

report & accounts 2008



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Shaftesbury owns over 400 mixed use freehold buildings in the heart of London's West End, extending to approximately 13 acres. Over 70% of the Group's income comes from shops and restaurants.

London is Europe's largest city and the World's most popular destination for overseas visitors. The West End offers unrivalled and diverse attractions, with over 40 theatres, the UK's premier cinemas, World class galleries, museums and palaces as well as the best shops and restaurants.







Financial highlights

		2008	2007	Change
Net property income	£'000	51,338	49,580	+3.5%
Adjusted profit before tax*	£'000	15,278	12,713	+20.2%
Adjusted diluted earnings per share*	pence	10.95	8.55	+28.1%
(Loss)/profit (including fair value movements in respect of investment properties and financial derivatives) before tax				
	£'000	(220,901)	124,176	
Diluted (loss)/earnings per share	pence	(159.00)	196.92	
Interim dividend per share	pence	5.00	2.16	+131.5%
Final dividend per share	pence	6.00	5.50	+9.1%
Property assets at book value	£'000	1,207,712	1,393,662	
Adjusted net assets**	£'000	656,838	872,726	
Adjusted diluted net assets per share**	pence	482	646	-25.4%
Net assets	£'000	642,291	866,786	
Diluted net asset value per share	pence	471	641	-26.5%

* Adjusted to exclude property and financial derivatives fair valuation movements, gain on sale of investment properties (2007: and loss on purchase of debenture stock) (see page 8)

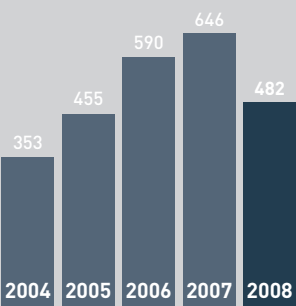
** Adjusted to exclude fair valuation of financial derivatives and deferred tax in respect of investment property revaluations and financial instrument fair values (see page 8)

Performance summary

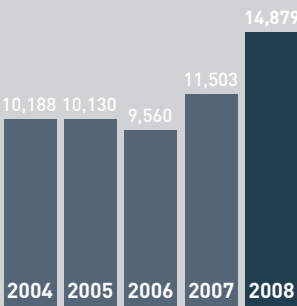
	Shaftesbury Group		Benchmark
Capital value return (the annual valuation movement and realised surpluses arising on Group's investment portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure)			
	2007	-15.6% +8.2%	IPD UK the Monthly Index: Capital Values* -22.6% +2.2%
Total return (a combination of the capital value return referred to above and the net income from the portfolio for the year expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure)			
	2007	-12.0% +12.0%	IPD UK property Monthly Index: Total Return* -18.1% +7.2%
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)			
Based on adjusted net assets		-25.4%	
2007 - after REIT conversion charge		+10.5%	
Based on reported net assets		-24.9%	
		2007 +42.5%	
Total shareholder return (the change during the year 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, based on year end share price £4.22 (2007: £4.95))			
	2007	-12.8% -16.5%	FTSE 350 Real Estate Index: -27.6% +14.1%

*Source: Investment Property Databank Limited

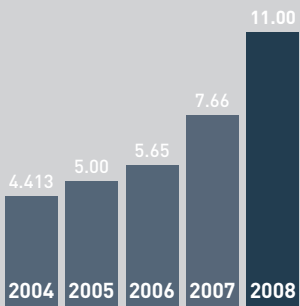
Shaftesbury Group data (other than Total Shareholder Return) derived from financial results.



Adjusted diluted net asset value per share (pence)
see page 8



Adjusted profit on ordinary activities after tax (£'000)
see page 8



Dividends declared per share (pence)





In a difficult economic climate, the Group's capital value and total returns again significantly out-performed the wider property market. The economy in the West End and our portfolio, with its defensive qualities of prime locations and mixed uses, have proved to be resilient. Our results show further growth in rental income and adjusted profits and over the year and our reversionary income potential has increased significantly.

Our Results

The adjusted results referred to below are calculated in accordance with the guidance issued by the European Public Real Estate Association ("EPRA") in May 2008.

Net assets at 30 September 2008, adjusted as shown in the table below to exclude the fair value of financial derivatives and deferred tax provided in respect of investment property revaluations, totalled £656.8 million, equivalent to a diluted net asset value per share of £4.82. The decrease in diluted net asset value per share over the year was £1.64, a reduction of 25.4% (2007: increase £0.56 per share or 9.5%).

Shareholders' funds reported in the unadjusted Group Balance Sheet at 30 September 2008 totalled £642.3 million, equivalent to a diluted net asset value per share of £4.71. The decrease in unadjusted shareholders' funds since the last year end amounted to £1.70 per share (diluted), a reduction of 26.5% (2007: increase £1.87 per share or 41%).

As shown in the table below, adjusted profit before tax for the year ended 30 September 2008 amounted to £15.3 million, an increase of 20.2%, compared with £12.7 million in the same period last year.

Rental income in the wholly owned group, adjusted for lease incentives, increased by £3.3 million compared with last year, offset by a £1.1 million reduction in income from the Longmartin Joint Venture, where major works are now under way. Property outgoings have risen by £0.4 million to £6.5 million.

