 37% of our current gross income. The average unexpired term of our shop leases is five years. We have a wide range of shop sizes and rents across the wholly owned portfolio. At 30 September 2011, 75 large shops (i.e. those with a rental income over £100,000 per annum) accounted for approximately 60% of our retail income at that date, whilst 242 smaller units contributed 40%. These smaller shops complement the larger units we have, adding to the mix and variety offered by our villages.

We let our retail accommodation in shell form. Tenants are responsible for fitting out units at their own cost. We usually offer a rent free period during their fit-out and start-up period but make no financial contribution to their costs.

Our shop leases are structured to allow us to manage the mix of retailers within our locations. We do this to foster the identity and character of each area and ensure that our villages respond to changing tastes and spending patterns. As part of this strategy we encourage new retailers and concepts, through a combination of short and flexible leases.

Our wholly owned portfolio includes 212 restaurants, cafes, bars and clubs, totalling 483,000 sq. ft., which provide 34% of our current gross income.

As with our shops, we provide catering units in shell form. Consequently, catering leases are often granted for terms of 25 years as long periods of tenure create an asset in which the tenant is able to invest. It is rare that we are able to secure vacant possession of restaurants or bars. A combination of substantial investment by the tenant and restrictive planning policies for restaurants in the locations we have chosen to invest in make these leases valuable assets for the tenant as well as the landlord in our areas.

When we do secure vacant possession of restaurants there is considerable demand from both experienced and new operators seeking to launch innovative concepts.

Offices within the wholly owned portfolio extend to 412,000 sq. ft. and produce 19% of our current gross income. Offices are an integral part of our mixed use villages but we are conscious both of the relatively small size of our units, the cyclicality of office demand and the inevitable costs of obsolescence borne by us as landlord.

In Carnaby, we have our relatively larger (average size 1,500 sq. ft.), more modern offices, which are occupied mainly by tenants in creative and fashion industries. These businesses are particularly attracted to the area by the concentration of similar businesses, and its proximity to many of their key contacts and customers. In contrast, in Chinatown, our offices are much smaller (average size 600 sq. ft.) but are essential to the local Far Eastern business community.

We have 392 apartments within our wholly owned portfolio, extending to 264,000 sq. ft., which produce 10% of our current gross income. Over many years we have pursued a policy of conversion of our smaller offices to residential, particularly those where it is not viable to refurbish them to standards expected by modern commercial occupiers.

There is good demand for residential accommodation in our villages. In our experience demand for apartments, rents and occupancy levels in our locations are much less cyclical than for offices. We fit out our apartments to a stylish but durable standard, so their repair and renewal costs are usually low. We are confident of continuing good demand and rental growth over the long term.

Other than in special situations, we generally let rather than sell our apartments. Although often we could realise their high capital values by sale, in our view this would inhibit the management flexibility we require to maximise the long term value of our buildings and villages.

Longmartin's portfolio comprises 23 shops, extending to 69,000 sq. ft., eight restaurants totalling 43,000 sq. ft. and 102,000 sq. ft. of offices. They are located in and around St Martin's Courtyard, a mixed use scheme which was completed during the year. In addition, Longmartin's holdings include 75 apartments totalling 55,000 sq. ft.

Portfolio activity during the year

The availability of suitable new investments in our prosperous areas remains limited. There is usually considerable competition when properties are offered in the market from a variety of potential bidders, often financed with substantial equity rather than debt.

During the year, we acquired properties totalling £64.9 million in Covent Garden, Soho, Chinatown and Charlotte Street. Our acquisitions included fourteen restaurants and bars, eleven shops, 11,000 sq. ft. of offices and eighteen apartments.

Capital expenditure on the Group's portfolio over the year totalled £19.2 million. Of this £12.3 million arose in the wholly owned portfolio and included £4.1 million in connection with our scheme at 36/39 Carnaby Street. Other schemes included extending retail and restaurant space, creation of new apartments, refurbishing offices, and contributions to public realm improvements across our villages.

Our share of Longmartin's capital expenditure, which this year amounted to £6.9 million, related principally to costs to complete the St Martin's Courtyard scheme.

Our portfolio is dominated by retail and leisure uses, where we provide space in shell form and the tenant is responsible for the costs of fitting out and obsolescence. Consequently the capital expenditure we bear is modest in relation to the overall size and value of our portfolio. In the wholly owned portfolio, capital expenditure this year amounted to only 0.8% of its Market Value.

Occupancy levels in the wholly owned portfolio have remained high throughout the year and tenant retention has been good. New lettings and renewals of commercial leases totalled £4.9 million this year, reflecting an overall level of activity similar to last year.

The ERV of commercial space in the wholly owned portfolio held for or under refurbishment at the year end amounted to £1.0 million, equivalent to 1.3% of commercial ERV. Of this, £0.5 million related to the 9,000 sq. ft. of offices in our scheme at 36/39 Carnaby Street, which will be completed in December 2011.

Demand for all uses and across all of our locations has been strong throughout the year and remains so. Consequently the level of vacancies has remained low and the total rental value of available space has not exceeded 3% of total commercial ERV.

At the year end the rental value of available vacant commercial space amounted to £2.2 million, representing 2.9% of the ERV of the commercial element of the wholly owned portfolio. The letting of the 9,000 sq. ft. of retail space in our scheme at 36/39 Carnaby Street, which accounted for almost £1.0 million of this total, was completed in November 2011.

At the year end only five of our 392 apartments were vacant and ready to let, reflecting the good level of occupancy we have seen throughout the year. A further 23 units, with an ERV of £0.6 million, were under construction.

Construction of St Martin's Courtyard in the Longmartin joint venture was completed during the year and the scheme is now virtually fully let. At the year end, only two shops with an ERV of £0.2 million remained to be let within the scheme, of which one was under offer. In adjacent buildings, 10,000 sq. ft. of offices with an ERV of £0.5 million were under refurbishment.

Vacant commercial space at 30 September 2011 (wholly owned portfolio)

Held for or under refurbishment	Shops	Restaurants and leisure	Offices	Total	% of total ERV
Estimated rental value - £million	0.1	0.1	0.8	**1.0**	**1.3%**
Area - '000 sq. ft.	4	5	17	**26**	
Number of units	3	3			
Available					
Estimated rental value - £million					
Ready to let	0.5	0.2	0.2	**0.9**	**1.2%**
Under offer	1.2	–	0.1	**1.3**	**1.7%**
	1.7	0.2	0.3	**2.2**	**2.9%**
Area - '000 sq. ft.	22	5	8	**35**	
Number of units	15	4			

CARNABY



CARNABY IS THE LARGEST SINGLE VILLAGE IN OUR WHOLLY OWNED PORTFOLIO, REPRESENTING 34% BY VALUE. OUR HOLDINGS, WHICH EXTEND ACROSS TWELVE STREETS, INCLUDE 126 SHOPS, 38 RESTAURANTS, CAFES, BARS AND CLUBS, 233,000 SQ. FT. OF OFFICES AND 69 APARTMENTS.

Statistics

			Number	Area sq. ft. '000	% of current gross income
Valuation	**£563.5 million**	Shops	**126**	**172**	**50%**
Percentage of portfolio	**34%**	Restaurants, cafes and leisure	**38**	**80**	**13%**
Acquisitions during the year	**–**				
Capital expenditure during the year	**£6.8 million**	Offices		**233**	**31%**
Capital value return	**9.7%**	Residential	**69**	**46**	**6%**

Carnaby is the largest single village in our wholly owned portfolio, representing 34% by value. Our holdings, which extend across twelve streets, include 126 shops, 38 restaurants, cafes, bars and clubs, 233,000 sq. ft. of offices and 69 apartments.

Carnaby is a world famous destination with an international reputation for youth fashion. Retail space accounts for 50% of the village's current gross income. Carnaby Street, the "spine" of the village, with its larger and more valuable shops, accounts for 69% of this income.

The success of the area reflects our long-established strategy of actively managing tenant mix to maintain its distinctive focus, so that it constantly adapts and evolves to meet the rapidly changing tastes of its fashion-conscious customers. We are always seeking opportunities to introduce new retailers and concepts and the wide variety and sizes of units we are able to offer makes this possible.

Capital expenditure during the year totalled £6.8 million, which included £4.1 million in respect of our scheme at 36/39 Carnaby Street.

At 30 September 2011 the only two vacant shops in Carnaby were under construction in our scheme at 36/39 Carnaby Street. In November 2011 we announced the letting of these two units at a combined rent of £965,000.

We have considerable unsatisfied demand for larger retail units, so we are advancing schemes to create bigger shops through changes of use and reconfiguration of buildings. We have now received planning consent for parts of Lasenby House, which has an extensive frontage on Little Marlborough Street, to change the lower floors from offices to 5,000 sq. ft. of retail space enabling us to extend our existing small shops which front Foubert's Place.

We have applied for planning consent for the second phase of our 36/39 Carnaby Street scheme. This project will involve the relocation of a restaurant from Foubert's Place to a new 6,500 sq. ft. unit to Kingly Street, which will be replaced by 8,500 sq. ft. of retail space. In addition it will provide 7,000 sq. ft. of offices and twelve apartments on the upper floors. Subject to receiving planning consent we expect that the scheme will commence in late 2012.

The pedestrianisation and repaving of Kingly Street was completed earlier this year. As we expected, the improved environment is bringing greater footfall and attracting new operators to this principally restaurant street. The resurfacing of Ganton Street west of Carnaby Street, a popular restaurant and bar location, is now underway. We are also discussing improvements to the eastern part of Ganton Street with Westminster City Council.

There has been good demand for offices in Carnaby this year. Here, around 26% by floor area of offices is occupied by firms in the creative industries of publishing, advertising and films and 22% by fashion-related businesses. At 30 September 2011, 17,000 sq. ft. of offices (ERV £0.7 million) were vacant, of which 16,000, sq. ft. was held for or under refurbishment. The three floors of offices under construction at our scheme at 36/39 Carnaby Street totalling 9,500 sq. ft., which have a total ERV of £0.5 million, will be available by December 2011 and already we are seeing good interest.

COVENT GARDEN

OUR WHOLLY OWNED HOLDINGS IN COVENT GARDEN, IN THE DISTRICTS OF SEVEN DIALS, COLISEUM AND THE OPERA QUARTER, REPRESENT 29% BY VALUE OF OUR PORTFOLIO. IN ADDITION, OUR 50% INTEREST IN THE LONGMARTIN JOINT VENTURE'S HOLDINGS, CENTRED ON ST MARTIN'S COURTYARD, REPRESENTS 7% BY VALUE OF OUR PORTFOLIO.

Statistics

Wholly owned			Number	Area sq. ft. '000	% of current gross income
Valuation	**£481.1 million**	Shops	**103**	**130**	**38%**
Percentage of portfolio	**29%**	Restaurants, cafes and leisure	**82**	**154**	**32%**
Acquisitions during the year	**£25.4 million**	Offices		**103**	**15%**
Capital expenditure during the year	**£2.9 million**	Residential	**162**	**116**	**15%**
Capital value return	**7.1%**				

Longmartin joint venture			Number	Area sq. ft. '000	% of current gross income
Valuation	***£120.5 million**	Shops	**23**	**69**	**47%**
Percentage of portfolio	***7%**	Restaurants, cafes and leisure	**8**	**43**	**22%**
Acquisitions during the year	**–**	Offices		**102**	**7%**
Capital expenditure during the year	***£6.9 million**	Residential	**75**	**55**	**24%**
Capital value return	**5.9%**				
* Shaftesbury Group's share		Shaftesbury Group has a 50% interest of the above			

Our wholly owned holdings in covent garden, in the districts of Seven Dials, Coliseum and the Opera Quarter, represent 29% by value of our portfolio. in addition, our 50% interest in the longmartin joint venture's holdings, centred on st martin's courtyard, represents 7% by value of our portfolio. Totalling 36%, these interests make Covent Garden our largest investment location.

Our wholly owned portfolio includes 103 shops, 82 restaurants and cafes, 103,000 sq. ft. of offices and 162 apartments.

Covent Garden has an atmosphere distinct from the rest of the West End. Its historic street patterns and buildings and wide mix of uses and attractions, give it an often bohemian feel. It is home to half of the West End's theatres and also has a large and flourishing residential community. Our strategy is to foster and encourage this diversity and eclectic character.

We have increased our ownership in Covent Garden this year, with purchases totalling £25.4 million. They included four restaurants, four shops together with offices totalling 10,000 sq. ft., where we have identified opportunities to implement changes of use.

The final phase of Longmartin's St Martin's Courtyard project was completed in April 2011. The scheme, which is fully let other than two small shops, now has a working and residential population of around 850. Other projects in adjacent buildings are now in hand to refurbish 10,000 sq. ft. of offices, to create a new small shop on Long Acre and to commence a rolling programme of improvements to a block of twelve apartments fronting Shelton Street.

We are working with other owners to strengthen Covent Garden's appeal as a renowned shopping and leisure destination. We welcome the changes being introduced in and around the Piazza in Covent Garden, which complement our nearby holdings.

CHINATOWN



OUR HOLDINGS IN CHINATOWN REPRESENT 24% BY VALUE OF OUR PORTFOLIO. THE 68 RESTAURANTS WE HAVE IN THIS VILLAGE PRODUCE 63% OF ITS CURRENT GROSS INCOME.

Statistics

			Number	Area sq. ft. '000	% of current gross income
Valuation	**£401.1 million**	Shops	**60**	**58**	**23%**
Percentage of portfolio	**24%**	Restaurants, cafes and leisure	**68**	**196**	**63%**
Acquisitions during the year	**£18.5 million**	Offices		**43**	**7%**
Capital expenditure during the year	**£0.6 million**	Residential	**86**	**61**	**7%**
Capital value return	**4.7%**				

Our holdings in Chinatown represent 24% by value of our portfolio. the 68 restaurants we have in this village produce 63% of its current gross income.

Chinatown is unique in its concentration of restaurants and its central location, close to Piccadilly Circus and the theatres and cinemas in Shaftesbury Avenue and Leicester Square. Our holdings are at the heart of the West End's leisure economy which is notable for its bustling late night culture. Restaurateurs are attracted both by the long hours of trading as well as the large numbers of visitors every day of the week.

Over 50 years this district has become ever more popular with Far Eastern businesses. Today its restaurants offer cuisine from many regions of China as well as from countries across South East Asia. We actively encourage this diversity as it improves choice and quality.

Our shops and offices in Chinatown are almost entirely occupied by East Asian businesses. Many of our apartments are occupied by those who work in the late night economy and who appreciate living close by.

Purchases during the year totalled £18.5 million and included five restaurants and a shop. Unusually one of the restaurants was acquired with vacant possession. It was quickly pre-let whilst we were carrying out repairs to this listed building.

There are several important projects close to Chinatown which are bringing long term benefits to the area as a whole:

- During the year a major new high quality hotel opened at the junction of Wardour Street and Coventry Street, replacing the vacant former Swiss Centre;
- Leicester Square is undergoing an extensive refurbishment by Westminster City Council at a cost of £15 million. This scheme will enhance this important West End landmark and also provide permanent infrastructure for hosting film premieres;
- In 2012 the Hippodrome, on the corner of Charing Cross Road and Leicester Square will re-open as a major new leisure and entertainment venue.

All of these projects, together with our own plans for improvements to adjacent streets, will greatly enhance the public environment and draw yet more visitors to this important part of West End.

SOHO



OUR HOLDINGS ACROSS OUR SOHO VILLAGE, WHICH WE HAVE BEEN ASSEMBLING SINCE 2008, NOW REPRESENT 4% OF OUR PORTFOLIO. OUR INVESTMENTS WERE INITIALLY CENTRED ON BERWICK STREET BUT WE HAVE NOW WIDENED OUR INTEREST TO INCLUDE NEARBY STREETS.

Statistics

			Number	Area sq. ft. '000	% of current gross income
Valuation	**£73.8 million**	Shops	**24**	**25**	**22%**
Percentage of portfolio	**4%**	Restaurants, cafes and leisure	**11**	**24**	**33%**
Acquisitions during the year	**£16.6 million**	Offices		**24**	**23%**
Capital expenditure during the year	**£1.9 million**	Residential	**43**	**27**	**22%**
Capital value return	**3.8%**				

Our holdings across our Soho village, which we have been assembling since 2008, now represent 4% of our portfolio. our investments were initially centred on Berwick Street but we have now widened our interest to include nearby streets.

Berwick Street itself is situated in the heart of Soho and is often referred to as "Soho's Local High Street". It attracts good footfall despite a generally dilapidated environment, compounded by empty buildings, and the decline in its once busy market. Ownerships and tenant mix have been fragmented for many years and as a consequence rental levels are low. We aim to contribute to the revival of the street through our management strategies that have been successful elsewhere in the West End.

We have acquired more properties during the year at a cost of £16.6 million including five shops and three restaurants. As our ownership increases throughout Berwick Street we are implementing a programme of refurbishments along with a cohesive strategy to retain and enhance the traditional mix of uses in this area.

The most dilapidated buildings, which are in and close by the southern end of Berwick Street, are mainly in public ownership. We welcome the investment by others in these large buildings and in the adjoining public realm, which needs to be regenerated if the area as a whole is to return to long term prosperity. At the north end of the street the new Crossrail interchange now under construction at Tottenham Court Road, with an entrance on nearby Dean Street, should be a catalyst for regeneration.

CHARLOTTE STREET



OUR HOLDINGS IN AND AROUND THE SOUTHERN END OF CHARLOTTE STREET REPRESENT 2% BY VALUE OF OUR PORTFOLIO.

Statistics

			Number	Area sq. ft. '000	% of current gross income
Valuation	**£38.5 million**	Shops	**4**	**8**	**5%**
Percentage of portfolio	**2%**	Restaurants, cafes and leisure	**13**	**29**	**57%**
Acquisitions during the year	**£4.4 million**	Offices		**9**	**17%**
Capital expenditure during the year	**£0.2 million**	Residential	**32**	**14**	**21%**
Capital value return	**8.3%**				

Our holdings in and around the southern end of Charlotte Street represent 2% by value of our portfolio.

This geographically small and close-knit neighbourhood has a concentration of restaurants and a cosmopolitan atmosphere. For several years we were outbid when properties became available but recently more properties have come to the market at sensible prices. Acquisitions this year, which totalled £4.4 million, included two restaurants and a shop.

Already a lively commercial and residential district, Charlotte Street is close to several important projects which will over time bring even more footfall. These include the residential-led development of the former Middlesex Hospital, the redevelopment of the nearby Royal Mail sorting office as well as the significant regeneration being planned around the enlarged Tottenham Court Road station.

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



"LONDON THOU ART THE FLOWER OF CITIES ALL"

William Dunbar

LEONG'S LEGEND

PRETTY GREEN

VIETNAMESE RESTAURANT

MOTHER MASH

FIRETRAP

MNINI

ST JOHN HOTEL

THE COVENT GARDEN

ACADEMY OF FLOWERS

CARTE BLANCHE

EUPHORIUM BAKERY

MW BUFFET

CANELA

O'NEILLS

ZEBRANO

MENNULA

STRADA

THE MAKE UP STORE

KU BAR

55DSL

RICE

BARRICA

COS

MELA

BENEFIT

FORNARINA

TOP OF THE TOWN

DOUBLE SHOT

COFFEE COMPANY

GOLDEN PAGODA

TRIYOGA

MISATO

HOWIES

GOLDEN DAY

Future portfolio activity

We continue to pursue acquisitions across all our villages, seeking buildings which already have, or offer the potential for, predominantly retail and restaurant uses. Of particular interest are properties which can add to the restaurant and leisure element of our portfolio. The concentration of our investments often allows us flexibility in maximising the benefits of the valuable and restricted planning consents associated with catering uses. The timing of our acquisitions is always unpredictable and opportunistic.

We regularly review our portfolio to identify commercial properties or apartments which are no longer part of our core strategy and where disposal would not adversely impact the value and long term opportunities in our portfolio.

There is considerable demand for larger retail units and we are progressing a number of schemes, particularly in Carnaby, to meet these requirements. Inevitably there will be some short term loss of income as we secure vacant possession for our schemes.

As we have done for many years, we continue to seek alternative uses for our smaller and poorer quality offices, usually converting many of them to residential accommodation. We have identified schemes which could potentially add a further 90 apartments over the next three years.

We continue to work with Westminster City Council and Camden Council to advance further public realm improvements in and around our villages. Works to improve the eastern part of Ganton Street in Carnaby and Mercer Street, adjacent to St Martin's Courtyard in Covent Garden, have commenced since the year end. In 2012 new public realm schemes will be delayed to minimise disruption during the period leading up to and during the Olympics. In the current financial climate, local authorities' ability to fund new schemes may be restricted, requiring a greater contribution from the private sector.

Results

Our EPRA adjusted profit before tax amounted to £29.2 million, compared with £22.3 million in the previous year, an increase of 30.9%. The profit on ordinary activities before taxation reported in the Group Statement of Comprehensive Income amounted to £115.7 million (2010: £171.9 million).

Rents receivable across the Group (adjusted for lease incentives) have increased this year from £65.7 million to £75.4 million, a rise of £9.7 million. Income from acquisitions during the year contributed £1.3 million. In the wholly owned portfolio rents invoiced increased by around 7.5% this year compared with the previous year, after eliminating the impact of property acquisitions and disposals (2010: 3.0% year-on-year increase).

Trading conditions in the West End have remained buoyant so tenant defaults over the year have been minimal, with a charge in the Group Statement of Comprehensive Income for irrecoverable debts of £0.3 million (2010: £0.5 million). The amount of vacant space in our portfolio has remained low throughout the year, reflected in a charge for empty rates of only £0.2 million (2010: £0.2 million).

Our share of the rental income in the Longmartin joint venture has increased this year by £2.1 million to £4.3 million as a result of the completion and substantial letting of the St Martin's Courtyard scheme during the year. Its income will rise further in the current financial year with the benefit of a full year's occupancy.

The Group's property outgoings rose this year by £0.7 million to £8.8 million (2010: £8.1 million). The increase was due in part to the non-recoverable costs associated with St Martin's Courtyard, which opened to the public in November 2010 and achieved virtually full occupancy in April 2011.

As we have noted in the past, we are bearing a greater proportion of service charge expenditure in respect of smaller offices and shops, as well as from the increasing amount of residential accommodation in our portfolio.

Our management activity often has an impact on the level of non-recoverable property costs. For example:

- We do not capitalise property outgoings or interest incurred during the period when space is held vacant pending the start of our schemes or during the period of works;
- We may increase the marketing expenditure which we bear to promote our villages both to domestic and overseas retailers and visitors at times of pressure on consumer confidence and spending.

Total administration expenses include a charge of £1.6 million (2010: £1.7 million) in respect of equity settled remuneration. This comprises an accounting charge in respect of share options of £1.2 million (2010: £1.3 million) and a charge for employer's national insurance liability on share awards and share options of £0.4 million (2010: £0.4 million). The provision for annual bonuses has increased this year by £0.8 million to £2.0 million reflecting the Group's good performance.

Interest payable, including settlements under interest rate swaps, amounted to £27.8 million, compared with £27.2 million in the previous year. Our bank debt fell over the year as a whole by £21.4 million to £434.9 million at 30 September 2011, as expenditure on acquisitions and capital projects for the year of £79.3 million was offset by the net Share Placing proceeds of £99.8 million.

Short term interest rates have remained at unprecedentedly low levels throughout the year. The cost of settlements under our £360.0 million of interest swap contracts amounted to £14.8 million this year, a decrease of £0.3 million compared with last year. Our unhedged floating rate bank debt continues to benefit from these low rates, with a current marginal cost of additional drawings of less than 1.75%.

Net finance costs were covered 2.05 times by operating profit before investment property disposals and valuation movements (2010: 1.8 times). Based on the interest cover covenants and definitions contained in our banking agreements, net interest payable was covered 2.4 times by net property income (2010: 2.1 times), compared with the minimum ratio of 1.5 times we are required to maintain. We comfortably exceed the minimum ratio of net rental income for properties in the REIT group against attributable interest payable of 1.25 times required under REIT legislation.

The current market expectation that interest rates will remain at historically low levels for some time has resulted in an increase in the fair value deficit of our long term interest rate swaps of £24.1 million to £104.6 million at the year end. This non-cash accounting provision, which is excluded in the calculation of our banking covenants, continues to be volatile, decreasing in the first half by £37.4 million, only to rise in the second half by £61.5 million. We can see no commercial benefit at present in terminating any of our interest rate hedges, which would involve crystallising this accounting provision. However we continue to monitor opportunities to restructure our swaps as market sentiment changes.

The tax charge on the EPRA adjusted profit for the year was £0.4 million (2010: £0.1 million) and arises solely in our joint venture. Our 50% interest in Longmartin is outside the Group's REIT business, so that our share of its results continues to be subject to provisions for corporation and deferred tax.

EPRA adjusted diluted post-tax earnings per share for the current year amounted to 11.9p compared with 9.7p last year, an increase of 22.7%. The unadjusted diluted post-tax earnings per share shown in the Group Statement of Comprehensive Income for the current year amounted to 47.0p compared with 73.0p last year.

The EPRA adjusted net asset value at 30 September 2011 of £1,164.0 million equates to a diluted net asset value of £4.63 per share (2010: £948.4 million equivalent to £4.14 per share), an increase of £215.6 million. Our Share Placing in March 2011 accounted for £99.8 million of the increase in shareholders' funds during the year, equivalent to approximately £0.01 per share.

Unadjusted shareholders' funds at the year end shown in the Group Balance Sheet totalled £1,053.7 million, an increase over the year of £190.0 million. The unadjusted diluted net asset value per share amounted to £4.19 (2010: £3.78).

Dividends

Distributions charged in the Group Statement of Changes in Shareholders' Equity this year amounted to £25.7 million (2010: £22.2 million), or 10.75p per share (2010: 9.75p). There was an increase of 10.7% in the amount declared per share and a 9.9% increase in the number of shares in issue arising from the Share Placing in March 2011, which increased the 2011 Interim Distribution paid in July 2011.

A final dividend in respect of the year ended 30 September 2011 of 5.75p per share, amounting to a distribution of £14.4 million, will be proposed at the 2012 Annual General Meeting. This will result in total distributions in respect of the financial year of £28.2 million.

The interim dividend was paid, and final dividend will be paid, entirely as Property Income Distributions. REIT legislation broadly requires us to distribute a minimum of 90% of net rental income, calculated by reference to tax rather than accounting rules. Our distributions are in excess of this minimum amount. We expect to maintain steady growth in our dividends, fully covered in future by adjusted annual post-tax profits.

Finance

Our strategy is to secure flexible long and medium term debt finance together with non-speculative hedging of the interest rate exposure on a substantial portion of our floating rate debt. This finance strategy is intended to match our funding with our assets which are held for long term investment, and to provide reasonable certainty of finance costs whilst limiting the Group's exposure to adverse movements in interest rates.

The Board keeps under review the level of current and forecast debt and the Group's strategies regarding the appropriate levels of debt and equity finance, the maturity profile of loan facilities and interest rate exposure and hedging.

In March 2011 we strengthened our equity base with an issue of shares by way of a Share Placing. We issued 22.7 million shares, equivalent to approximately 9.9% of our issued share capital at the time, at £4.50 per share which produced net proceeds after issue costs of £99.8 million. These new funds, which in the short term have repaid part of our bank debt, provide us with the capacity to continue the expansion of our portfolio.

The nominal value of Debenture and bank borrowings at the year end totalled £495.3 million, a reduction of £21.4 million over the year. Cash outflows during the year on acquisitions amounted to £64.0 million and expenditure on the Group's portfolio totalled £15.3 million. Revenue operations after net interest payments produced a net cash surplus of £30.1 million, compared with £26.4 million in the previous year. Tax payments totalled £4.6 million (2010: £7.4 million), which included £3.8 million in respect of the final instalments of our 2007 REIT conversion charge.


"THERE IS NO SINCERER LOVE
THAN THE LOVE OF FOOD"
George Bernard Shaw



PECKHAM RYE

JAEGER LONDON

NICKEL

SOO LEE

GARDEN CAFE

PYRUS

PLUM VALLEY

F TROUPE

G-STAR

GOSH!

BEXY LADY

HENTSCH MAN

THE POWDER ROOM

BOSS ORANGE STORE

DAHLIA

HONG KONG BUFFET

BASE

LEVI'S

FOOD FOR THOUGHT

DUO

POLPO

BOB SOHO

HK DINER

REBECCA HOSSACK

GALLERY

DEHESA

GILDA'S TRYST

JACK WILLS

PIZZA EXPRESS

MERC

FLAT PLANET

DARIMEYA

TIME2

PIXI

Gearing at the year end was 43% (2010: 55%), calculated by reference to our EPRA adjusted net asset value referred to above and the nominal rather than book value of our Debenture and net bank debt. The ratio of the nominal value of Debenture and net bank debt to the Market Value of our property assets was 30% (2010: 35%).

We monitor our overall committed facilities at all times to ensure we have sufficient resources to meet our future cash flow commitments with comfortable headroom and we operate well within our banking covenants. Any new prospective commitments, such as property acquisitions, are considered in the light of funding currently available to the Group.

At the year end committed bank facilities totalled £575 million, unchanged over the year, of which £140.7 million was undrawn (2010: £119.3 million). We have £375 million of our facilities maturing in 2016, £125 million in 2020 and £75 million in 2021, giving a weighted average maturity of 6.3 years (2010: 6.6 years). We maintain a regular dialogue with existing and prospective lenders with a view to ensuring our facilities continue to reflect the long term nature of our investment strategy.

The average margin over LIBOR we paid on amounts drawn from our bank facilities at the year end was 0.85%. If we drew all of our facilities in full, the weighted average margin we would pay would be 1.04%. These margins, fixed throughout the term of the facilities, are much lower than would be obtainable for similar arrangements in the current banking environment. Unless the current general scarcity of debt finance abates, we would expect that our margins will increase as we extend or refinance our present arrangements ahead of their contractual maturity.

We have hedging in place on £360.0 million of our £434.3 million of floating rate bank debt, fixed at rates between 4.59% and 5.15% (excluding margin) with a weighted average rate of 4.87%. The hedging contracts have a weighted average maturity of 21.4 years (2010: 22.4 years).

At the year end, reflecting both our hedged and unhedged bank debt, the weighted average cost of bank borrowings including margin was 5.02%, compared with 4.74% at the previous year end. Including our long term Debenture debt, our overall weighted cost of debt at 30 September 2011 was 5.39% (2010: 5.13%). The increase in our average cost of debt reflects the reduction in unhedged floating rate debt resulting from the proceeds of our Share Placing.

At 30 September 2011, the fair value of the Group's interest rate swaps represented a liability of £104.6 million (2010: £80.5 million). Our strategy of taking long term, fixed rate swaps provides certainty in fixing a substantial part of our debt. However, particularly in the current environment of unprecedentedly low interest rates and the uncertainty in debt markets, it results in great volatility in this non-cash mark-to-market provision.

The deficit arising on the fair value of the Group's long term Debenture debt, which is not reflected in our results, amounted to £11.4 million. The reduction in the deficit of £2.2 million reflects higher market credit spreads, offset by a market expectation that interest rates will rise more slowly than previously anticipated.

The Group has no legal obligation to crystallise these non-cash fair value deficits by early refinancing of its fixed rate debt or early termination of its interest rate hedges, but may consider doing so where there is a clear economic benefit to the business.

The Board monitors both actual and forecast performance against the financial covenants contained in the Group's bank facilities and Debenture trust deed. Each of our facilities is secured against designated property assets and in addition each of the lenders, including the Debenture trustee, has a shared floating charge over the assets of the Company and certain of its wholly owned subsidiaries.

The outstanding Debenture stock of £61.0 million is secured by a first charge on property assets, where we must maintain a minimum value of 150% of the stock outstanding, and where the net rental income has to match the coupon of 8.5%. We are comfortably in excess of these covenants based on assets currently charged.

Our banking covenants are structured on a Group-wide basis and are broadly similar for each of our facilities. The financial covenants, together with their status at 30 September 2011, were as shown in the table below.

Based on the results for the year ended 30 September 2011, net property income could fall by approximately £25 million (equivalent to 37% of this year's Group net property income) before the interest cover covenant is reached. Based on the year end property valuations and debt levels, property values across the Group would have to decline by around 50% before we reach our loan to value or gearing covenant limits. The actual future headroom on covenants will be affected by a number of factors, including future acquisitions, expenditure commitments and valuation movements.

Bank covenants and status at 30 September 2011

Financial covenant	Covenant level	Status at 30 September 2011
Ratio of Group net property income to Group net interest payable	Minimum of 1.5:1	2.4:1
Actual borrowings from each lender as a percentage of property assets charged as security	Not to exceed 66.7%	30% (based on total bank borrowings/ available assets as across the Group)
Percentage of Group borrowings compared to Group shareholders' funds (adjusted to exclude any fair value accounting provisions for interest rate derivatives)	Maximum of 175%	43%



"WHOEVER SAID MONEY CAN'T BUY HAPPINESS SIMPLY DIDN'T KNOW WHERE TO GO SHOPPING"

Bo Derek

LE BEAJOLAIS

ENERGIE & KILLAH

MIMCO

IKI KUSAN

PRIMA MANGER

VAN

MYLING GA

BOULEVARD BRASSERIE

SUPER SUPERFICIAL

KOPAPA

PYLONES

ORION

SACRED CAFE

MADE IN BRAZIL

KUA 'AINA

TAO TAO JU

SWEET COUTURE

ARENSKI GALLERY

POSTE MISTRESS

NIKE

SUGARLESQUE

MOR

WAN CHAI CORNER

SUDA

WRIGHT BROTHERS SOHO

BERTORELLI'S

MADE IN ITALY

THE ENDURANCE

MISAN FABRICS

BOOTS

PASTELLE

MAGMA BOOKS

THE SHASTON ARMS

CARRY ME HOME

ALBARH

THAI THO

FIFI WILSON

BERGHAUS

BARBOUR HERITAGE

CHEZ GERARD

HI SUSHI IZAKAYA

LEVI'S VINTAGE CLOTHING

ZEST

PEEKABOO VINTAGE

VITAL INGREDIENT

YEAR ZERO

THE NORTH FACE

THINGS BRITISH

THE LOFT

JOY EVERLEY

LA GELATERIE

YOTOPIA

FAT FACE

FOUR SEASONS

PJ'S BAR & GRILL

ADEE PHELAN

ORC'S NEST

MAGMA

CHA CHA MOON

KOWLOON

BEYOND THE VALLEY

NOTES MUSIC & COFFEE

PEPE JEANS

LITTLE SICILY

KIDROBOT

COTE BISTRO

NEW MAYFLOWER



Performance and benchmarking

The table on page 4 summarises our performance this year against our chosen benchmarks.

As explained in previous years, we have been unable to identify a published property performance index which relates specifically to a portfolio of mixed use buildings such as ours, or recognises restaurant uses, an increasingly important element of our investment strategy, as a component. We have therefore used for comparison purposes the IPD UK Monthly Indices which track movements across all main commercial property categories throughout the UK on a monthly basis. Shaftesbury is a constituent of the FTSE 350 Super Sector Real Estate Index.

Taking into account acquisitions and capital expenditure during the year, our portfolio grew in value by 7.2% over the year, out-performing our IPD benchmark, which reported general capital growth of 1.7%.

We expect our properties, which have a consistent record of greater stability in values, rising income and rental values and limited obsolescence, will continue to out-perform the wider market over the long term.

Our portfolio recorded a total return of 11.3% for the year, exceeding the total return of 8.7% recorded by our IPD benchmark. The degree of our out-performance of this index reflects the lower yield profile of our property assets.

We recorded a positive total shareholder return for the year ended 30 September 2011 of 10.0% compared with the FTSE 350 Super Sector Real Estate Index which recorded a decline of 0.4%.

Key performance indicators

The key financial objective of the Group is to deliver out-performance over the long term in the growth of its net asset value. Fundamental to this objective is sustained long term rental growth from our property assets and a focus on uses which minimise costs of obsolescence which over time lead to improvement in their capital value.

The Group's key financial performance indicators measure its portfolio performance, both in terms of capital value and total returns, against the publicly-available IPD UK Monthly Index which, as explained above, tracks movements across all main commercial property categories throughout the UK on a monthly basis. The Group's performance against this index is set out on page 4.

The rental prospects of the Group's portfolio are the key driver of long term performance. The key non-financial performance indicators related to rental income growth used within the business measure are:

- the extent to which rents achieved meet or exceed the rental values estimated by the Group's external valuers at their last valuation and;
- the ability of management to maximise the occupation of the Group's properties and, where vacancies arise, minimise the time that properties are vacant and not producing income. In the case of properties being refurbished, the void period monitored includes time spent in designing schemes, obtaining planning consents, carrying out physical works and marketing up to the point of completing lettings. For vacant properties which are ready to let, marketing periods are monitored and assessed.

The Board is satisfied that the Group's performance relating to the achievement of growth in rental income and estimated rental values in the current year has more than met its expectations. This year rents across all uses have throughout the year generally met or exceeded valuers' estimates. Like-for-like growth in rents receivable of 7.5% has been significantly above the Group's recent average growth rate.

The amount of vacant space across the portfolio has remained very low throughout the year. Where space has become vacant, void periods have generally remained at acceptable levels although the Group continues to experience delays due to problems beyond its control, for example in the planning process or through the failure of utility companies to meet their service obligations.

The future

Against a background of great uncertainty in financial markets and the wider economy, London's West End has continued to prosper. Subdued consumer and business confidence apparent elsewhere is not evident in our locations, where we continue to benefit from strong demand for all our uses.

The major events which London will host in 2012 may well bring some short term disruption to the West End but are expected to attract many visitors and will advertise London to a global audience.

We are not complacent and we never take the prosperity of the West End for granted. However we remain confident that the enduring appeal of London and its unique features and unrivalled attractions, together with our innovative and enterprising management approach, will ensure our resilient portfolio continues to out-perform in the challenging economic period ahead.

Brian Bickell Chief Executive

30 November 2011

portfolio analysis

at 30 September 2011

		Note	Carnaby	Covent Garden	Chinatown
Total portfolio	Market Value	1	£563.5m	£481.1m	£401.1m
	% of total Market Value		34%	29%	24%
	Current gross income	2	£26.9m	£22.7m	£19.2m
	Estimated rental value (ERV)	3	£33.2m	£25.3m	£20.6m
Shops	Number		126	103	60
	Area - sq. ft.		172,000	130,000	58,000
	% of current gross income	4	50%	38%	23%
	% of ERV	4	51%	39%	23%
	Vacancy rate by % of ERV	5	7%	5%	0%
	Average unexpired lease length - years	6	4	4	8
Restaurants and leisure	Number		38	82	68
	Area - sq. ft.		80,000	154,000	196,000
	% of current gross income	4	13%	32%	63%
	% of ERV	4	14%	32%	63%
	Vacancy rate by % of ERV	5	1%	2%	1%
	Average unexpired lease length - years	6	11	13	14
Offices	Area - sq. ft.	4	233,000	103,000	43,000
	% of current gross income	4	31%	15%	7%
	% of ERV	5	30%	15%	7%
	Vacancy rate by % of ERV	6	10%	7%	9%
	Average unexpired lease length - years		3	3	4
Residential	Number		69	162	86
	Area - sq. ft.		46,000	116,000	61,000
	% of current passing rent		6%	15%	7%
	% of ERV	4	5%	14%	7%
	Vacancy rate by % of ERV	5	4%	2%	1%

* Shaftesbury Group's share.

basis of valuation

at 30 September 2011

	Note	Carnaby	Covent Garden	Chinatown
Overall initial yield	8	4.28%	4.36%	4.52%
Initial yield ignoring contractual rent free periods	9	4.38%	4.46%	4.61%
Overall equivalent yield	10	5.18%	4.77%	4.80%
Tone of retail equivalent yields	11	4.87 - 5.50%	4.50 - 5.75%	4.65 - 5.75%
Tone of retail estimated rental values - ITZA £ per sq. ft.	11	£115 - £420	£50 - £450	£140 - £290
Tone of restaurant equivalent yields	11	4.90 - 5.25%	4.35 - 5.50%	4.65 - 5.25%
Tone of restaurant estimated rental values - £ per sq. ft.	11	£77.50 - £100	£45 - £130	£135 - £338 ITZA
Tone of office equivalent yields	11	5.25 - 6.00%	5.00 - 5.75%	5.75 - 6.25%
Tone of office estimated rental values - £ per sq. ft.	11	£35 - £60	£27 - £42	£29 - £42
Tone of residential estimated rental values - £ per annum	11	£12,220 - £72,800	£11,700 - £67,600	£9,100 - £29,400

	Soho	Charlotte Street	Wholly Owned Portfolio	Longmartin*	Total Portfolio
	£73.8m	£38.5m	£1,558.0m	*£120.5m	£1,678.5m
	4%	2%	93%	7%	100%
	£2.9m	£1.9m	£73.6m	*3.9m	£77.5m
	£3.9m	£2.2m	£85.2m	*£7.0m	£92.2m
	24	4	317	23	
	25,000	8,000	393,000	69,000	
	22%	5%	37%	47%	
	30%	4%	39%	37%	
	25%	0%	6%	4%	
	5	5	5	5	
	11	13	212	8	
	24,000	29,000	483,000	43,000	
	33%	57%	34%	22%	
	28%	54%	33%	16%	
	11%	0%	1%	0%	
	7	14	13	15	
	24,000	9,000	412,000	102,000	
	23%	17%	19%	7%	
	19%	16%	19%	33%	
	5%	0%	9%	11%	
	2	2	3	7	
	43	32	392	75	
	27,000	14,000	264,000	55,000	
	22%	21%	10%	24%	
	23%	26%	9%	14%	
	23%	29%	7%	4%	
	3.69%	4.23%	4.34%	2.68%	
	3.85%	4.38%	4.44%	3.94%	
	4.87%	4.84%	4.93%	4.80%	
	5.00 - 5.65%	5.25 - 6.00%		4.50 - 6.00%	
	£80 - £119	£80 - £115		£92 - £440	
	5.15 - 5.50%	4.75 - 5.25%		5.00 - 6.00%	
	£60 - £110	£60 - £80		£36.50 - £66.75	
	5.50 - 6.00%	6.00 - 7.00%		5.00 - 6.25%	
	£30 - £42.50	£30 - £35		£32.50 - £55	
	£13,000 - £54,600	£10,900 - £23,500		£16,600 - £85,800	

Notes

1 The Market Values at 30 September 2011 (the "date of valuation") shown above in respect of the six villages are, in each case, the aggregate of the Market Values of several different property interests located within close proximity which, for the purpose of this analysis are combined to create each village. The different interests within each village were not valued as a single lot.

2 Current gross income includes total actual and 'estimated income' reserved by leases. No rent is attributed to leases which were subject to rent free periods at the date of valuation. Current gross income does not reflect any ground rents, head rents or rent charges and estimated irrecoverable outgoings at the date of valuation. 'Estimated income' refers to gross estimated rental values in respect of rent reviews outstanding at the date of valuation and, where appropriate estimated rental values in respect of lease renewals outstanding at the date of valuation where the Market Value reflects terms for a renewed lease.

3 Estimated rental value ("ERV") is the respective valuers' opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Estimated rental value does not reflect any ground rents, head rents or rent charges and estimated irrecoverable outgoings.

4 The percentage of current gross income and the percentage of ERV in each of the use sectors are expressed as a percentage of total gross income and total ERV for each village.

5 The vacancy rate by percentage of ERV is the ERV of the vacant accommodation within each use sector, on a village-by-village basis, expressed as a percentage of total ERV of each use sector in each village. The vacancy rate includes accommodation which is awaiting or undergoing refurbishment and not available for occupation at the date of valuation.

6 Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants' options to determine leases in advance of expiry through effluxion of time.

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

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

9 The Initial Yield ignoring contractual rent free periods has been calculated as if the contracted rent is payable from the date of valuation. For Longmartin this includes 100% of income from tenants who are, or will be paying, 50% as an initial rent.

10 Equivalent Yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income so discounted at this rate equals the capital outlay at values current at the date of valuation. The Equivalent Yield shown for each village has been calculated by merging together the cash flows and Market Values of each of the different interests within each village and represents the average Equivalent Yield attributable to each village from this approach.

11 The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.

12 All commercial floor areas are net lettable. All residential floor areas are gross internal.

13 For presentation purposes percentages have been rounded to the nearest integer.

principal risks and uncertainties

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

The problems associated with rising debt levels in Western economies are creating great uncertainty in equity and debt markets across the world. The short and long term ramifications of measures that may be necessary to restore economic stability are at present unclear but may result in a sustained contraction of credit available for businesses generally. As described opposite, such conditions could have an impact on the valuation of our assets and the prosperity of our locations.

Following the completion of the St Martin's Courtyard project in the Longmartin joint venture, the Group's exposure to risks associated with the speculative nature of its routine schemes is no longer considered to be material in relation to our income and resources.

Our principal risks relate to the valuation risk inherent in property investment, the concentrated location of the Group's portfolio and certain aspects of its strategy.

Risk and impact
Property valuations The valuation of all property assets includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions this reappraisal can lead to a reduction in property values and a loss in net asset value, amplified by the effect of gearing. Such reduction in property values and loss of net asset value could result in the Group being unable to meet the asset-related covenants contained in its Debenture and bank loan arrangements.
Location of property assets The Group's property assets are concentrated in the centre of the West End of London. The prosperity of the West End economy, and therefore the Group's retail and restaurant occupiers, which account for over 70% of our rental income, is heavily dependent on large numbers of visitors.
Events which discourage visitors, such as threats to security or public safety due to terrorism, health concerns such as an influenza pandemic, or disruption to the public transport network on which the area depends, could reduce visitor numbers. Over time, if a fall in visitors was both sustained and significant, this could lead to a reduction in occupier demand and the rental potential and value of the Group's property assets.
All of the Group's properties are located within the jurisdictions of Westminster City Council and the London Borough of Camden. Changes to their policies, particularly those relating to planning and licensing, could have a significant impact on the Group's ability to maximise the long term potential of its assets.
Tenant risk As a result of adverse conditions in the wider economy, a restriction of the availability of credit for consumers and businesses could lead to lower levels of consumer spending, a higher level of business failures and difficulties for new ventures in raising start-up capital. This could adversely affect the financial viability of the Group's tenants, potentially leading to higher levels of vacancies and declines in rental values.
Environmental legislation 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. The future use of older buildings may be restricted if they become subject to standards of environmental performance which cannot be met.

Mitigation

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

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

A commentary on the Group's financial position, including matters relating to its bank financing arrangements, is contained in this Business Review under the heading "Finance" on pages 25 to 28.

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

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

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

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

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

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

The wholly owned portfolio has over 800 commercial tenants, so that the risks associated with the default of individual tenants are well spread. The 100 largest tenants by current gross income in the wholly owned portfolio provide approximately 52% of total commercial income. No single tenant currently pays a rent in excess of £1.2 million per annum and the average rent paid by our ten largest tenants is £0.9 million per annum.

The Group reviews the creditworthiness of prospective new commercial tenants. Where appropriate new tenants are required to provide a cash deposit as security against default on their rent commitment. At 30 September 2011, such deposits amounted to £10.4 million (2010: £9.1 million).

Our buildings, which on average are 150 years old, are situated in historic areas of London's West End. All of our villages are within Conservation Areas and many of our properties are listed as being of special architectural interest.

We work with English Heritage and local authorities to improve the environmental performance of our buildings within the constraints imposed by current Conservation Area and listed buildings legislation.

We are also assisting with studies to identify new approaches to improving the environmental impact of older buildings and to develop performance standards which are appropriate to their special status.

KIEHL'S

PUMA

SCREEN FACE

IT'S SOMETHING HELL'S

OPERA TAVERN

FAR EAST

LAURA LEE

DISHOOM

G-STAR RAW

MIRANDA

ADOLFO DOMINGUEZ

LACOSTE L!VE

SPICE BAZAAR

CASS ART

LES DEUX SALONS

HOSS INTROPIA

CAMELLIA'S WORLD TEAS

HAOZHAN

BILL'S

KITCHEN ITALIA

RELAX

HENRI-LLOYD

IRREGULAR CHOICE

CARNABY BURGER CO

IFUKU

SLOW FOOD

THE DOVER BOOKSHOP

CAMPER

PLAYLOUNGE

BEN SHERMAN

CANELA

ABSOLUTE VINTAGE

AIN'T NOTHIN' BUT...



"A BAR IS BETTER THAN A NEWSPAPER FOR PUBLIC DISCUSSION"

Jim Parker

corporate responsibility

Corporate responsibility includes the Group's relations with stakeholders and activities in the local community and is the overall responsibility of the Chief Executive.

Our remuneration policy is closely aligned with our corporate responsibility strategy. There are specific Group objectives to achieve corporate responsibility targets which are reflected in the level of executive remuneration.

We have been a constituent of the FTSE4 Good Index since 2004, which is designed to measure the performance of companies that meet globally recognised corporate responsibility standards. This year we were one of the leaders in the real estate sector. We are a member of the Dow Jones Sustainability Index ("DJSI") and are listed in the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies. We are a regional leader for environmental management in the Global Real Estate Benchmark ("GREB") survey.

Sustainability

The essence of our sustainability strategy is to reuse old buildings to extend their useful life and in doing so preserve and enhance the heritage of London's West End where all our buildings are located. The average age of our buildings is over 150 years. When unmodernised properties need refurbishing or when we acquire buildings, we reconfigure and upgrade them within the constraints of current regulations governing listed buildings and Conservation Areas. Our aim is to extend the economic life and create a positive return on our investment over the long term.

Our corporate responsibility policies, which are updated annually, are available on our website. The full report on our corporate responsibility performance for the year ended 30 September 2011 is also available on our website together with the action plan for the year to 30 September 2012.

Environmental policy

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

- Operate in an environmentally sustainable manner throughout our activities;
- Address the implications of our activities on climate change by reducing energy use throughout our portfolio and also improving drainage to better address localised flooding issues;
- Minimise any adverse impacts on the environment across our operations;
- Comply with all relevant legal and regulatory requirements and where feasible to go beyond compliance;
- Encourage continual improvement of our environmental performance;
- Provide a framework for establishing specific objectives and targets;
- Promote environmental awareness among staff and principal suppliers and provide appropriate training where necessary;
- Work proactively with other organisations to promote sustainability within the portfolio and our local areas; and
- Engage with our stakeholders including shareholders to ensure that we are responsive to their expectations.

Implementing our policy

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

Refurbishment projects

Almost all of the Group's buildings are within Conservation Areas and many are listed. Within these constraints, the Group seeks to refurbish buildings in a sympathetic manner reusing existing timber and original building fixtures and fittings where possible.

The Group is not a significant user of new timber and its designers and contractors are encouraged to reuse as much as possible during refurbishment work. When installing new fixtures and plant, consideration is given to environmental sustainability as well as building regulations. For the small amount of timber that is purchased, the aim is to source sustainably sourced products, particularly those certified to the Forestry Stewardship Commission or Programme for the Endorsement of Forest Certification schemes.

Through its contractor management procedures, including checklists and supporting information, the Group requires project managers to dispose of waste appropriately, to segregate and recycle where possible and to collate information on waste quantities produced. Owing to the wide variety of projects, the extent of the work undertaken at each site, and the absence of any industry benchmarks for construction waste, it is not considered meaningful to present absolute waste data. However, the process encourages site managers and contractors to adopt responsible waste practices and provides the Group with details of waste quantities attributable to its activities. A sample of two sites were audited for good practice against duty of care for waste management and were confirmed to be operating satisfactorily.

Day-to-day management

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

The Group continues to monitor energy consumption in the common parts of its portfolio where it has direct responsibility. The use of energy within the portfolio is the responsibility of tenants, with the exception of certain common areas such as stairwell lights and shared facilities. Generally use is restricted to lighting so the environmental impact is small.



BOLONGARO TREVOR

LASH PERFECT LASH BAR

ALL SAINTS

ATELIER MILLINERY

ECATWALK

LAMBRETTA

LEONG'S LEGEND II

TRISTAN BATES THEATRE

DESA

NEW WORLD

CHINESE RESTAURANTS

BIDDLE SAWYER SILKS

STYLE SHOWROOM

UNCONDITIONAL +

SUKA

AURORA

WILLIAM & GEORGE

CAFE TPT

MESTIZO

POP BOUTIQUE

GOLA CLASSICS

REPLAY

DETROIT

SOCCERSCENE

CANTINA LAREDO

C&R CAFE RESTAURANT

VOLCOM

HILFIGER DENIM

REFECTORY

BUREAU

SAKS

WALK IN BACK-RUB

JAMIE'S ITALIAN

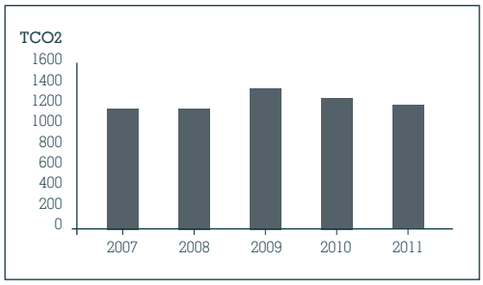
THE MARQUIS

"I DONT KNOW WHO INVENTED THE HIGH HEEL BUT ALL MEN OWE HIM A LOT"

Marilyn Monroe

Impact on the environment

The level of carbon emissions produced by our portfolio over the past five years is set out in the chart below. Overall, our impact on the environment is minimal as these carbon emissions generally are confined to activities in the common parts of the portfolio. As a result, our level of energy consumption is below the threshold for inclusion in the Government's Carbon Reduction Scheme.



The data excludes the emissions for the joint venture at St Martin's Courtyard which totalled 426.4 tonnes of CO2 and will be reported separately in the future. However, absolute consumption throughout the portfolio remains low.

For the current year, we have an objective to change to suppliers of green electricity upon contract renewal if such supplies are available and at a comparative cost to other supplies. In Soho, the electricity supplier to a number of the Group's properties continued to be a company which provides green electricity generated from sustainable sources. We will continue to supply green electricity to properties in Soho during the current year and include Chinatown during 2012.

Staff

Shaftesbury employs nineteen staff including executive Directors. Every member of staff is important and their experience and contribution to the business play a key part in the delivery of our strategy.

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

Our employment policies have been reviewed and updated during the year to reflect changes in legislation. No staff left the Company during the year.

Health and safety

The Board has overall responsibility for health and safety. Health and safety is identified within all pre-tender documentation in our refurbishment schemes 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 strategy is clear and focussed on London's West End. Our long term prosperity depends on the success of London as a destination for domestic and overseas visitors to the museums, galleries and leisure activities in and around the West End. We are very clear that our engagement is aligned with the areas in which our villages are situated and benefits London both as a community and tourist destination. We work closely with a number of organisations based in the West End with local and leisure connections and in some cases help them to be located in the areas in which they operate.

We have adopted the London Benchmarking Group methodology for measuring our community contributions. For the year ended 30 September 2011 our contribution was £356,000. In addition to this we have voluntarily contributed to works in the public realm in excess of £700,000.

Our community engagement currently focuses on the following areas:

Sustainable Restaurant Association ("SRA")
We have worked during the year to promote this not-for-profit membership association. It provides restaurants with advice and support to help them to understand fully sustainability issues and provide solutions and opportunities for their businesses.

We have encouraged our tenants to join the Association and offered as a trial, the first year's membership paid for by the Group to a number of restaurants. Take-up has been excellent and our tenants and the Association are working on a number of initiatives together. We are looking at ways of extending this work during 2012.

Working with the creative arts
As our portfolio is located entirely within the West End, the promotion of the arts, theatre and leisure aspects of the West End are important to our continuing business. We therefore work with arts organisations, theatres and galleries to promote the creative arts.

Provision of space for charitable, community and educational purposes
We also provide space on very flexible terms to enable charitable, community and educational events to take place during the year. We provide subsidised accommodation for a number of these organisations including the Association of British Orchestras, Make Justice Work, Stage One, National Campaign for the Arts, Yellow Earth Theatre Company, London Chinatown Association and Chinatown Arts Space.

Working with local authorities
We work closely with Westminster City Council and Camden Council 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.

Key targets and progress in the year ended 30 September 2011

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

Objectives	Progress and outcomes
Engage with stakeholders.	Continued membership of FTSE4 Good, DJSI and GREB.
Continue to support local community groups and be proactive in mentoring charitable and other organisations.	Membership of the London Benchmarking Group and adoption of their methodology for reporting community involvement this year.
Operate in an environmentally sustainable manner throughout our activities.	In an initial trial, a selection of restaurant tenants have joined the SRA. Of eight refurbishment schemes a minimum of 75% of facades were retained and 80% of the primary structure. All buildings at St Martin's Courtyard except for the retail shell at 7-13 Mercer Street achieved a "Very Good" BREEAM rating. Of two schemes that had pre- and post-refurbishment EPC assessments, a listed building, improved by one grade from G to F. An unlisted building, improved from D to B, which although not the targeted 3 grades is nevertheless a good performance when building constraints are considered.
Monitor and where possible reduce energy consumption and investigate opportunities for the use of renewable energy.	Green electricity is purchased in Soho.
Continue to monitor the waste management strategy for Carnaby and Seven Dials in order to encourage recycling by tenants and divert a minimum of 80% waste from landfill.	33% of tenants' waste in Carnaby and Seven Dials was recycled and of the remaining waste 86% was diverted from landfill to an energy from waste facility.
Improve biodiversity.	Inclusion of bird boxes at sites in Soho, a green roof at Carnaby Street and provision of space for beehives at St Martin's Courtyard.
Ensure all refurbishment schemes above a specified capital value are registered with the considerate constructors scheme and continue to achieve 65% (above a "satisfactory" score).	100% of schemes achieved the target score on the first visit. The overall average for the sites visited was 80%.

Objectives and targets for year ending 30 September 2012

Set out below is an extract of the key objectives and targets for the year ahead. A full list of objectives is contained within the 2011-2012 Action Plan which is available on the Group's website.

Objectives	Targets
Engage with stakeholders.	Continue to engage with investors and key benchmarking agencies as appropriate and maintain membership in the FTSE4 Good, DJSI and GREB or equivalent indices. Report in accordance with GRI.
Continue to support local community groups and be proactive in mentoring charitable and other organisations.	Ongoing financial support to key charities and community support for 2011-2012. Continue membership of London Benchmarking Group and further develop benchmarking measurements for reporting.
Engage and raise corporate responsibility awareness and engagement with tenants.	Engage with selected commercial tenants their approach to sustainability. Develop sustainability advice specifically for residential tenants. Provide membership of the Sustainable Restaurant Association for all new restaurant tenants and extend within existing tenant base.
Monitor and where possible reduce energy consumption and investigate opportunities for the use of renewable energy.	Purchase green electricity where available and where costs are within 5% of "brown" electricity. Aim for common parts consumption not to exceed 100 kg C02/m^2.
Monitor and reduce waste from our managed properties.	Divert from landfill 80% of tenant generated waste at Carnaby, Seven Dials and Longmartin.
Operate in an environmentally sustainable manner throughout our activities.	Follow BREEAM criteria for reuse of structure and facade in 100% of refurbishment ie a minimum of 50% of the facade and 80% of the primary structure reused. Aim for BREEAM "Very Good" where appropriate. Extend the useful life of buildings and improve their sustainability by raising the EPC rating of properties through refurbishment. Ensure that at least 80% water based paints are used to minimise air pollution.
Timber to be sourced where possible from well managed sources certified by third party certification bodies.	Continue to maximise proportion of timber that is reused. Source at least 50% of all timber from certified sources and ensure all timber is legal.
Improve biodiversity appropriate to the Group's urban location.	Design and install where feasible features to encourage appropriate urban wildlife.
Ensure all refurbishment schemes above a specified capital value are registered in the Considerate Constructors Scheme.	Continue to achieve 65% (above a "satisfactory" score).

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

Brian Bickell Chief Executive

30 November 2011

directors, officers and advisors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11

directors, officers and advisors

1 **Brian Bickell**, FCA
Chief Executive

Joined in 1986 and appointed Finance Director on 20.7.1987. Appointed Chief Executive on 1.10.2011. Overall responsibility for the Group's strategy and day-to-day operations. Retains day-to-day responsibility for financial strategy and all aspects of accounting and taxation until January 2012.

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

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

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

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

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

Joins the Board in January 2012 as Finance Director responsible for financial strategy and all aspects of accounting and taxation. He will stand for election at the 2012 Annual General Meeting following his appointment to the Board.

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

5 **P John Manser**, CBE, DL, FCA
Chairman and non-executive Director

Chairman of the Nomination Committee

Appointed to the Board on 20.2.1997 and Chairman from 1.10.2004. Non-executive director of SABMiller plc, member of Council of Marlborough College and director of Marlborough College (Overseas) Limited. Previously chairman of Intermediate Capital Group plc, Hiscox Investment Management Limited, London Asia Chinese Private Equity Fund Limited, Robert Fleming Holdings Limited and deputy chairman of Colliers CRE plc.

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

Joined as managing director on 3.11.1986. Chief Executive until 30.9.2011. Deputy Chairman from 1.10.2011. Non-executive Chairman of The Tennis Foundation.

7 **W Gordon McQueen** BSc, CA, FCIBS*
Non-executive Director

Senior Independent Director and Chairman of the Audit Committee.

Appointed to the Board on 25.4.2005 and Senior Independent Director since 1.10.2009. Non-executive director of Scottish Mortgage Investment Trust plc, JP Morgan Mid-Cap Investment Trust plc and The Edinburgh Investment Trust plc. Previously non-executive Director of the Alliance Trust PLC and Finance Director of Bank of Scotland PLC.

8 **Jill C Little***
Non-executive Director

Chairman of the Remuneration Committee

Appointed to the Board on 24.2.2010. Employed at John Lewis Partnership since 1975. Merchandise Director on the board of John Lewis from 2002-2011. Currently Business and Development Director of the John Lewis Partnership and trustee of the Restorative Justice Council and trustee of Fashion and Textiles Children's Trust.

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

Appointed to the Board on 23.9.2009. Previously a financial journalist with roles as property editor on the Investors Chronicle and financial editor of The Times. Former chairman of Churchbury Estates Limited, Ilex Limited and non-executive director of P&O from 1985-1991.

10 **Hilary S Riva** OBE*
Non-executive Director

Appointed to the Board on 12.2.2010. Non-executive director of London and Partners, a not for profit organisation promoting London. Chief Executive Officer of the British Fashion Council from 2005-2009 and remained in a non-executive capacity until November 2010. Previously managing director of a number of high street brands including Top Shop and Warehouse.

11 **John R K Emly**, FCIS
Non-executive Director

Appointed to the Board on 16.10.2000 and Senior Independent Director from 1.10.2004 to 30.9.2009. Will retire from the Board at the conclusion of the 2012 Annual General Meeting.

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

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

Tel: 020 7333 8118
Fax: 020 7333 0660

e-mail:
shaftesbury@shaftesbury.co.uk

Registered Number: 1999238

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

Debenture Stock Trustee
Prudential Trustee Company Limited

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

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

Solicitors
Hogan Lovells International LLP
Eversheds LLP
Forsters LLP

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

Websites
Corporate:
www.shaftesbury.co.uk

Includes Annual and Half Year Reports Library from 2002 and recent corporate announcements.

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

Village websites
www.carnaby.co.uk
www.chinatownlondon.org
www.operaquarter.co.uk
www.sevendials.co.uk
www.stmartinscourtyard.com

corporate governance

The Board is committed to high standards of corporate governance in the implemetation of its strategy of investing in the West End of London.

The Board has undergone change in its membership during the year. Following the announcement on 30 November 2010 that Jonathan Lane intended to retire from his role as Chief Executive during 2011 and, at the invitation of the Board, he would become Deputy Chairman. After a formal search and selection process for a new Chief Executive, it was announced in May 2011 that Brian Bickell, then Finance Director, would be appointed to the role with effect from 1 October 2011.

The process to recruit a new Finance Director commenced culminating in the selection of Christopher Ward, which was announced in October 2011. He will join the Board in January 2012.

Compliance

Throughout the year, the Board applied the principles of the UK Corporate Governance Code and complied with all of its provisions with the exception of provision B.1.2: that at least half the Board excluding the Chairman should comprise non-executive Directors determined by the Board to be independent.

Set out below is an explanation of how the Group applied each of the principles of the UK Corporate Governance Code and in doing so how it complied with its provisions:

Leadership

The Group has a Board which is responsible to shareholders for the strategic direction of the Group and the stewardship of its activities. The roles of Chairman and Chief Executive are split. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive has responsibility for the management of the Group's day-to-day operations. A formal statement of the division of responsibilities between the Chairman and Chief Executive has been adopted by the Board. The Group has a Senior Independent Director, and with effect from 1 October 2011, created a new role of Deputy Chairman.

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

Effectiveness

Board composition

The composition of the Board does not comply with the UK Corporate Governance Code recommendation that at least half the Board excluding the Chairman should comprise independent non-executive Directors. During the year, the Board comprised four executive Directors, four independent non-executive Directors, one non-executive Director not deemed independent and the Chairman who was deemed independent on his appointment. The Board considers its composition, in view of the nature of the Group's activities, is appropriate for the effective governance of its business.

The Nomination Committee keeps the composition of the Board under review. During the year it considered the Board composition following the changes referred to above and led the process of the selection of new Directors, described in the Committee's report on page 47.

Board meetings

The Board met five times during the year. Its function is to formulate strategy and monitor and control operating and financial performance. This is achieved through the regular review of operations and detailed reports on activity within the Group's property portfolio, quarterly financial reporting and forecasts, and regular reviews of risks and internal controls.

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

Board Committees

The Board has three Committees: Audit, Remuneration and Nomination. The terms of reference of these Committees are available on the Group's website. The Company Secretary acts as Secretary to each of the Committees. Minutes of all Committee meetings are circulated to all Directors. Separate reports from the Committees are set out on pages 47 to 57.

Attendance at Board and Committee meetings is set out below:

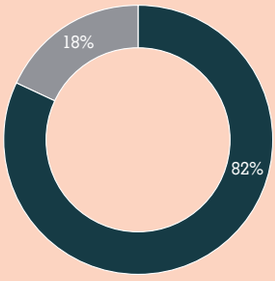
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings	5	3	3	3
	Attended	**Attended**	**Attended**	**Attended**
Executive Directors				
J S Lane	5			
B Bickell	5			
S J Quayle	5			
T J C Welton	5			
Non-Executive Directors				
P J Manser	5			3
J R K Emly	5			3
J C Little	5	3	3	3
W G McQueen	5	3	3	3
O J D Marriott	5	3	3	3
H S Riva	5	3	3	3

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

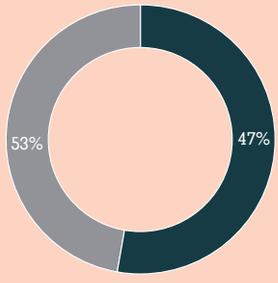
Diversity
In September 2011, the Board approved a policy in line with Lord Davies' recommendations in his report "Women on Boards". The Board considers its current composition has the appropriate balance of skills and diversity to meet the requirements of the business. Diversity encompasses all aspects including gender and is considered during the search and selection process for executive and non-executive Directors and staff. The Board does not consider it appropriate at this stage to set quotas for board representation, but will monitor developments in best practice.

The gender ratios of the Group's 19 staff are set out below:

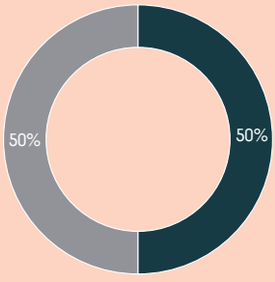
Directors



All staff including executive Directors



Senior management





Directors' training
The Chairman is responsible for ensuring Directors maintain the skills and knowledge required to fulfil their roles as Directors and this is considered as part of the annual appraisal process. Training records are maintained by the Company Secretary and reviewed by the Chairman. Directors are encouraged to maintain their professional skills and familiarity with the business. As part of this process, non-executive Directors have frequent dialogue with executive Directors and senior staff and carry out regular inspections of the Group's portfolio.

All new Directors receive induction training led by the Chairman and administered by the Company Secretary. There were no new Directors appointed during the year, though upon his appointment, Christopher Ward will receive a tailored induction programme.

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

Board performance
The Board undertakes an annual review of its performance and the performance of its Committees to ensure that they continue to operate effectively.

This year an external specialist board evaluation adviser was appointed to assist the Board's review. They only provide board performance evaluation services. In consultation with the Chairman and the Company Secretary they set the context for the evaluation and devised tailored questionnaires to the specific needs of the Group. Board members were then requested to complete questionnaires addressing the performance of the Board, Committees, Chairman and individuals. Anonymity of all respondents was ensured in order to promote an open exchange of views.

The questionnaires addressed the following issues:

- Board composition, expertise and dynamics;
- Board support, time management and Committees;
- Strategic, operational and risk review; and
- Priorities for change.

The results were considered at the July 2011 Nomination Committee and Board meetings and in particular the Board considered:

- The current composition of the Board and the need for succession planning for the non-executive Directors coming to the end of their tenure was recognised. The attributes which will be sought in future non-executive Director appointments were identified;
- The role of the Board in overseeing executive succession was addressed;
- The appropriate level of contact between executive Directors and non-executive Directors outside meetings and the role that the Board might play in overseeing the development of employees;
- The operational priorities of the Company and its strategic plan. It was agreed that the Board agenda strikes the correct balance between strategic and performance issues;
- The process to identify the Group's key risks, the extent to which they are controlled by the Group and the plans for mitigation of risk which were appropriate;
- The composition and performance of the Committees as well as the performance of the Chairman.

Re-election of Directors
At the 2011 Annual General Meeting the Board for the first time adopted the recommendation of the UK Corporate Governance Code that all directors stand for re-election each year. All Directors will stand for re-election at the 2012 Annual General Meeting.

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 and by both the financial and estate management audits which are reported to the Board.

The principal risks and uncertainties identified in the review process and how they are managed or mitigated are summarised in the Business Review on pages 34 and 35.

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

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

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

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

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

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

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

e) The day-to-day estate management of the Group's portfolio is outsourced to three managing agents. The Group monitors the performance of each managing agent and has established extensive financial and operational controls to ensure that each maintains an acceptable level of service. The Group also uses the services of an external consultant to review periodically the operational processes and controls of each managing agent;

f) A comprehensive manual recording the key business processes and related controls across the whole of the Group's business is regularly updated and updates are reported to and reviewed by the Audit Committee.

The Audit Committee has not identified any material weaknesses in the Groups' control structure. In view of the Group's focussed nature of its business and on advice from the Audit Committee, the Board has resolved that at the present time there is no need to establish an internal audit function.

Directors' remuneration

This is set out in the Remuneration Report pages 48 to 55.

Relations with shareholders

The Company considers its relationship with shareholders to be extremely important. The Board encourages contact with all shareholders at the Annual General Meeting and throughout the year. The Chairman and Committee Chairmen are present at the Annual General Meeting to deal with any matters raised by shareholders and all other Directors attend.

The Chief Executive and executive Directors meet investors regularly during the year to discuss strategic and other issues within the constraints imposed by the Disclosure Rules and Transparency Rules of the UK Listing Authority. The meetings frequently include visits to the Group's portfolio.

When the Group announces its annual and half year results, the Chief Executive and executive Directors make presentations to institutional investors and analysts and hold one to one briefings with key shareholders. Non-executive Directors, including the Senior Independent Director, also attend a number of these presentations and briefings. The presentations of annual and half year results are made available on the Group's website in the Investor Relations section. The Board receives regular reports from its corporate advisers on shareholder meetings. The Chairman met with a number of shareholders during the year.

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

Going concern

The Group's business activities, together with the factors affecting performance, position and future development are set out in the Business Review on pages 12 to 31. The financial position of the Group including cash flow, liquidity, borrowings including undrawn facilities, debt maturity analysis and tenant lease profiles are set out on pages 25 to 28.

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

On behalf of the Board

John Manser
Chairman

30 November 2011

nomination committee report

John Manser (Chairman)
John Emly
Jill Little
Gordon McQueen
Oliver Marriott
Hilary Riva

The Committee comprises the Chairman, four independent non-executive Directors and one non-executive Director who did not meet the criteria for independence under the UK Corporate Governance Code. The Committee's composition did not change during the year.

Following the announcement in November 2010 that Jonathan Lane intended to retire as Chief Executive a formal search and selection process for his replacement commenced. This resulted in the Board, on the recommendation of the Committee, resolving in May 2011 that Brian Bickell, the Group's Finance Director, be appointed Chief Executive with effect from 1 October 2011. Jonathan Lane became Deputy Chairman on 1 October 2011.

The process to recruit a replacement Finance Director commenced in June 2011. The selection of Christopher Ward was made in October 2011. He will formally commence his employment and join the Board in January 2012.

Terms of reference

The Committee's terms of reference which are available on the Group's website encompass:

- Keeping under review the composition of the Board;
- Succession planning; and
- Board performance.

Activities during the year

The Committee met three times during the year to consider:

Standing matters	Additional matters
• Directors for re-election • Review of the annual Committee report • Board and Board Committee performance evaluation and evaluation of the skills of the directors for re-election	• Appointment of Deputy Chairman • Recruitment of Chief Executive • Recruitment of Finance Director

Chief Executive and Finance Director succession

On 30 November 2010, the Group announced that Jonathan Lane intended to retire from his role as Chief Executive during 2011 and that following the appointment of his successor, he would stay with the Group in a newly-created role of Deputy Chairman. In this role, Jonathan Lane will support the Chairman and provide continuity, enabling the Group to benefit from his experience and knowledge gained over 25 years as Chief Executive of the Group.

Prior to commencing the process the views of shareholders were sought on the Group's succession process.

The Committee appointed an executive search firm to assist with the recruitment of a successor to the Chief Executive. There was one internal candidate, Brian Bickell, the Group's Finance Director. He and the three shortlisted external candidates went through an identical and rigorous selection process. The process concluded with a recommendation to the Board that Brian Bickell be appointed as Chief Executive with effect from 1 October 2011.

Once the appointment of Brian Bickell as Chief Executive had been announced in May 2011 the search for a new Finance Director commenced. An executive search firm was appointed to assist in the recruitment process. The Committee considered it was appropriate to appoint the same firm as was used for the Chief Executive recruitment. There were no internal candidates. The process culminated in a recommendation to the Board to appoint Christopher Ward. Full biographical details of Christopher Ward are set out on page 43.

The executive search firm for both recruitment assignments considered diversity and gender when selecting candidates for consideration. It is a signatory to the Executive Search Firms' Voluntary Code of Conduct covering boardroom appointments.

Succession planning

Succession planning at Board and management levels continues as part of the regular work of the Committee.

John Emly will not stand for re-election and will retire at the 2012 Annual General Meeting having served on the Board since 2000. The Committee will review the composition of the Board during the course of the year ahead and may consider the appointment of an additional non-executive Director in due course.

Directors standing for re-election and election

At the Annual General Meeting held in February 2011, all Directors were proposed for re-election. In accordance with the UK Corporate Governance Code, all Directors will again offer themselves for re-election or election at the 2012 Annual General Meeting with the exception of John Emly, 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 and election has the skills, knowledge and experience that enable them to discharge their duties properly and contribute to the effective operation of the Board.

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

Christopher Ward will join in January 2012. Following his appointment by the Board, a resolution will be proposed for his election at the 2012 Annual General Meeting.

On behalf of the Board

John Manser
Nomination Committee Chairman

30 November 2011

remuneration report

Remuneration Committee

Jill Little (Chairman)
Gordon McQueen
Oliver Marriott
Hilary Riva

All Committee members are independent non-executive Directors. The Committee's composition did not change during the year.

In addition to its regular work, the Committee during the year reviewed and recommended to the Board the employment terms of the new appointees to the roles of Deputy Chairman, Chief Executive and Finance Director; and reviewed the Group's LTIP performance conditions and annual bonus objectives and targets.

Terms of reference

The Committee's terms of reference which are available on the Group's website encompass:

- Reviewing the Group's remuneration framework and policy;
- Determining within this framework the specific remuneration packages for the Chairman, executive Directors and Company Secretary;
- Monitoring the remuneration of staff;
- Reviewing share plans;
- Designing and setting targets for the annual bonus scheme; and
- Reviewing pension and other benefit arrangements.

The Chief Executive and Deputy Chairman may at the invitation of the Committee Chairman attend meetings. Other executive Directors do not attend. No Director has any involvement in decisions regarding their own remuneration.

Activities during the year

The Committee met eight times (three scheduled and five additional meetings) during the year to deal with the following matters:

Standing matters	Additional matters
• Determine pay and benefits for the executive Directors and Company Secretary and review the pay and benefits of other employees • Determine the structure of the annual bonus scheme (including performance objectives) for the executive Directors, the Company Secretary and staff for the year ahead • Determine bonus payments for the executive Directors and Company Secretary for the year under review • Determine the LTIP awards for the year ahead (both the performance conditions and quantum) • Ratify the LTIP vesting subject to the attainment of the performance criteria set by the Committee • Appointment of advisers for annual salary review • Review Chairman's fees (bi-annually) • Review the remuneration report	• Agree terms of employment of the Deputy Chairman, Chief Executive and Finance Director • In-depth review of LTIP performance conditions to ensure that they remain relevant and competitive • In-depth review of annual bonus scheme and performance objectives • Offer of options in Sharesave in June 2011

Remuneration policy

The objective of the Group's remuneration policy is to have a simple, transparent remuneration structure aligned with the Group's long term business strategy.

The Group aims to provide a remuneration package which will secure and retain high calibre executive Directors and management with the skills, experience and motivation necessary to manage the business of the Group and maximise shareholder value on a sustainable basis. In determining the components of total remuneration, the Committee seeks to incentivise Directors and other staff, placing emphasis on rewards for performance and delivery of shareholder value and recognises that under-performance should not be rewarded.

The performance related elements of annual bonus and long term incentives can constitute a substantial proportion of the total remuneration if the challenging targets set by the Committee are met.

There were no changes to the Group's remuneration policy during the year.

The components of executive Directors' remuneration are set out below:

Component	Policy
Base salary	Base salary is aligned with comparable companies in the real estate sector and similar sized FTSE 250 companies. The Group's remuneration advisers provide sector and market data for the Committee to consider. Base salaries are reviewed annually on 1 December.
Pension provision*	A contribution equivalent to 25% of base salary paid into a personal pension plan to fund retirement benefits for all executive Directors other than the Deputy Chairman.
Annual bonus	An annual bonus may be awarded to recognise exceptional performance. The Committee sets stretching personal and corporate performance targets which include the Group's KPIs, aligning performance with strategy. An annual bonus may be taken wholly or partly in shares or cash up to a maximum of 125% of salary. If taken in cash, the amount is reduced by 20% in order to encourage participation in the Group's equity. Where all or part of an annual bonus is taken in shares, those shares are held for a minimum of three years in a Deferred Annual Share Bonus scheme. Dividend equivalents are paid at the end of the holding period. An annual bonus is not pensionable.
Long term incentives	The Group's LTIP seeks to incentivise employees to deliver sustained improvement in financial performance and shareholder returns, aligning the interests of employees with shareholders over the longer term. It involves annual awards of nil cost options up to a normal maximum limit of 150% of salary. Currently, two separate performance conditions are applied for the vesting of awards, each measured over a three year performance period. The conditions are set out in detail below and relate to annualised NAV growth in excess of RPI growth over the performance period and annualised TSR of the Company's shares in excess of TSR of the FTSE 350 Real Estate Index.
Other benefits*	These include a car or car allowance, life insurance, health insurance and long term disability insurance.

* An individual may elect to receive elements of their pension contribution or benefits by way of additional salary. The cash equivalent is reduced by any resultant taxation liability borne by the Group.

The Committee considers the salaries of all employees within the Group when setting salary levels of the executive Directors. The same remuneration principles are applied across the Group and all employees are eligible to participate in the Group's annual bonus scheme and LTIP.

New Bridge Street (an Aon Hewitt Company) has provided external independent advice to the Committee during the year. It is appointed by the Committee and only provides advice to the Group in respect of the Directors and Company Secretary's remuneration.

Terms of employment

The executive Directors are employed under service contracts which may be terminated by either party giving not less than twelve months notice. In the case of Jonathan Lane and Brian Bickell, a maximum of twelve months salary and benefits would be payable by the Group in the event of termination without notice although the Board would seek to reduce the amount payable by enforcing a Director's duty to mitigate his loss. In the case of Simon Quayle and Thomas Welton, their contracts can be terminated by the Group paying a sum equal to their basic annual salaries. The Group has no other financial obligations in the event of early termination of an executive Director's contract.

Upon his appointment as Chief Executive, Brian Bickell entered into a new service contact effective from 1 October 2011 on substantially the same terms as his existing contract. His notice provisions described above continue to apply to his new contract. Upon his appointment as Deputy Chairman, Jonathan Lane's existing contract was varied by letter to reflect the change in his role. The role is non-pensionable. His notice provisions remain the same. Details of Christopher Ward's terms of employment are found on page 51.

Executive Directors are permitted to accept external appointments with the prior approval of the Board where there is no adverse impact on their role with the Group. Any fees arising from such appointments may be retained by the executive Director where the appointment is unrelated to the Group's business. Jonathan Lane received and retained fees in the year ended 30 September 2011 in respect of his directorship of a private company unconnected with the Group's business totalling £4,250 (2010: £4,250). The other executive Directors did not hold any paid external appointments during the year.

The Group has a policy which requires executive Directors to build up and maintain a minimum shareholding in the Company equivalent to one year's salary. Newly appointed executive Directors will be expected to accumulate a shareholding to this value over a period of five years from the date of their appointment. At 30 September 2011 the market value of executive Directors' actual shareholdings was between nine and twelve times their annual salary at that date.

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

Remuneration

Set out below is a detailed explanation of the components of executive Directors' remuneration. Tables 1 to 3 contain the details of pay entitlements for Directors during the year.

Base salary

The revised salaries of Jonathan Lane and Brian Bickell are set out below for their roles from 1 October 2011, when Brian Bickell became Chief Executive and Jonathan Lane became Deputy Chairman. Jonathan Lane remains an executive Director on a part time basis contracted to work two days a week.

	£'000 1.10.2011		£'000 1.12.2010
B Bickell (as Chief Executive)	**430**	(as Finance Director)	300
J S Lane (as Deputy Chairman)	***175**	(as Chief Executive)	430

*not pensionable; other benefits continue

Salaries for the other executive Directors were revised with effect from 1 December 2011 to reflect the performance of the Group and the individuals, and cost of living increases.

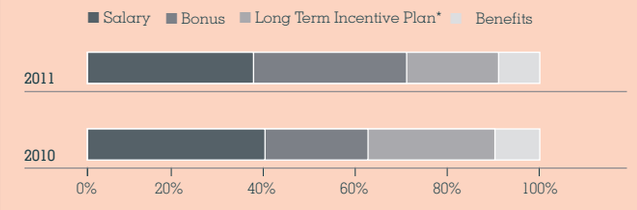
	£'000 1.12.2011	£'000 1.12.2010	**Increase**
S J Quayle	**305**	290	5%
T J C Welton	**305**	285	7%
C P A Ward*	**250**	-	-

* Finance Director designate joining in January 2012

Salaries of other employees were also reviewed with effect from 1 December 2011, with increases of at least 4%.

The chart below illustrates the balance of fixed and variable pay which comprises the executive Directors' remuneration on an aggregate basis:

Components of Directors' remuneration



* The relative proportions for share options has been calculated using the fair value per award and the expected percentage of options that will vest at the respective year ends.

Annual Bonus Scheme

The Group operates an Annual Bonus Scheme under which executive Directors and employees may be awarded a bonus based on the achievement of a range of challenging personal and corporate performance targets.

These are set by the Committee at the beginning of each year and assessed at the year end in light of actual performance. The targets are consistent with the Group's overall strategy and key business objective of long term growth of rental income and net asset value with focus on the attainment of key management and business objectives. They relate to those operational and financial aspects of managing the Group's portfolio which are considered to be critical to maximising and realising its income and capital value potential. In setting these robust targets and assessing actual performance, factors which the Committee takes into account include the Group's financial and non-financial KPIs and its success in achieving its corporate responsibility objectives including:

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

An explanation of the Group's KPIs is contained within the Business Review. Total shareholder return and growth in net asset value are the performance measures which are used in the LTIP and are therefore not used as measures for the Annual Bonus Scheme.

Other than in exceptional circumstances, the maximum annual bonus is limited to 125% of salary. The Committee is satisfied that the bonus limit is not excessive. Participants may elect to receive a bonus in shares or cash. To encourage investment in the Group's equity, the value of the bonus is reduced by 20% for that part taken in cash rather than shares.

Where a participant elects to take part or all of their annual bonus in shares, awards are granted under the Deferred Annual Share Bonus Scheme, which allows participants to exercise their award after a minimum period of three years and no later than seven years following the date of the award. The value of dividends receivable on the shares accrue and is paid on exercise.

This award is not subject to any further performance conditions as it relates to the deferred element of a bonus which has already been earned.

Annual bonuses are not pensionable and are not contractual.

Long Term Incentive Plan

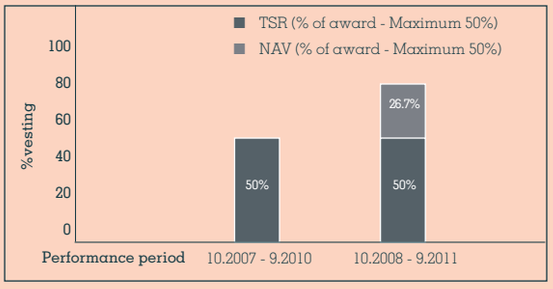
All employees are eligible to participate in the plan. Conditional awards in the form of nil cost options are granted to employees at the discretion of the Committee. Awards to employees are limited to a maximum value of 150% of salary per annum in normal circumstances. Within this limit the maximum percentage of salary will vary according to the employee's position in the Group and in particular to the extent to which they are capable of influencing corporate performance of the Group. In exceptional circumstances an award of up to 200% of salary may be made.

Each award is subject to performance conditions set by the Committee each year applying over a three year performance period. There are two separate performance conditions for the vesting of awards, independent of each other and each applying to one half of the shares awarded. The Committee considers that the performance conditions provide a balanced assessment of the long term performance of the Group, with NAV focusing on improvements in asset performance and TSR rewarding superior returns to shareholders. The conditions apply to the awards made in previous and current financial years as the Committee believes the conditions are still appropriate to the Group.

Annualised NAV growth less annualised RPI growth, over the performance period	**% of relevant awards vesting**
Less than 3% pa	0%
3% pa	30%
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 30% and 100%
7% pa or more	100%

Annualised TSR of the Company's shares less annualised TSR of the FTSE 350 Real Estate Index	**% of relevant awards vesting**
Less than 0% pa	0%
0% pa	20%
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 20% and 100%
5.5% pa or more	100%

Performance against these criteria is illustrated below for grants in 2007 and 2008 which have vested during the financial year or are about to vest. The awards made in 2008 for the performance period 1 October 2008 to 30 September 2011 will vest on 16 December 2011. New Bridge Street prepare the TSR calculation and verify the NAV calculations for the Committee.



Sharesave

The Group operates an HM Revenue & Customs approved Sharesave scheme for all employees. The scheme rules had been in operation for ten years and were due to expire in 2011. The extension of the rules for a further ten years was approved at the 2011 Annual General Meeting.

Employees have the option to save up to £250 per month for three or five years. At the end of the savings period, employees may use their savings plus a tax free bonus to acquire shares in the Group at the market price prevailing shortly before they commenced saving. A further offer of savings contracts to all employees to buy shares in the Group at a 20% discount to the market price prevailing shortly before the date of grant was made during the year. All executive Directors participated in the scheme again this year.

Clawback

The Committee has introduced a clawback provision for executive Directors under the Annual Bonus Scheme and the LTIP for material misstatement of the financial statements or gross misconduct which will apply to awards from December 2011 onwards.

Non-executive Directors' fees

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

Basic fees were reviewed in November 2011 and will remain at current levels for non-executive Directors. With effect from 1 December 2011, a fee for the Chairmanship of a Committee of £7,500 for non-executive Directors, other than the Chairman, has been introduced.

The fees payable to the Chairman are set by the Committee and ratified by the Board with the Chairman taking no part in the discussion regarding his fees.

Fees with effect from 1 December 2011 are as follows:

	Fees 1.12.2011 £'000	**Committee Chair Fee £'000**	**Total Fee £'000**	Fees 1.12.2010 £'000
P J Manser	**115**	**-**	**115**	100
J R K Emly	**50**	**-**	**50**	50
J C Little	**50**	**8**	**58**	50
W G McQueen	**50**	**8**	**58**	50
O J D Marriott	**50**	**-**	**50**	50
H S Riva	**50**	**-**	**50**	50

Appointment of Finance Director

Christopher Ward will join the Board in January 2012 as Finance Director and be proposed for election at the 2012 Annual General Meeting.

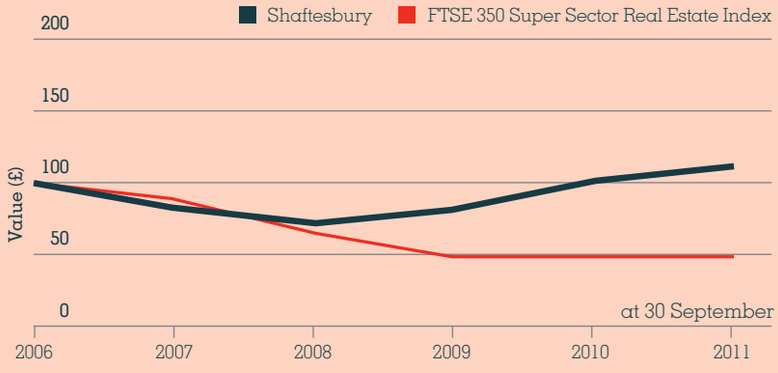
He will be employed on an annual salary of £250,000 and will be entitled to a package of benefits identical to other full time executive Directors. It is expected that on joining the Group, he will be granted nil cost options under the Group's LTIP. Any such offer of LTIPs will be in line with those granted to the other executive Directors.

He will be employed on a service contact with a notice period of six months for the first twelve months of the contract and thereafter on twelve months' notice. The contract contains a clause, identical to that contained in Jonathan Lane and Brian Bickell's contracts, of Director's duty to mitigate loss.

Total shareholder return

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

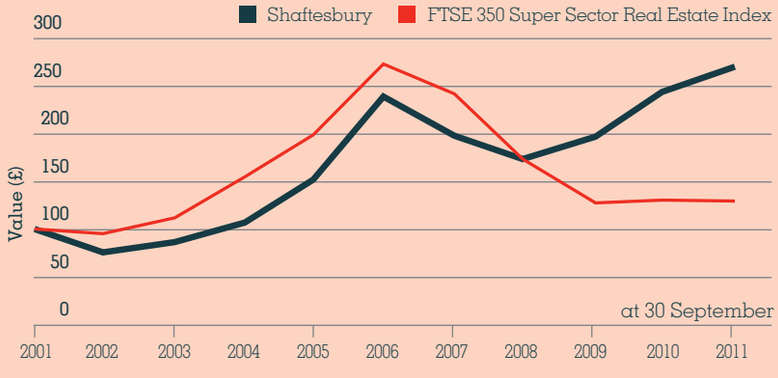
Total shareholder return - 5 years



This graph shows the value, by 30.9.2011, of £100 invested in Shaftesbury PLC on 30.9.2006 compared with the value of £100 invested in the FTSE 350 Super Sector Real Estate Index. The other points plotted are the values at intervening financial year-ends.

source: Thomson Reuters

Total shareholder return - 10 years



This graph shows the value, by 30.9.2011, of £100 invested in Shaftesbury PLC on 30.9.2001 compared with the value of £100 invested in the FTSE 350 Super Sector Real Estate Index. The other points plotted are the values at intervening financial year-ends.

source: Thomson Reuters

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

A resolution to approve this Report will be proposed at the 2012 Annual General Meeting.

Table 1 – Remuneration (audited)

	Salary		Bonus		Benefits* In kind		Benefits* In cash		Aggregate emoluments		Pension contribution	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Executive Director and date of appointment												
J S Lane 12.10.1987	**425**	398	**484**	225	**74**	88	**93**	63	**1,076**	774	**-**	29
B Bickell 12.10.1987	**298**	283	**244**	160	**15**	33	**24**	13	**581**	489	**62**	71
S J Quayle 8.10.1997	**288**	273	**236**	155	**15**	37	**23**	13	**562**	478	**61**	68
T J C Welton 8.10.1997	**282**	263	**232**	149	**32**	41	**9**	-	**555**	453	**60**	66
Total	**1,293**	1,217	**1,196**	689	**136**	199	**149**	89	**2,774**	2,194	**183**	234
Non-executive Directors												
P J Manser (Chairman)									**100**	98		
J R K Emly									**50**	49		
W G McQueen									**50**	49		
O J D Marriott									**50**	49		
H S Riva									**50**	32		
J C Little									**50**	30		
Total									**350**	307		
Total - All Directors									**3,124**	2,501		

The executive Directors have elected to take their 2011 bonus entirely in shares (2010: bonus was taken 50% in cash and 50% in shares). This equates to an effective bonus rate of 112.5% for Jonathan Lane (2010: 56.25%) and 81.25% for the other executive Directors (2010: 56.25%).

* Benefits comprise car benefit or car allowance, permanent health insurance, life insurance and health insurance. They may be taken in kind or in cash. Pension contribution may also be taken in cash. This is disclosed as a cash benefit.

Table 2 – Share options (audited)

	Number of shares held under award at 1.10.2010	Awarded	Exercised	Lapsed	Number of shares held under award at 30.9.2011	Exercise price (£)	Exercise period
J S Lane							
2001 Scheme							
18.12.2003	197,884	-	197,884	-	-	1.80	12.2006 - 12.2013
15.12.2004	230,207	-	-	-	**230,207**	2.65	12.2007 - 12.2014
2006 LTIP							
18.12.2007	88,791	-	44,395	44,396	**-**	Nil	12.2010 - 6.2011
16.12.2008	150,713	-	-	-	**150,713**	Nil	12.2011 - 6.2012
8.12.2009	98,200	-	-	-	**98,200**	Nil	12.2012 - 6.2013
8.12.2010	-	136,500	-	-	**136,500**	Nil	12.2013 - 6.2014
Sharesave							
3.7.2006	5,202	-	5,202	-	**-**	3.09	8.2011 - 1.2012
8.7.2011	-	3,595	-	-	**3,595**	4.29	8.2016 - 1.2017
B Bickell							
2001 Scheme							
18.12.2003	108,317	-	108,317	-	**-**	1.80	12.2006 - 12.2013
15.12.2004	169,825	-	-	-	**169,825**	2.65	12.2007 - 12.2014
2006 LTIP							
18.12.2007	62,532	-	31,266	31,266	**-**	Nil	12.2010 - 6.2011
16.12.2008	105,907	-	-	-	**105,907**	Nil	12.2011 - 6.2012
8.12.2009	70,150	-	-	-	**70,150**	Nil	12.2012 - 6.2013
8.12.2010	-	81,050	-	-	**81,050**	Nil	12.2013 - 6.2014
Sharesave							
3.7.2006	5,202	-	5,202	-	**-**	3.09	8.2011 - 1.2012
8.7.2011	-	3,595	-	-	**3,595**	4.29	8.2016 - 1.2017
S J Quayle							
2001 Scheme							
18.12.2003	88,874	-	88,874	-	**-**	1.80	12.2006 - 12.2013
15.12.2004	143,406	-	-	-	**143,406**	2.65	12.2007 - 12.2014
2006 LTIP							
18.12.2007	60,030	-	30,015	30,015	**-**	Nil	12.2010 - 6.2011
16.12.2008	103,867	-	-	-	**103,867**	Nil	12.2011 - 6.2012
8.12.2009	67,600	-	-	-	**67,600**	Nil	12.2012 - 6.2013
8.12.2010	-	78,200	-	-	**78,200**	Nil	12.2013 - 6.2014
Sharesave							
3.7.2006	5,202	-	5,202	-	**-**	3.09	8.2011 - 1.2012
8.7.2011	-	3,595	-	-	**3,595**	4.29	8.2016 - 1.2017
T J C Welton							
2001 Scheme							
18.12.2003	86,568	-	86,568	-	**-**	1.80	12.2006 - 12.2013
15.12.2004	123,909	-	-	-	**123,909**	2.65	12.2007 - 12.2014
2006 LTIP							
18.12.2007	56,277	-	28,138	28,139	**-**	Nil	12.2010 - 6.2011
16.12.2008	99,800	-	-	-	**99,800**	Nil	12.2011 - 6.2012
8.12.2009	65,050	-	-	-	**65,050**	Nil	12.2012 - 6.2013
8.12.2010	-	75,375	-	-	**75,375**	Nil	12.2013 - 6.2014
Sharesave							
3.7.2006	5,202	-	5,202	-	**-**	3.09	8.2011 - 1.2012
8.7.2011	-	3,595	-	-	**3,595**	4.29	8.2016 - 1.2017

Notes to Table 2:

1. There have been no changes in options outstanding in the period from 1 October 2011 to 28 November 2011.
2. The Committee does not anticipate any changes to the terms of the Schemes under which existing options have been granted.
3. The mid-market price of the shares at 30 September 2011 was £4.68 and during the year then ended was quoted in the range £4.36 to £5.40. Share price when options were granted on 8 December 2010 was £4.32 and on 8 July 2011 was £5.22.
4. Under the terms of the 2001 Discretionary Share Option Scheme, performance was measured in terms of growth in unadjusted net asset value per Ordinary share prior to distributions compared with that of a peer group of listed real estate companies. Performance conditions were applied to options with vesting after three years. No options have been granted since 2004 and all the options granted under the Scheme have now either vested or lapsed. Participants have seven years from the date of vesting in which to exercise options.

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

	Gain on exercise	
	2011	2010
	£'000	£'000
J S Lane	**900**	127
B Bickell	**528**	97
S J Quayle	**455**	93
T J C Welton	**438**	86
	2,321	403

Directors exercised certain share options during the year and, in each case, sold sufficient shares to meet the subscription cost (where appropriate), their personal taxation and national insurance liabilities arising on the exercise and retained the remainder. The gains stated above are the gross proceeds of the exercise (before deduction of tax and national insurance) after deducting the cost of exercising the option where relevant. The share prices on the dates of exercise are set out below.

Date of exercise	Closing mid market share price	Scheme under which exercises occurred
21 December 2010	£4.47	LTIP
2 June 2011	£5.29	2001 Scheme
1 August 2011	£5.14	Sharesave

Table 3 –Share entitlement under Deferred Annual Share Bonus Scheme and held in the employee benefit trust (audited)

Directors hold entitlements to shares in respect of that part of awards granted under the Deferred Annual Share Bonus Scheme where Directors have elected to take their annual bonus by way of shares rather than cash. At 30 September 2011 and at 28 November 2011, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 89,605 shares in respect of awards granted but not delivered to Directors (as set out below) and employees.

Each award of shares may be delivered to an individual for a consideration of £1 at any time between three and seven years after the date of grant of an award. No long term performance conditions apply to these awards as the awards have been made after annual performance targets relating to the annual bonus have already been met. The value of these awards has already been disclosed as part of the bonus figure in the remuneration table of the year to which the bonus related.

Date of award	Entitlement to Ordinary shares at 1.10.2010	Awarded in year*	Delivered in year	Entitlement to Ordinary shares at 30.9.2011
J S Lane				
17.12.2008**	50,413	-	(50,413)	**-**
17.12.2010	-	27,161	-	**27,161**
	50,413	27,161	(50,413)	**27,161**
B Bickell				
17.12.2008**	35,426	-	(35,426)	**-**
17.12.2010	-	19,352	-	**19,352**
	35,426	19,352	(35,426)	**19,352**
S J Quayle				
17.12.2008**	34,744	-	(34,744)	**-**
17.12.2010	-	18,673	-	**18,673**
	34,744	18,673	(34,744)	**18,673**
T J C Welton				
17.12.2008**	33,382	-	(33,382)	**-**
17.12.2010	-	17,994	-	**17,994**
	33,382	17,994	(33,382)	**17,994**

* In respect of the annual bonus for the year ended 30 September 2010. Share price on the date of grant was £4.50.

** Awards in 2008 were subject to a two year holding period. No dividends accrued.

No Director elected for shares under this scheme in 2009.

On behalf of the Board

Jill Little
Remuneration Committee Chairman

30 November 2011

audit committee report

Gordon McQueen (Chairman)
Jill Little
Oliver Marriott
Hilary Riva

The Committee comprises only independent non-executive Directors. The Committee's composition did not change during the year. The Chairman, Gordon McQueen, is a Member of the Institute of Chartered Accountants of Scotland, a Fellow of the Chartered Institute of Bankers in Scotland and is the member of the Committee with recent and relevant financial experience.

The Finance Director, members of the finance team and the auditors have attended each meeting. The auditors have the opportunity for discussion with the Committee without management present.

Terms of reference

The Committee's terms of reference which are available on the Group's website encompass:

- Financial reporting;
- Internal control and risk management;
- Compliance, whistleblowing and fraud; and
- External audit.

Activities during the year

The Committee met three times during the year to undertake its annual work cycle as follows:

Standing matters	Additional matters
• Reviewing the year end results, preliminary announcement and annual report • Reviewing the half year results • Meeting with valuers to discuss the valuation process • Reviewing on a six monthly basis the risk and internal control framework • Reviewing management accounts against forecasts • Reviewing the appropriateness of the going concern assumption • Reviewing the key business procedures and controls • Reviewing audit and non-audit fees • Reviewing the independence of the auditors • Reviewing the auditor's performance and making a recommendation for the appointment of the Group's auditors by shareholders • Planning for year end • Reviewing the whistleblowing policy • Reviewing the need for an internal audit function • Reviewing the Committee's performance • Reviewing the Committee Report	• Considered the impact of the Bribery Act 2010 on the Group and its associated policies • Approve non-audit assignments • Tender of audit services

Tenure of auditors and tender for audit services

PricewaterhouseCoopers LLP (or its predecessor firms) has been the Company's auditor since it listed on the London Stock Exchange in October 1987. Senior Statutory Auditors are only permitted to serve for five years. In view of the impending rotation of the Senior Statutory Auditor following the 2010 audit, the Committee considered it an appropriate time to tender the provision of the Group's audit services for the forthcoming financial year.

The audit tender process involved the comparison of PricewaterhouseCoopers LLP against the audit approach and service proposed by three other leading audit firms. This process included a detailed explanation of the Group's business to each of the three firms. The Committee interrogated the proposals they each put forward for the conduct and resourcing of the Group's audit should they be appointed or reappointed as the Group's auditors, and the fees they envisaged charging. Having completed a critical evaluation of each firm's proposal, the Committee resolved to recommend to the Board that PricewaterhouseCoopers LLP be proposed to shareholders for re-appointment as the Group's auditors at the 2011 Annual General Meeting.

Audit partner

At the conclusion of the 2010 audit, Bowker Andrews the Senior Statutory Auditor was replaced on completion of his five year term by Andrew Paynter in line with the Auditing Practices Board's Ethical Standards for Auditors.

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 conflicted. The award of all non-audit assignments 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:

	2011 £'000	2010 £'000
Audit fees	**119**	128
Taxation compliance and associated matters	**158**	116
Review of the half year financial statements	**19**	19
Other services	**49**	37
Total non-audit fees	**226**	172

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

The balance of audit to non-audit fees is considered by the Committee.

Auditor confirmation

PricewaterhouseCoopers LLP have confirmed to the Committee:

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

The Committee is satisfied with the independence of the auditors based on the information provided.

On behalf of the Board

Gordon McQueen
Audit Committee Chairman

30 November 2011

directors' report

The Directors present their report and the audited financial statements for the year ended 30 September 2011.

Business review

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's Statement and the Business Review which should be read in conjunction with this report. The information which comprises the Business Review as required by Section 417 of the Companies Act 2006 may be found on pages 12 to 31 of the Business Review, pages 44 to 46 of the Corporate Governance Report and pages 37 to 41 of the Corporate Responsibility Report.

Principal activities

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

Results and dividends

The results for the year ended 30 September 2011 are set out in the Group Statement of Comprehensive Income on page 64.

An interim dividend of 5.50p per Ordinary share was paid on 1 July 2011 (2010: 5.00p).

The Directors recommend a final dividend in respect of the year ended 30 September 2011 of 5.75p per Ordinary share (2010: 5.25p), making a total dividend for the year of 11.25p per Ordinary share (2010: 10.25p). If authorised at the 2012 Annual General Meeting, the dividend will be paid on 17 February 2012 to members on the register at the close of business on 27 January 2012. The dividend will be paid as a PID.

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

Share capital

During the year, 23,413,972 shares were issued. 713,972 shares were issued at prices in the range £1.80 to £2.91 on the exercise of employee share options and 22,700,000 shares were issued in respect of a Placing of Ordinary shares on 8 March 2011 at £4.50. At 30 September 2011, the Company's issued share capital comprised 250,498,809 Ordinary shares of 25p each.

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

Directors

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

The Directors of the Company who served throughout the year ended 30 September 2011 and up to the date of the financial statements, and their interests in the Ordinary share capital of the Company, were as follows:

	Ordinary shares of 25p each	
Beneficial interest	**1.10.2010**	**30.9.2011**
J S Lane	896,737	1,003,918
B Bickell	670,574	742,489
S J Quayle	656,821	721,665
T J C Welton	494,166	556,700
P J Manser	175,000	175,000
J R K Emly	30,000	30,000
J C Little	-	2,142
W G McQueen	8,333	8,333
O J D Marriott	5,000	5,000
H S Riva	-	6,450

There have been no changes to Directors' shareholdings between 30 September 2011 and the date of this Report.

Details of options granted to executive Directors under the Group's Share Schemes are set out in the Directors' Remuneration Report on pages 48 to 55.

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 28 November 2011, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules, that the following nine shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital amounting to 49.17%:

	% of issued share capital
Co-operative Financial Services Limited	8.49
BlackRock Inc	7.75
Norges Bank	6.07
F&C Asset Management plc	5.11
Standard Life Investments Limited	5.06
Ameriprise Financial Inc	5.02
Lloyds TSB Group plc	4.12
Legal & General Group plc	3.99
Stichting Pensioenfonds ABP	3.56

Payment of suppliers

The policy of the Company and Group is to settle suppliers' invoices within the terms of trade agreed with individual suppliers. Where no specific terms have been agreed, payment is usually made within one month of the invoice for goods or services. At 30 September 2011, the Company's creditors in respect of invoiced supplies was 27 days purchases (2010: 22 days) and the Group's creditors in respect of invoiced supplies represented 24 days purchases (2010: 22 days).

Purchase of own shares

The Company was granted authority at the 2011 Annual General Meeting to make market purchases of its own Ordinary shares. This authority will expire at the conclusion of the 2012 Annual General Meeting and a resolution will be proposed to seek further authority. No Ordinary shares were purchased under this authority during the year or in the period from 1 October 2011 to 28 November 2011.

Directors' indemnities and directors' and officers' liability insurance

The Company's agreement to indemnify each of the Directors against any liability incurred by the Director in the course of their office to the extent permitted by law remains in force. The Group maintains Directors' and Officers' Liability Insurance of £10 million.

Charitable and other donations

During the year, the Group made charitable donations in cash amounting to £48,000 (2010: £46,000). The principal charities supported by the Group together with a description of the Group's community investment is set out in the Corporate Responsibility Report on pages 37 to 41. The Group measures its community investment in line with the London Benchmarking Group guidance. For the year ended 30 September 2011 this was assessed as £356,000. Voluntary contributions to public realm works are excluded from this figure.

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

Employment and environmental matters

The Group's employment and environmental policies are described in the Corporate Responsibility Report on pages 37 to 41 and are also available in full on the Group's website.

The Group employs nineteen staff. KPIs relating to employees are included in the Corporate Responsibility Report. Further information may be found in the Corporate Governance and Corporate Responsibility reports and also on the Group's website.

Financial instruments

The information required in respect of financial instruments as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 is given on pages 78 and 79.

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 that during the year no conflicts have arisen. The Board confirms that no conflicts have been identified or notified to the Company during the year and accordingly the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

Independent auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the 2012 Annual General Meeting. The Board, on the advice of the Audit Committee, recommends their reappointment and PricewaterhouseCoopers LLP have consented to act.

2012 Annual General Meeting

The 2012 Annual General Meeting will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority to make political donations and 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

30 November 2011

valuers' summary report
(wholly owned portfolio)

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 2011 (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 23 November 2011 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2011 and a number were subject to internal inspections.

The valuations have been made in accordance with the appropriate sections of the current Valuation Standards ("VS"), and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation Standards – Global and UK, 7th Edition (the "Red Book"). We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake these valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of VS 1.6.4 of the Red Book have been satisfied. Finally, we confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation.

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

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2011, the proportion of total fees payable by the Company and the Subsidiary Companies to the total fee income of the Group was less than 5%.

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

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

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

All valuations were on the basis of Market Value. We have assessed Market Value in accordance with VS 3.2 of the Red Book. Our opinion of the Market Value of each of the properties or Properties has been primarily derived using comparable recent market transactions on arm's length terms.

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

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

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

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

Certain properties were subject to works of repair or refurbishment at 30 September 2011, 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 £5,031,000 and details of the individual sums are included in our Reports.

As referred to above, we have lotted together certain individual properties to form a number of separate Properties. In the case of three Properties which comprise a number of individual properties, the majority of such properties are held freehold but certain of them are held on long leases. In order to divide our valuation of these Properties between the categories of freehold and long leasehold, we have undertaken notional apportionments of value between the freehold elements and the long leasehold elements which together comprise the relevant Properties. The amounts arising from these notional apportionments of value have been included in the figures representing the freehold and long leasehold categories below. The amounts arising from the notional apportionments do not themselves represent the Market Value of the two elements.

The Subsidiary Companies own a number of properties on a freehold basis where they also hold long leasehold interests within the freehold and have not merged the interests. For the purposes
of the freehold/long leasehold split below, we have included such properties within the freehold category.

Having regard to the foregoing, we are of the opinion that the aggregates of the Market Values, as at 30 September 2011, 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 23 November 2011, were as follows:-

Freehold properties	£1,455,805,000 (One billion, four hundred and fifty-five million, eight hundred and five thousand pounds)
Long leasehold properties	£102,235,000 (One hundred and two million, two hundred and thirty-five thousand pounds)
Total	**£1,558,040,000** **(One billion, five hundred and fifty-eight million, and forty 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 its 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 are referred to by name and whether or not the contents of our Reports or this summary report are combined with others.

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

DTZ Debenham Tie Leung Limited
48 Warwick Street
London W1B 5NL

directors' responsibilities

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

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

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

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

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

Each of the Directors, whose names and functions are listed on page 43 confirms that, to the best of their knowledge:

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

The confirmation in accordance with section 418 of the Companies Act 2006 is contained within the Directors' Report on page 59.

independent auditors' report

Independent auditors' report to the members of Shaftesbury PLC

We have audited the financial statements of Shaftesbury PLC for the year ended 30 September 2011 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2011 and of the Group's profit and Group's and Company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 46, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

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

London
30 November 2011

group statement of comprehensive income

for the year ended 30 September 2011

	Note	**2011 £m**	2010 £m
Continuing operations			
Revenue from properties	4	**81.4**	71.2
Property charges	5	**(14.8)**	(13.6)
Net property income	6	**66.6**	57.6
Administration expenses	7	**(6.0)**	(5.3)
Charge for annual bonuses		**(2.0)**	(1.2)
Charge in respect of equity settled remuneration	8	**(1.6)**	(1.7)
Total administration expenses		**(9.6)**	(8.2)
Operating profit before investment property disposals and valuation movements		**57.0**	49.4
Profit on disposal of investment properties		**-**	0.4
Investment property valuation movements	13	**110.6**	183.6
Operating profit		**167.6**	233.4
Finance income		**-**	0.1
Finance costs	9	**(27.8)**	(27.2)
Change in fair value of derivative financial instruments	19	**(24.1)**	(34.4)
Net finance costs		**(51.9)**	(61.5)
Profit before tax		**115.7**	171.9
Current tax		**(0.4)**	(0.7)
Deferred tax		**(1.5)**	(4.1)
Tax charge for the year	10	**(1.9)**	(4.8)
Profit after tax		**113.8**	167.1
Other comprehensive income		**-**	-
Total comprehensive income for the year		**113.8**	167.1
Earnings per share:	11		
Basic		**47.4p**	73.6p
Diluted		**47.0p**	73.0p
EPRA adjusted diluted		**11.9p**	9.7p

The notes on pages 68 to 87 form an integral part of this Group financial information.

balance sheets

as at 30 September 2011

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Non-current assets					
Investment properties	13	**1,675.4**	1,480.7	**-**	-
Lease incentives	14	**7.0**	5.4	**-**	-
Office assets and vehicles		**0.6**	0.5	**0.6**	0.5
Investment in subsidiaries	27	**-**	-	**638.2**	606.1
Investment in joint venture	28	**-**	-	**79.0**	79.0
		1,683.0	1,486.6	**717.8**	685.6
Current assets					
Trade and other receivables	15	**15.7**	13.3	**494.1**	446.1
Cash and cash equivalents	16	**2.0**	1.9	**-**	-
Total assets		**1,700.7**	1,501.8	**1,211.9**	1,131.7
Current liabilities					
Trade and other payables	17	**36.2**	31.2	**7.3**	9.9
Non-current liabilities					
Borrowings	18	**500.5**	522.2	**506.1**	522.3
Derivative financial instruments	19	**104.6**	80.5	**104.6**	80.5
Deferred tax liabilities	21	**5.7**	4.2	**-**	-
Total liabilities		**647.0**	638.1	**618.0**	612.7
Net assets		**1,053.7**	863.7	**593.9**	519.0
Equity					
Ordinary shares	22	**62.6**	56.8	**62.6**	56.8
Share premium	23	**122.9**	122.1	**122.9**	122.1
Share option reserve	23	**3.1**	2.7	**3.1**	2.7
Retained earnings	23	**865.1**	682.1	**405.3**	337.4
Total equity		**1,053.7**	863.7	**593.9**	519.0
Net asset value per share:	24				
Basic		**£4.21**	£3.80		
Diluted		**£4.19**	£3.78		
EPRA adjusted diluted		**£4.63**	£4.14		

The notes on pages 68 to 87 form an integral part of this Group financial information.

On behalf of the Board who approved the financial statements on pages 64 to 87 on 30 November 2011.

Jonathan Lane
Deputy Chairman

Brian Bickell
Chief Executive

cash flow statements

for the year ended 30 September 2011

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Cash flows from operating activities					
Cash generated from operating activities	25	**57.3**	53.0	**(7.8)**	(4.7)
Interest received		**-**	0.1	**0.3**	0.2
Interest paid		**(27.2)**	(26.7)	**(27.2)**	(26.7)
Corporation tax paid		**(4.6)**	(7.4)	**(4.3)**	(7.5)
Net cash generated from operating activities		**25.5**	19.0	**(39.0)**	(38.7)
Cash flows from investing activities					
Property acquisitions		**(64.0)**	(70.2)	**-**	-
Capital expenditure on properties		**(15.3)**	(22.7)	**-**	-
Capital receipts from disposal of interests in properties		**-**	0.1	**-**	-
Proceeds from sales of properties		**-**	1.0	**-**	-
Purchase of office assets and vehicles		**(0.3)**	(0.3)	**(0.3)**	(0.3)
Purchase of shares in subsidiaries		**-**	-	**-**	(12.4)
Dividends received from joint venture		**-**	-	**1.1**	0.3
Net cash used in investing activities		**(79.6)**	(92.1)	**0.8**	(12.4)
Cash flows from financing activities					
Proceeds from Share Placing	22	**99.8**	-	**99.8**	-
Proceeds from exercise of employee share options		**0.9**	0.2	**0.9**	0.2
(Decrease)/increase in borrowings	26	**(21.4)**	94.5	**(15.9)**	93.5
Facility arrangement costs	26	**(0.6)**	(0.1)	**(0.6)**	(0.1)
Payment of head lease liabilities		**(0.3)**	(0.3)	**-**	-
Equity dividends paid	12	**(24.2)**	(22.2)	**(24.2)**	(22.2)
Increase in loans to subsidiaries		**-**	-	**(18.6)**	(7.3)
Loans to joint venture		**-**	-	**(3.2)**	(13.0)
Net cash from financing activities		**54.2**	72.1	**38.2**	51.1
Net change in cash and cash equivalents		**0.1**	(1.0)	**-**	-
Cash and cash equivalents at the beginning of the year	16	**1.9**	2.9	**-**	-
Cash and cash equivalents at end of the year	16	**2.0**	1.9	**-**	-

The notes on pages 68 to 87 form an integral part of this Group financial information.

statements of changes in shareholders' equity

for the year ended 30 September 2011

	Ordinary shares £m	Merger reserve £m	Share premium £m	Share based payments reserve £m	Retained earnings £m	Total £m
Group						
At 1 October 2009	56.7	-	122.0	2.0	536.6	717.3
Total comprehensive income:						
Profit for the year	-	-	-	-	167.1	167.1
Transactions with owners:						
Dividends paid during the year	-	-	-	-	(22.2)	(22.2)
Shares issued in connection with the exercise of employee share options	0.1	-	0.1	-	-	0.2
Fair value of share based payments	-	-	-	1.3	-	1.3
Transfer in respect of options exercised	-	-	-	(0.6)	0.6	-
At 30 September 2010	**56.8**	**-**	**122.1**	**2.7**	**682.1**	**863.7**
Total comprehensive income:						
Profit for the year	**-**	**-**	**-**	**-**	**113.8**	**113.8**
Transactions with owners:						
Dividends paid during the year	**-**	**-**	**-**	**-**	**(25.7)**	**(25.7)**
Shares issued in connection with Share Placing	**5.7**	**96.5**	**-**	**-**	**-**	**102.2**
Transfer to retained earnings	**-**	**(96.5)**	**-**	**-**	**96.5**	**-**
Transaction costs associated with Share Placing	**-**	**-**	**-**	**-**	**(2.4)**	**(2.4)**
Shares issued in connection with the exercise of employee share options	**0.1**	**-**	**0.8**	**-**	**-**	**0.9**
Fair value of share based payments	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Transfer in respect of options exercised	**-**	**-**	**-**	**(0.8)**	**0.8**	**-**
At 30 September 2011	**62.6**	**-**	**122.9**	**3.1**	**865.1**	**1,053.7**
Company						
At 1 October 2009	56.7	-	122.0	2.0	371.1	551.8
Total comprehensive income:						
Loss for the year	-	-	-	-	(12.1)	(12.1)
Transactions with owners:						
Dividends paid during the year	-	-	-	-	(22.2)	(22.2)
Shares issued in connection with the exercise of employee share options	0.1	-	0.1	-	-	0.2
Fair value of share based payments	-	-	-	1.3	-	1.3
Transfer in respect of options exercised	-	-	-	(0.6)	0.6	-
At 30 September 2010	**56.8**	**-**	**122.1**	**2.7**	**337.4**	**519.0**
Total comprehensive income:						
Loss for the year	**-**	**-**	**-**	**-**	**(1.3)**	**(1.3)**
Transactions with owners:						
Dividends paid during the year	**-**	**-**	**-**	**-**	**(25.7)**	**(25.7)**
Shares issued in connection with Share Placing	**5.7**	**96.5**	**-**	**-**	**-**	**102.2**
Transfer to retained earnings	**-**	**(96.5)**	**-**	**-**	**96.5**	**-**
Transaction costs associated with Share Placing	**-**	**-**	**-**	**-**	**(2.4)**	**(2.4)**
Shares issued in connection with the exercise of employee share options	**0.1**	**-**	**0.8**	**-**	**-**	**0.9**
Fair value of share based payments	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Transfer in respect of options exercised	**-**	**-**	**-**	**(0.8)**	**0.8**	**-**
At 30 September 2011	**62.6**	**-**	**122.9**	**3.1**	**405.3**	**593.9**

The notes on pages 68 to 87 form an integral part of this Group financial information.

notes to the financial statements

for the year ended 30 September 2011

1. General information

General information

The consolidated financial statements of the Group for the year ended 30 September 2011 which comprise the results of the Company, its subsidiaries and joint venture were approved by the Board for issue on 30 November 2011.

The nature of the Group's operations and its principal activities are set out in the Business Review on pages 12 to 31.

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 43.

Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified by the semi-annual revaluation of investment properties and the measurement of derivative financial instruments at fair value. Accounting policies have been applied consistently in all periods presented in these financial statements.

Going concern

The Group adopts the going concern basis in preparing its consolidated financial statements as stated on page 46.

Critical judgements, assumptions and estimates

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

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

2. Accounting policies

Accounting standards and interpretations

a) New amendments to standards mandatory for the first time for the financial year beginning 1 October 2010:

- Amendment to IFRS 2, ('Share-based payments – Group cash-settled payment transactions').
- Amendment to IAS 32, ('Financial instruments: Presentation', on 'Classification of rights issues').
- The Annual Improvements 2009.

Overall no material changes to accounting policies arose as a result of the above.

In addition, the following interpretation is mandatory for the first time for the current accounting period and is relevant to the Group's operations but does not have an impact on the Group's financial reporting:

- IFRIC 15, ('Agreements for construction of real estate').

b) Interpretations and amendments to standards becoming effective in the year ending 30 September 2011 but not relevant to the Group:

Standard or Interpretation	Content
Amendment to IFRS 1	First-time adoption additional exemptions
IFRS 1	First-time adoption on financial instrument disclosures
IFRS 10	Consolidated financial statements.
IFRIC 18	Transfer of assets from customers
IFRIC 19	Extinguishing financial liabilities with equity investments

c) Standards, amendments and interpretations relevant to the Group that are not yet effective in the year ending 30 September 2011 and not expected to have a significant impact on the Group's financial statements:

Standard or Interpretation	Content
Amendment to IAS 24	Related party disclosures
Amendment to IFRS 7	Financial instruments: Disclosures
Amendment to IAS 12	Income taxes
Amendment to IAS 19	Employee benefits
Amendment to IAS 1	Financial statement presentation
Amendment to IFRIC 14	Prepayments of a minimum funding requirement
IFRS 9	Financial instruments – classification and measurement
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement
IAS 27 (revised 2011)	Separate financial statements
IAS 28 (revised 2011)	Associates and joint ventures
Annual Improvements 2010	–

d) The following new standard is relevant to the Group but not yet effective in the year ending 30 September 2011 which is expected to have significant impact on the Group's financial statements:

Standard	Content
IFRS 11	Joint arrangements

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

Subsidiaries
Subsidiaries are those entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to direct the financial and operating activities of an entity so as to obtain benefits from its activities.

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

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

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

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

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

Acquisitions
Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Investment properties
Investment properties are properties owned or leased by the Group which are held to generate rental income or long term capital appreciation or both. All of the Group's leases to its tenants fall within the definition of operating leases, as the risks and rewards of ownership are retained by the Group as lessor.

Investment properties are initially recognised on acquisition at cost, including related acquisition costs and are revalued semi-annually to reflect fair value. Fair value is determined either by external professional valuers on the basis of Market Value 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 or any plant or equipment contained therein.

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

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

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

Derivative financial instruments
Derivative financial instruments are initially recognised and subsequently measured at fair value based on market prices, estimated future cash flows and forward interest rates. Movements in fair value are recognised in the Statement of Comprehensive Income within net finance costs. Amounts payable or receivable under such arrangements are included within finance costs or income, recognised on an accruals basis.

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

Expenses and discounts relating to the issue of long term debt are deducted from the proceeds and written off in the Statement of Comprehensive Income over the life of the debt instrument using an effective yield method. Any premium arising on the issue of long term debt is added to the proceeds and credited to the Statement of Comprehensive Income over the life of the debt instrument using an effective yield method.

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

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

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

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

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

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

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

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

Property charges
Irrecoverable operating costs attributable to properties are charged to the Statement of Comprehensive Income when they arise.

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

Employee benefits
(i) Share based remuneration

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

At the end of each reporting period, the Directors' revise their estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

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

(ii) Pension contributions

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

Leases
Leases are classified as head leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Head leases are capitalised at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments.

All other leases are classified as operating leases which are not recognised in the Balance Sheet

(i) The Group as a lessor

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

(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 - the present value of future ground rents is added to the carrying value of a leasehold investment property and to long-term liabilities. On payment of ground rent all of the cost is charged to the Statement of Comprehensive Income, principally as interest payable, and the balance reduces the liability; an equal reduction to the asset's valuation is charged in the Statement of Comprehensive Income.

Current and deferred corporation tax
The tax expense or credit 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 substantially enacted by the Balance Sheet date and are expected to apply when the related deferred tax balance is realised.

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

3. Segmental information

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

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

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

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

4. Revenue from properties

	2011 £m	2010 £m
Rents receivable (adjusted for lease incentives):		
Wholly owned Group	**71.1**	63.5
Group's share of Longmartin joint venture	**4.3**	2.2
Rents receivable	**75.4**	65.7
Recoverable property expenses	**6.0**	5.5
	81.4	71.2

Rents receivable includes lease incentives recognised of £1.9 million (2010: £1.1 million).

5. Property charges

	2011 £m	2010 £m
Property operating costs	**3.8**	3.7
Fees payable to managing agents	**1.6**	1.5
Letting, rent review and lease renewal costs	**2.5**	2.0
Village promotion costs	**0.9**	0.9
Property outgoings	**8.8**	8.1
Recoverable property expenses	**6.0**	5.5
	14.8	13.6

6. Net property income

	2011 £m	2010 £m
Wholly owned Group	**63.1**	56.0
Group's share of Longmartin joint venture	**3.5**	1.6
	66.6	57.6

7. Administration expenses

	2011 £m	2010 £m
Administration expenses include:		
Administration fees receivable from joint venture	**(0.3)**	(0.4)
Depreciation	**0.2**	0.1
Operating lease rentals - office premises	**0.2**	0.2

Services provided by the Group's auditor	**£'000**	£'000
Audit fees		
The audit of the Company and Group financial statements (Company - 2011: £22,000; 2010: £22,000)	**40**	40
The audit of the financial statements of subsidiaries and joint venture pursuant to legislation	**79**	88
	119	128
Other services		
Review of half year financial statements	**19**	19
Taxation advice - compliance	**49**	67
Taxation advice - acquisition of subsidiary	**109**	49
Other services	**49**	37
	345	300

Employee costs (Group and Company)	**£m**	£m
Salaries	**2.7**	2.2
Annual bonuses	**1.7**	1.1
Social security costs - annual bonus	**0.3**	0.1
Social security costs	**0.4**	0.3
Pension contributions	**0.3**	0.4
Equity settled remuneration (see note 8)	**1.6**	1.7
	7.0	5.8

Average monthly number of employees (Group and Company)	**Number**	Number
Executive Directors	**4**	4
Administration	**13**	12
Estate management	**2**	2
	19	18

A summary of Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report on pages 48 to 55.

8. Charge in respect of equity settled remuneration

	2011 £m	2010 £m
Charge for share based remuneration	**1.2**	1.3
Employer's national insurance in respect of share awards and share options vested or expected to vest	**0.4**	0.4
	1.6	1.7

A summary of the principal assumptions made at the last grant date are set out in note 31.

9. Finance costs

	2011 £m	2010 £m
Debenture stock interest and amortisation	**5.1**	5.1
Bank and other interest	**7.6**	6.7
Amounts payable under derivative financial instruments	**14.8**	15.1
Amounts payable under head leases	**0.3**	0.3
	27.8	27.2

10. Taxation

	2011 £m	2010 £m
Current tax		
UK Corporation tax at 27% (2010: 28%) on the profit for the year	**0.4**	0.1
REIT conversion charge in respect of company acquired during the year	**-**	0.6
	0.4	0.7
Deferred tax		
Provided in respect of investment property revaluation gain	**1.3**	4.0
Provided in respect of capital allowances	**0.2**	0.1
	1.5	4.1
Tax charge for the year	**1.9**	4.8
Factors affecting the tax charge:		
Profit before tax	**115.7**	171.9
UK corporation tax at 27% (2010: 28%)	**31.2**	48.1
Current tax		
Taxable profit not liable to UK corporation tax due to REIT status	**(7.7)**	(6.5)
Deferred tax		
Fair value movements and capital allowances not provided due to REIT status	**(20.3)**	(33.6)
Current year property valuation movements in relation to non-REIT business	**(1.7)**	(3.8)
Change in deferred tax rate	**0.4**	-
REIT conversion		
Charge in respect of company acquired during the year	**-**	0.6
Tax charge for the year	**1.9**	4.8

11. Earnings per share

In October 2010, EPRA issued their updated Best Practice Recommendations. The aim is to improve comparability between European property companies by providing a universal measure of underlying business performance.

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

	Profit after tax £m	**2011 Weighted average number of Ordinary shares million**	**Earnings per share pence**	Profit after tax £m	2010 Weighted average number of Ordinary shares million	Earnings per share pence
Basic	**113.8**	**240.2**	**47.4**	167.1	227.0	73.6
Effect of dilutive share options		**2.1**			1.8	
Diluted	**113.8**	**242.3**	**47.0**	167.1	228.8	73.0
EPRA adjusted:						
Gain on sale of investment properties	**-**		**-**	(0.4)		(0.2)
Investment property valuation movements	**(110.6)**		**(45.6)**	(183.6)		(80.2)
Movement in fair value of derivative financial instruments	**24.1**		**9.9**	34.4		15.0
Current tax in respect of:						
REIT conversion charge for company acquired during the year	**-**		**-**	0.6		0.3
Deferred tax on investment property revaluation gains	**1.3**		**0.5**	4.0		1.8
Deferred tax on capital allowances	**0.2**		**0.1**	0.1		-
EPRA adjusted diluted	**28.8**	**242.3**	**11.9**	22.2	228.8	9.7
EPRA adjusted basic	**28.8**	**240.2**	**12.0**	22.2	227.0	9.8

The prior year EPRA amounts have been recalculated to include deferred tax in respect of capital allowances in the Longmartin joint venture which are not expected to crystallise. There is no material difference to the figures previously disclosed.

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

	2011 £m	2010 £m
Final dividend paid in respect of:		
Year ended 30 September 2010 at 5.25p per share	**11.9**	-
Year ended 30 September 2009 at 4.75p per share	**-**	10.8
Interim dividend paid in respect of:		
Six months ended 31 March 2011 at 5.50p per share	**13.8**	-
Six months ended 31 March 2010 at 5.00p per share	**-**	11.4
	25.7	22.2
Proposed for approval by shareholders at the 2012 Annual General Meeting:		
Final dividend for 2011: 5.75p per share (2010: 5.25p per share)	**14.4**	11.9

The final dividend was approved by the Board on 30 November 2011. Subject to approval by shareholders at the 2012 Annual General Meeting, the final dividend will be paid entirely as a PID on 17 February 2012 to shareholders on the register at 27 January 2012. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2012.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 89,605 (2010: 164,983) Ordinary shares during the year.

13. Investment properties

	2011 £m	2010 £m
At 1 October	**1,475.3**	1,204.5
Acquisitions	**64.9**	35.8
Acquisition on purchase of subsidiary undertaking	**-**	29.5
Refurbishment and other capital expenditure	**19.2**	22.5
Disposals	**-**	(0.6)
Net gain on revaluation	**110.6**	183.6
	1,670.0	1,475.3
Add: Head lease liabilities	**5.4**	5.4
Book value at 30 September	**1,675.4**	1,480.7
Market Value at 30 September:		
Properties valued by DTZ Debenham Tie Leung Limited	**1,558.0**	1,375.0
Properties valued by Knight Frank LLP	**120.5**	106.9
	1,678.5	1,481.9
Add: Head lease liabilities	**5.4**	5.4
Less: Lease incentives recognised to date	**(8.5)**	(6.6)
Book value at 30 September	**1,675.4**	1,480.7
Historic cost of properties carried at valuation	**969.3**	885.2

Investment properties were subject to external valuation as at 30 September 2011 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, either working for DTZ Debenham Tie Leung Limited, Chartered Surveyors (in respect of the Group's wholly owned portfolio) or Knight Frank LLP, Chartered Surveyors (in respect of properties owned by Longmartin Properties Limited), both firms acting in the capacity of External Valuers. All such properties were valued on the basis of Market Value in accordance with the RICS Valuation Standards.

Fees payable to the valuers in respect of their valuations for purposes of statutory reporting totalled £0.3 million (2010: £0.3 million). Fees were agreed at fixed amounts in advance of the valuations being carried out. Neither firm was engaged by the Group in any capacity other than as valuers during the year. The fees payable by the Group to each valuer do not constitute a significant part of their respective fee incomes.

A summary report by DTZ Debenham Tie Leung Limited describing the basis of their valuation of the Group's wholly owned properties (which does not form part of these financial statements) is set out on pages 60 to 61.

Investment properties include freehold properties valued at £1,455.8 million (2010: £1,285.8 million), leasehold properties with an unexpired term of over 50 years valued at £126.9 million (2010: £116.5 million) and a notional apportionment of value in respect of part freehold/part leasehold properties, where the apportionment in respect of the leasehold element with over 50 years unexpired is £95.8 million (2010: £79.6 million).

Capital commitments

	Wholly owned Group		Group's share of Longmartin joint venture	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Authorised and contracted	**4.8**	3.2	**-**	3.9
Authorised but not contracted	**0.8**	4.0	**0.6**	0.3

The Company had no capital commitments at 30 September 2011 (2010: £Nil).

14. Lease incentives

	2011 £m	2010 £m
Lease incentives recognised to date	**8.5**	6.6
Less: included in trade and other receivables (note 15)	**(1.5)**	(1.2)
	7.0	5.4

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.

Previously, the unamortised balance of lease incentives was included within trade and other receivables. The amounts disclosed in previous years have been reclassified as described above. The reclassification has not affected the Group's previously reported net assets.

15. Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Amounts due from tenants	**10.8**	9.3	**-**	-
Provision for doubtful debts	**(0.3)**	(0.3)	**-**	-
	10.5	9.0	**-**	-
Lease incentives	**1.5**	1.2	**-**	-
Amount due from joint venture	**-**	-	**16.2**	13.0
Amounts due from subsidiaries	**-**	-	**477.2**	432.6
Other receivables and prepayments	**3.7**	3.1	**0.7**	0.5
	15.7	13.3	**494.1**	446.1

Amounts due from tenants at each year end included amounts contractually due and invoiced on 29 September in respect of rents and service charge contributions in advance for the period 29 September to 24 December. At 30 September 2011, amounts due from tenants which were more than 90 days overdue, relating to accommodation and services provided up to 28 September 2011, totalled £1.4 million (2010: £1.2 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.3 million (2010: £0.3 million).

At 30 September 2011, cash deposits totalling £10.4 million were held against tenants' rent payment obligations (2010: £9.1 million). The deposits are held in bank accounts administered by our managing agents.

16. Cash and cash equivalents

Cash balances at 30 September 2011 included an amount of £1.2 million (2010: £1.2 million), being the Group's share of a deposit made by the Longmartin joint venture in respect of payment obligations under a building contract. The deposit will be released in full on satisfactory completion of the building contract.

17. Trade and other payables

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Rents and service charges invoiced in advance	**17.4**	15.4	**-**	-
Corporation tax and REIT conversion charge payable	**0.3**	4.5	**-**	4.3
Amounts due in respect of property acquisitions	**0.9**	-	**-**	-
Trade payables in respect of accrued capital expenditure	**5.7**	2.1	**-**	-
Other trade payables and accruals*	**11.9**	9.2	**7.3**	5.6
	36.2	31.2	**7.3**	9.9
* Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's wholly owned assets	**2.3**	2.2	**2.3**	2.2

18. Borrowings

	2011			2010		
	Nominal value £m	**Unamortised premium and issue costs £m**	**Book value £m**	Nominal value £m	Unamortised premium and issue costs £m	Book value £m
Group						
8.5% First Mortgage Debenture Stock 2024	61.0	2.8	**63.8**	61.0	2.9	63.9
Secured bank loans	434.3	(3.0)	**431.3**	455.7	(2.8)	452.9
Debenture and bank borrowings	**495.3**	**(0.2)**	**495.1**	516.7	0.1	516.8
Head lease obligations	5.4	-	**5.4**	5.4	-	5.4
	500.7	**(0.2)**	**500.5**	522.1	0.1	522.2
Company						
8.5% First Mortgage Debenture Stock 2024	61.0	2.8	**63.8**	61.0	2.9	63.9
Secured bank loans	445.3	(3.0)	**442.3**	461.2	(2.8)	458.4
Debenture and bank borrowings	**506.3**	**(0.2)**	**506.1**	522.2	0.1	522.3

The Group's head lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 169 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. Cash balances in the subsidiaries are available for set-off against certain bank indebtedness owing by the parent undertaking.

Certain of the Company's bank loan agreements allow for part of the facility commitments to be provided by way of overdrafts to the Company, which are available throughout the term of those facilities. At 30 September 2011, Group and Company bank loans included overdrafts of £0.4 million (2010: £0.9 million).

19. Financial instruments

Categories of financial instruments	2011		2010	
Group	**Book value £m**	**Income/ (expense) recognised through the Statement of Comprehensive Income £m**	Book value £m	Income/ (expense) recognised through the Statement of Comprehensive Income £m
Financial instruments at fair value through the Statement of Comprehensive Income				
Interest rate swaps	**(104.6)**	**(14.8)**	(80.5)	(15.1)
Financial assets: loans and receivables				
Trade and other receivables (note 15)	**10.5**	**-**	9.0	-
Cash and cash equivalents	**2.0**	**-**	1.9	0.1
	12.5	**-**	10.9	0.1
Financial liabilities at amortised cost				
Trade and other payables - due within one year (note 17)	**(11.9)**	**-**	(9.2)	-
Interest bearing borrowings (note 18)	**(495.1)**	**(12.7)**	(516.8)	(11.8)
Head lease obligations (note 18)	**(5.4)**	**(0.3)**	(5.4)	(0.3)
	(512.4)	**(13.0)**	(531.4)	(12.1)
Total financial instruments	**(604.5)**	**(27.8)**	(601.0)	(27.1)
Company				
Financial instruments at fair value through the Statement of Comprehensive Income				
Interest rate swaps	**(104.6)**	**(14.8)**	(80.5)	(15.1)
Financial assets: loans and receivables				
Loan receivable from subsidiaries and joint venture (note 15)	**493.4**	**27.8**	445.6	27.2
Financial liabilities at amortised cost				
Trade and other payables - due within one year (note 17)	**7.3**	**-**	5.6	-
Interest bearing borrowings (note 18)	**(506.1)**	**(12.7)**	(522.3)	(11.8)
	(498.8)	**(12.7)**	(516.7)	(11.8)
Total financial instruments	**(110.0)**	**0.3**	(151.6)	0.3

There were no gains or losses in respect of financial instruments recognised in equity during the year (2010: £Nil).

Fair values of financial instruments (Group and Company)	**2011 £m**	2010 £m
Interest rate swaps		
At 1 October - Deficit	**(80.5)**	(46.1)
Increase in fair value deficit charged in the Statement of Comprehensive Income	**(24.1)**	(34.4)
At 30 September - Deficit	**(104.6)**	(80.5)

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

Changes in the fair value of the Group's interest rate swaps, which are not held for speculative purposes, are reflected in the Statement of Comprehensive Income as none of the Group's hedging arrangements qualify for hedge accounting under the provisions of IAS 39 (Financial Instruments: Recognition and Measurement). The extent to which the fair value deficit will crystallise will depend on the course of interest rates over the life of the swaps, which had a weighted average maturity of 21.4 years (2010: 22.4 years) at the Balance Sheet date.

19. Financial instruments (continued)

	2011 £m	2010 £m
8.5% Mortgage Debenture Stock 2024		
Fair value of liability in excess of book value not recognised in the reported results for the year:		
At 30 September - Deficit	**(11.4)**	(13.6)

The fair value of the outstanding Debenture Stock has been calculated by J.C. Rathbone Associates Limited at 302 basis points (2010: 217 basis points) above the yield to redemption of the 5% Treasury Stock 2025 at the Balance Sheet date.

The Company is not obliged to redeem the £61.0 million (nominal) of Stock in issue in advance of its redemption date of 31 March 2024, when repayment will be at par value.

Other financial instruments
The fair values of the Group's and Company's cash and cash equivalents, trade and other receivables, interest bearing borrowings (other than the 8.5% Mortgage Debenture Stock 2024), 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 2011	**Book value £m**	**Contractual cash flows £m**	**Within 1 year £m**	**2 to 5 years £m**	**5 to 10 years £m**	**Over 10 years £m**
Financial instruments						
Interest rate swaps	104.6	123.7	12.7	47.1	27.8	36.1
Financial liabilities						
Interest bearing borrowings:						
Principal	495.1	495.3	-	252.9	181.4	61.0
Interest	-	111.3	12.1	47.8	38.4	13.0
Head lease obligations	5.4	61.0	0.3	1.4	1.8	57.5
Total	**605.1**	**791.3**	**25.1**	**349.2**	**249.4**	**167.6**

30 September 2010	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	80.5	97.4	13.2	40.0	16.1	28.1
Financial liabilities						
Interest bearing borrowings:						
Principal	516.8	516.7	-	-	380.7	136.0
Interest	-	113.7	11.5	46.1	37.4	18.7
Head lease obligations	5.4	43.8	0.3	1.0	1.3	41.2
Total	602.7	771.6	25.0	87.1	435.5	224.0

20. 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 15. 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 43. The Group holds minimal cash balances, utilising overdraft and loan facilities for its day-to-day cash requirements. Where cash deposits are held, they are placed with one of the Group's existing facility providers.

Liquidity risk
The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing commitments and to extend its portfolio through investment and acquisition of additional properties. The Group's policies regarding finance and its current financial position are set out in the Business Review on pages 25 to 28.

20. Management of financial risk (continued)

Availability and maturity of Group borrowings	2011 Facilities		2010 Facilities	
	Committed £m	**Undrawn £m**	Committed £m	Undrawn £m
8.5% First Mortgage Debenture Stock 2024				
Repayable between 10 and 15 years:	**61.0**	**-**	61.0	-
Bank facilities				
Repayable between 10 and 15 years	**-**	**-**	75.0	-
Repayable between 5 and 10 years	**200.0**	**18.6**	500.0	119.3
Repayable between 2 and 5 years:	**375.0**	**122.1**	-	-
	636.0	**140.7**	636.0	119.3
Head lease obligations – leases expiring in 169 years	**5.4**	**-**	5.4	-
	641.4	**140.7**	641.4	119.3

The availability of the Group's bank facilities is subject to granting security over properties of sufficient value to meet the loan to value ratios required under the facility agreements and certain other financial covenants as described in the Business Review on page 28.

Market risk

Market risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Group's policy is to minimise market risk through long term fixed rate debt, long term committed bank facilities and the use of long term interest rate swaps on a large portion of its floating rate bank debt. As described in the Business Review on pages 25 to 28, the Board keeps under review the Group's market risk, particularly in light of expectations of future interest rate movements.

The Group's First Mortgage Debenture Stock carries a rate of interest of 8.5%, which is fixed until maturity in March 2024.

The Group's current bank facilities, which expire between April 2016 and March 2021, are at credit margins which are fixed for the life of the facilities. At 30 September 2011, the actual average credit margin on the amounts drawn under those facilities was 0.85% (2010: 0.76%). If those facilities had been fully drawn at that date, the average credit margin payable would have been 1.04% (2010: 0.81%).

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 2011 of 4.87%. The swaps, which are settled against three month LIBOR, expire between December 2027 and November 2038 (weighted average term 21.4 years).

Interest rate profile of interest bearing borrowings (Group)		2011		2010
	Debt £m	**Weighted average interest rate %**	Debt £m	Weighted average interest rate %
Floating rate borrowings				
LIBOR-linked loans - interest rates fixed until December 2011 at latest (including margin)	**74.3**	**1.60**	95.7	1.39
Hedged borrowings:				
Interest rate swaps at year end (including margin)	**360.0**	**5.72**	360.0	5.63
Total bank borrowings	**434.3**	**5.02**	455.7	4.74
Fixed rate borrowing				
8.5% First Mortgage Debenture Stock – book value (interest rate fixed for 12.5 years until 31 March 2024)	**63.8**	**7.93**	63.9	7.93
Weighted average cost of borrowings		**5.39**		5.13

20. Management of financial risk (continued)

Interest rate sensitivity

Based on indebtedness, interest rates and hedging in place at the year end, the impact of a change of 0.5% in market interest rates applicable to its LIBOR-linked borrowings and swaps and a change of 0.5% in the long term interest rates against which the fair value of swaps is calculated, would have the following impacts on the Group's results and equity:

	Movement in market rates	
	Increase of 0.5% £m	**Reduction of 0.5% £m**
(Increase)/decrease in finance costs before fair valuation of interest rate swaps	**(0.4)**	**0.4**
Decrease/(increase) in fair value deficit of interest rate swaps	**28.9**	**(28.9)**
Increase/(decrease) in profit and shareholders' equity	**28.5**	**(28.5)**

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

21. Deferred tax liabilities

	2011 £m	2010 £m
Group		
At 1 October	**4.2**	0.1
Provided in the Statement of Comprehensive Income	**1.5**	4.1
At 30 September	**5.7**	4.2
Comprising:		
Provision in respect of revaluation gains	**5.3**	4.0
Provision in respect of accelerated capital allowances	**0.4**	0.2
	5.7	4.2

22. Ordinary shares

	2011 number million	2010 number million	**2011 £m**	2010 £m
Issued, called up and fully paid				
At 1 October	**227.1**	226.9	**56.8**	56.7
Issued in connection with the exercise of share options	**0.7**	0.2	**0.1**	0.1
Issued in connection with Share Placing	**22.7**	-	**5.7**	-
At 30 September	**250.5**	227.1	**62.6**	56.8

With effect from 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have authorised share capital. The Company's Articles of Association contain provisions which set out the circumstances in which shareholders can exercise control over the issue of shares.

During the year 22,700,000 Ordinary 25p shares were issued at £4.50 per share realising gross proceeds of £102.2 million. Transaction costs incurred in connection with the issue, which amounted to £2.4 million, have been charged against retained earnings in accordance with the Companies Act 2006.

22. Ordinary shares (continued)

The following options to subscribe for Ordinary shares granted to executive Directors and staff under the Company's share option schemes were outstanding at 30 September 2011:

	Ordinary 25p shares			
Date of grant	**Exercisable**	**Not yet vested**	**Option exercise price**	**Exercise period**
2001 Discretionary Share Option Schemes				
15 December 2004	667,347	-	£2.65	2007-2014
2001 Sharesave Scheme				
14 July 2009	45,283	-	£2.37	2012-2014
8 July 2011	23,916	-	£4.29	2014-2016
2006 LTIP				
16 December 2008*	-	788,485	Nil cost	2011
8 December 2009	-	509,975	Nil cost	2012
8 December 2010	-	595,180	Nil cost	2013
Number of shares under option at 30 September 2011	**736,546**	**1,893,640**		

The rules of the schemes referred to above are on the same basis, as those described on pages 50 to 51 of the Directors' Remuneration Report.

* Options over 604,768 Ordinary shares will vest in December 2011, following satisfaction of performance targets in respect of the three years ended 30 September 2011. Options over 183,717 Ordinary shares will lapse.

23. Reserves

The Statement of Changes in Shareholders' Equity is set out on page 67.

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

Reserve	**Description and purpose**
Merger reserve	The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.
Share premium	Share premium is the amount by which the fair value of the consideration received from Ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share based payments reserve	The share based payment expense charged to the Statement of Comprehensive Income is credited to the share based payments reserve over the vesting period of performance-based shares 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 this account.

The merger reserve that arose during the year was as a result of the Share Placing in March 2011. No share premium is recognised in the Company's financial statements as the issue was subject to the Merger Relief provisions of the Companies Act 2006. The subsequent redemption of the these shares meant that £96.5 million of distributable profits were transferred to retained earnings.

The Company made a loss of £1.3 million (2010: loss £12.1 million) in the year. As permitted by Section 408 of the Companies Act 2006, no Statement of Comprehensive Income has been presented for the Company.

The Company's retained earnings at 30 September 2011 include amounts distributable of £250.1 million (2010: £157.9 million).

24. Net asset value per share

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

	Net assets £m	**2011 Number of Ordinary shares million**	**Net asset value per share £**	Net assets £m	2010 Number of Ordinary shares million	Net asset value per share £
Basic	**1,053.7**	**250.5**	**4.21**	863.7	227.1	3.80
Fair value of derivative financial instruments	**104.6**		**0.42**	80.5		0.36
Deferred tax on property valuations	**5.3**		**0.02**	4.0		0.02
Deferred tax in respect of capital allowances	**0.4**		**-**	0.2		-
EPRA adjusted basic	**1,164.0**	**250.5**	**4.65**	948.4	227.1	4.18
Basic	**1,053.7**			863.7		
Additional equity if all vested share options are exercised	**2.0**	**1.6**		2.8	2.6	
Diluted	**1,055.7**	**252.1**	**4.19**	866.5	229.7	3.78
Fair value deficit in respect of 8.5% Mortgage Debenture Stock 2024	**(11.4)**		**(0.05)**	(13.6)		(0.07)
EPRA adjusted triple net	**1,044.3**	**252.1**	**4.14**	852.9	229.7	3.71
Fair value deficit in respect of 8.5% Mortgage Debenture Stock 2024	**11.4**		**0.05**	13.6		0.07
Fair value of derivative financial instruments	**104.6**		**0.42**	80.5		0.34
Deferred tax on property valuations	**5.3**		**0.02**	4.0		0.02
Deferred tax in respect of capital allowances	**0.4**		**-**	0.2		-
EPRA adjusted diluted	**1,166.0**	**252.1**	**4.63**	951.2	229.7	4.14

The prior year EPRA amounts have been recalculated to include deferred tax in respect of capital allowances in the Longmartin joint venture which are not expected to crystallise. There is no material difference to the figures previously disclosed.

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

25. Cash flows from operating activities

	Group		**Company**	
Operating activities	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Operating profit/(loss)	**167.6**	233.4	**(1.7)**	(1.4)
Adjustment for non-cash items:				
Lease incentives recognised	**(1.9)**	(1.1)	**-**	-
Charge for share based remuneration	**1.2**	1.3	**1.2**	1.3
Depreciation and losses on disposals	**0.2**	0.1	**0.2**	0.1
Profit on sale of investment properties	**-**	(0.4)	**-**	-
Investment property valuation movements	**(110.6)**	(183.6)	**-**	-
Administration charges to subsidiaries settled through inter-company indebtedness	**-**	-	**(7.5)**	(6.3)
Cash flows from operations before changes in working capital	**56.5**	49.7	**(7.8)**	(6.3)
Change in trade and other receivables	**(2.0)**	(0.4)	**(0.1)**	(0.1)
Change in trade and other payables	**2.8**	3.7	**0.1**	1.7
Cash flows from operating activities	**57.3**	53.0	**(7.8)**	(4.7)

26. Movement in borrowings

Group	1.10.2010 £m	Cash flows £m	Non-cash items £m	30.9.2011 £m
8.5% First Mortgage Debenture Stock 2024	(63.9)	-	0.1	**(63.8)**
Secured bank loans	(455.7)	21.4	-	**(434.3)**
Facility arrangement costs	2.8	0.6	(0.4)	**3.0**
Head lease obligations	(5.4)	-	-	**(5.4)**
	(522.2)	**22.0**	**(0.3)**	**(500.5)**
Year ended 30 September 2010	(427.5)	(94.4)	(0.3)	(522.2)
Company				
8.5% First Mortgage Debenture Stock 2024	(63.9)	-	0.1	**(63.8)**
Secured bank loans	(461.2)	15.9	-	**(445.3)**
Facility arrangement costs	2.8	0.6	(0.4)	**3.0**
	(522.3)	**16.5**	**(0.3)**	**(506.1)**
Year ended 30 September 2010	(428.6)	(93.4)	(0.3)	(522.3)

27. Investment in subsidiaries

	2011 £m	2010 £m
Shares at cost		
At 1 October	**606.1**	483.6
Shares acquired during the year:		
Acquisition of City & Central Properties Limited for cash	**-**	12.4
Impairment of non-trading subsidiaries	**(0.4)**	**-**
Recapitalisation of subsidiaries	**32.5**	115.0
Dividend received paid out of pre-acquisition reserves	**-**	(4.9)
At 30 September	**638.2**	606.1

At 30 September 2011 the Group's operating subsidiary companies, all of which are wholly-owned and engaged in property investment, were:

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

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

28. Investment in joint venture

	2011 £m	2010 £m
Shares at cost	**79.0**	79.0

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

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

28. Investment in joint venture (continued)

The Group's share of the results of Longmartin Properties Limited for the year ended 30 September 2011, and its assets and liabilities at that date, which have been consolidated in the Group's Statement of Comprehensive Income and Balance Sheet, are as follows:

	2011 £m	2010 £m
Statement of Comprehensive Income		
Rents receivable (adjusted for lease incentives)	**4.3**	2.2
Recoverable property expenses	**0.3**	-
Revenue from properties	**4.6**	2.2
Property outgoings	**(0.8)**	(0.6)
Recoverable property expenses	**(0.3)**	-
Property charges	**(1.1)**	(0.6)
Net property income	**3.5**	1.6
Administration expenses	**(0.4)**	(0.4)
Operating profit before investment property disposals and revaluation	**3.1**	1.2
Investment property revaluation movement	**5.0**	29.4
Operating profit	**8.1**	30.6
Net finance costs	**(0.6)**	(0.4)
Profit before tax	**7.5**	30.2
Current tax	**(0.4)**	(0.1)
Deferred tax	**(1.5)**	(4.1)
Tax charge for the year	**(1.9)**	(4.2)
Comprehensive income for the year	**5.6**	26.0
Transactions with owners:		
Dividends paid	**(1.1)**	(0.3)
Movement in retained earnings	**4.5**	25.7
Balance Sheet		
Non-current assets		
Investment properties at book value	**123.1**	111.2
Lease incentives	**2.3**	1.0
	125.4	112.2
Current assets	**3.6**	2.9
Total assets	**129.0**	115.1
Current liabilities	**22.4**	14.7
Non-current liabilities	**11.1**	9.6
Total liabilities	**33.5**	24.3
Net assets attributable to the Shaftesbury Group	**95.5**	90.8

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:

	2011 £m	2010 £m
Not later than one year	**62.2**	60.8
Later than one year but not later than five years	**154.8**	148.3
Later than five years but not later than ten years	**104.4**	103.7
Later than ten years	**104.7**	115.2
	426.1	428.0

The Group as lessee

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

	2011 £m	2010 £m
Not later than one year	**0.2**	0.2
Later than one year but not later than five years	**0.3**	0.5
	0.5	0.7

30. Related party transactions

During the year, the Company received administration fees, dividends and interest from its wholly owned subsidiaries and from the Longmartin joint venture. These are summarised below:

	2011 £m	2010 £m
Transactions with subsidiaries:		
Administration fees receivable	**7.5**	6.3
Dividends receivable	**23.4**	28.6
Interest receivable	**27.5**	26.9
Net amounts receivable from subsidiaries	**477.2**	432.6
Transactions with joint venture:		
Administration fees receivable	**0.5**	0.7
Dividends receivable	**1.0**	0.3
Interest receivable	**0.3**	0.1
Amount receivable from joint venture	**16.2**	13.0

Directors are considered the only key management personnel. Apart from Directors' remuneration set out in the Directors' Remuneration Report on pages 48 to 55, there were no other transactions with Directors.

31. Share based remuneration

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

	LTIP
Grant date	8 December 2010
Share price at date of grant	£4.301
Exercise price	£Nil
Expected life – years	3
Performance condition	NAV and TSR
Assumed return volatility per annum	37.0%
Assumed dividend yield per annum	2.4%
Risk free discount rate per annum	1.5%
Assumed return volatility of FTSE 350 Super Sector Real Estate Index per annum: TSR performance condition	34.0%
Assumed statistical correlation between the total return on the Company's shares and those in the FTSE 350 Super Sector Real Estate Index: TSR performance condition	78.0%
Basis of option pricing:	
NAV performance condition	Modified binomial
TSR performance condition	Monte Carlo simulation
Fair values:	
NAV	£4.01
TSR	£2.02

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

The vesting conditions relating to options granted under the LTIP are described in the Directors' Remuneration Report on page 50.

five year financial summary (unaudited)

Income statements

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Rents receivable	**75.4**	65.7	61.7	57.8	55.6
Recoverable property expenses	**6.0**	5.5	6.1	7.5	6.8
	81.4	71.2	67.8	65.3	62.4
Property outgoings	**(14.8)**	(13.6)	(13.3)	(14.0)	(12.8)
Net property income	**66.6**	57.6	54.5	51.3	49.6
Administrative expenses	**(9.6)**	(8.2)	(6.8)	(5.5)	(6.8)
	57.0	49.4	47.7	45.8	42.8
Surplus on disposal of properties	**-**	0.4	0.3	0.3	2.2
Property valuation movements	**110.6**	183.6	(48.1)	(222.6)	103.0
Operating profit/(loss)	**167.6**	233.4	(0.1)	(176.5)	148.0
Net finance costs	**(27.8)**	(27.1)	(26.4)	(30.5)	(30.0)
Change in fair value of derivative financial instruments	**(24.1)**	(34.4)	(31.6)	(13.9)	8.7
Loss on purchase of Debenture Stock	**-**	-	-	-	(2.5)
Profit/(loss) before taxation	**115.7**	171.9	(58.1)	(220.9)	124.2
Taxation (charge)/credit	**(1.9)**	(4.8)	(0.3)	4.8	140.6
Profit/(loss) after taxation	**113.8**	167.1	(58.4)	(216.1)	264.8
Adjust for:					
Property disposal surpluses	**-**	(0.4)	(0.3)	(0.3)	(2.2)
Property valuation movements	**(110.6)**	(183.6)	48.1	222.6	(103.0)
Change in fair value of derivative financial instruments	**24.1**	34.4	31.6	13.9	(8.7)
Loss on purchase of Debenture Stock	**-**	-	-	-	2.5
Deferred tax on property valuations	**1.3**	4.0	-	(5.3)	2.0
Deferred tax in respect of capital allowances	**0.2**	0.1	-	-	-
Effect of REIT conversion	**-**	0.6	0.1	0.1	(143.9)
EPRA adjusted profit after taxation	**28.8**	22.2	21.1	14.9	11.5
Diluted earnings/(loss) per share*	**47.0p**	73.0p	(31.3)p	(124.6)p	153.4p
EPRA adjusted diluted earnings per share*	**11.9p**	9.7p	11.2p	8.5p	6.7p
Total dividends per Ordinary share declared in respect of the financial year:					
Actual	**11.25p**	10.25p	12.25p	11.00p	7.66p
Restated**	**-**	-	10.60p	8.57p	5.97p

* Years ended 30 September 2007 and 2008 have been adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

**Dividends declared in respect of the years ended 30 September 2007, 2008 and the interim 2009 dividend have been restated to show the theoretical dividends per share that would have been declared had the bonus shares inherent in the 2009 Rights Issue been in existence at the relevant dividend dates.

five year financial summary (unaudited)

Net assets

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Investment properties					
At 1 October	**1,475.3**	1,204.5	1,202.2	1,388.2	1,249.2
Acquisitions	**64.9**	65.3	29.8	24.4	32.1
Refurbishment expenditure	**19.2**	22.5	20.6	16.6	9.9
Disposals	**-**	(0.6)	-	(4.4)	(6.0)
Net revaluation gain/(deficit)	**110.6**	183.6	(48.1)	(222.6)	103.0
	1,670.0	1,475.3	1,204.5	1,202.2	1,388.2
Head lease liabilities	**5.4**	5.4	5.4	5.5	5.5
At 30 September – book value	**1,675.4**	1,480.7	1,209.9	1,207.7	1,393.7
Lease incentives	**7**	5.4	4.2	3.8	4.3
Other assets	**0.6**	0.5	0.3	0.3	0.4
	1,683.0	1,486.6	1,214.4	1,211.8	1,398.4
Net current liabilities	**(18.5)**	(16.0)	(19.6)	(19.4)	(13.1)
	1,664.5	1,470.6	1,194.8	1,192.4	1,385.3
Taxation payable	**-**	-	(3.8)	(11.1)	(17.9)
Borrowings	**(500.5)**	(522.2)	(427.5)	(524.5)	(494.7)
Derivative financial instruments	**(104.6)**	(80.5)	(46.1)	(14.5)	(0.6)
Deferred tax liabilities	**(5.7)**	(4.2)	(0.1)	-	(5.3)
Net assets	**1,053.7**	863.7	717.3	642.3	866.8
Add:					
Derivative financial instruments	**104.6**	80.5	46.1	14.6	0.6
Deferred tax on property valuations	**5.3**	4.0	-	-	5.3
Deferred tax in respect of capital allowances	**0.4**	0.2	-	-	-
EPRA adjusted net assets	**1,164.0**	948.4	763.4	656.9	872.7
Diluted net asset value*	**£4.19**	£3.78	£3.15	£3.67	£5.00
EPRA adjusted diluted net asset value*	**£4.63**	£4.14	£3.35	£3.76	£5.03
Mid market price of an Ordinary share at 30 September					
Actual	**£4.68**	£4.33	£3.57	£4.22	£4.95
Restated**	**-**	-	-	£3.29	£3.86

* Years ended 30 September 2007 and 2008 have been adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009.

** Mid market prices at 30 September 2007 and 2008 have been restated to show the theoretical mid market price of an Ordinary share had the bonus shares inherent in the Rights Issue approved by shareholders on 5 June 2009 been in existence at those dates.

shareholders and corporate information

Analysis of shareholders

at 30 September 2011

	Number of accounts	Number of shares held '000	% of shares held
Banks	3	835	**0**
Nominees	574	240,135	**96**
Limited and PLC	40	1,899	**1**
Other organisations	37	1,780	**1**
Individuals	256	5,850	**2**
		250,499	**100**

Number of shares	Number of accounts	Number of shares held '000	% of shares held
1-100,000	703	9,295	**4**
100,001-500,000	115	27,149	**11**
500,001-1,000,000	37	26,183	**10**
over 1,000,001	55	187,872	**75**
		250,499	**100**

Financial calendar

Annual Results announced	30 November 2011
Annual Report posted to shareholders	21 December 2011
Annual General Meeting	10 February 2012
Interim Management Statement (first half)	10 February 2012
2012 Half Year Results to be announced	May 2012
Interim Management Statement (second half)	August 2012

Dividends and Debenture interest

Proposed 2011 Final Dividend:

Ex-Dividend	25 January 2012
Record date	27 January 2012
Payment date	17 February 2012
2012 Interim Dividend to be paid	July 2012
Debenture Stock interest to be paid	31 March 2012 and 30 September 2012

Registrar

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

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

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

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

Impact of REIT status on payment of dividends

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

For further information and the forms for completion to apply for dividends to be paid gross, please see the Group's website or contact the Group's registrar. The deadline for completed forms to be with the Group's registrar for payment of the 2011 final dividend is 27 January 2012.

Sharegift

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

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

Diluted earnings per share
Earnings per share adjusted to include the potentially dilutive effect of outstanding options granted over Ordinary shares.

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

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

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

European Public Real Estate Association (EPRA)
EPRA develops policies for standards of reporting disclosure, ethics and industry practices. It publishes Best Practice Recommendations for financial reporting, with the aim of providing universal performance measures to aid comparability between real estate companies.

EPRA adjusted EPS
EPS adjusted to determine the level of recurring income arising from operational activities. It excludes all items which are not relevant to the underlying and recurring portfolio performance such as valuation movements and deferred tax which is not expected to crystallise.

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

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

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

Gearing
Nominal value of group borrowings expressed as a percentage of Group shareholders' funds, adjusted to exclude the fair value of interest rate swaps.

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

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

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

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

Interest cover ratio
The interest cover ratio is a measure of the number of times the Group can make interest payments with its net property income.

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

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

The goal of IFRS is to provide a global framework for companies to prepare and disclose their financial statements.

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

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

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

Like-for-like portfolio
The like-for-like portfolio includes all properties that have been held for the current and previous financial year excluding any properties which were acquired or sold in that time.

Loan-to-value ratio
Nominal value of borrowings expressed as a percentage of property assets charged as security.

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

Long Term Incentive Plan (LTIP)
An arrangement under which an employee is awarded shares in the Company at nil cost, subject to a period of continued employment and the attainment of NAV and TSR targets over a 3 year vesting period.

Market Value
Market Value is determined by the Group's valuers, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards. Properties are valued at the amount they would exchange between two willing unconnected parties in an arm's length transaction (after proper marketing) at the valuation date.

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

Net asset value return
The change in diluted net asset value per Ordinary share plus dividends paid per Ordinary share expressed as a percentage of the diluted net asset value per share at the beginning of the year.

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

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

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

Total shareholder return (TSR)
The change in the market price of an Ordinary share plus dividends reinvested expressed as a percentage of the share price at the beginning of the year.

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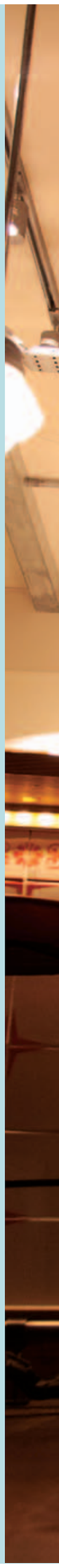
"Sir, if you wish to have a just notion of the magnitude of this city, you must not be satisfied with seeing its great streets and squares, but must survey the innumerable little lanes and courts. It is not in the showy evolutions of buildings, but in the multiplicity of human habitations which are crowded together, that the wonderful immensity of London consists."

Samuel Johnson



Shaftesbury PLC
Pegasus House
37/43 Sackville Street
London W1S 3DL

T: 020 7333 8118
F: 020 7333 0660

shaftesbury.co.uk