Our interest rate hedging strategy has been successful this year in limiting the increase in interest payable, which has risen by only £0.4 million to £30.7 million, despite higher interest rates prevailing during the year and increased borrowings to finance recent acquisitions and capital expenditure. We have moved to fixed rate, long term interest rate swaps, at rates which we believe are attractive. However, the long term nature of these arrangements has increased the volatility of their mark-to-market valuation, which is reflected as a non cash movement in the Income Statement, with an increase this year in the fair value deficit of £13.9 million.

Our purchases are typically of properties with low initial income, which is often further reduced in the short term as a result of our deliberate policy of securing vacant possession in advance of refurbishment and re-letting. We do not capitalise interest incurred in respect of properties or parts of multi-let buildings which are being refurbished.

The loss before tax reported in the Income Statement was £220.9 million (2007: profit £124.2 million) and included investment property revaluation deficits of £222.5 million (2007: surpluses £103.0 million).

Chairman's statement

	2008		2007	
	Total £'000	Diluted net asset value per share £	Total £'000	Diluted net asset value per share £
Net assets reported in the Group Balance Sheet	642,291	4.71	866,786	6.41
Adjusted for:				
Fair value adjustment in respect of financial derivatives	14,547		630	
Deferred tax provided in respect of investment property revaluation gains	-		5,130	
Adjusted net assets	656,838	4.82	872,726	6.46
	2008 £'000		2007 £'000	
(Loss)/profit before tax reported in the Group Income Statement	(220,901)		124,176	
Profit on disposal of investment properties	(278)		(2,215)	
Deficit/(surplus) arising on revaluation of investment properties	222,540		(103,034)	
Movement in fair value of financial derivatives	13,917		(8,688)	
Loss on purchase of debenture stock	-		2,474	
Adjusted profit before tax	15,278		12,713	
Taxation credit reported in the Income Statement	(4,813)		(140,632)	
Current tax in respect of:				
REIT conversion charge	(98)		(27,512)	
Loss on purchase of debenture stock	-		742	
Deferred tax in respect of revaluation of investment properties	5,310		(2,766)	
Deferred tax released on REIT conversion	-		171,378	
Adjusted taxation charge on the adjusted profit	399		1,210	
Adjusted profit after taxation	14,879		11,503	



Provision for current and deferred tax on the adjusted profit for the year amounted to £0.4 million (2007: £1.2 million). The Group's wholly-owned business is now subject to the REIT regime so net rental income and gains included in 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 has remained outside our REIT group, so provisions for corporation and deferred tax continue. We expect to complete the process to include our interest within our REIT group during the next financial year so that conversion would take effect from 1 October 2009.

The adjusted profit after tax for the year amounted to £14.9 million (2007: £11.5 million). The loss after tax reported in the Group Income Statement amounted to £216.1 million (2006: profit £264.8 million).

Dividends

Our dividends reflect the distribution obligations contained in REIT legislation, which broadly require distribution of a minimum of 90% of net rental income (calculated by reference to tax rather than accounting rules).

Your Directors are pleased to recommend a final dividend of 6.0p per share (2007: 5.5p). Together with the interim dividend of 5.0p (2007 - prior to conversion to REIT status: 2.16p), this will bring the total distribution for the year to 11.0p per share (2007: 7.66p), an increase of 44%. The final dividend will be paid entirely as a Property Income Distribution ("PID").

We intend to maintain a policy of increasing our distributions to reflect the underlying growth in our income, although adherence to the REIT rules may result in a less even pattern than we have seen previously.

Our Portfolio

Our property portfolio has been valued at 30 September 2008 at £1,207.3 million, resulting in a revaluation deficit of £222.5 million. Allowing for acquisitions and expenditure during the year, together with the surpluses realised on disposals of £0.3 million, this represents a reduction of 15.6% on book value over the year. The IPD UK Monthly Index of Capital Values for all classes of commercial property fell by 22.6% over the same period. Our portfolio showed an overall return for the year of -12.0% compared with the IPD UK Monthly Index of Total Returns for all classes of commercial property of -18.1%.

In their report to us, DTZ, valuers of our wholly owned portfolio, have noted that, in the current property market, there have been few transactions recently and therefore scarce evidence of the prices at which willing buyers and sellers are prepared to transact. Therefore, they have advised us that the element of professional judgement they have used in reaching their valuation has been greater than in normal times when there is an abundance of clear market evidence.

The reduction in value of the wholly owned portfolio amounted to 15.2%. Carnaby declined in value by 17% and Covent Garden by 16%. Both these villages have substantial reversionary income potential. Also, in Carnaby, 35% of current income is from offices, where the average lease length is four years. As a result, in the current climate, valuers apply a greater discount as uncertainty of future income has increased. Chinatown declined in value by 11%. In this village restaurants and leisure uses provided 59% of rental income on leases with an average unexpired term of 16 years and only 8% of income came from offices.

The value of properties owned in the Longmartin Joint Venture at the year end declined by 21%, reflecting the risks and valuation uncertainties in the speculative St Martin's Courtyard scheme, exacerbated by the current economic conditions. The timing and quality of lettings over the next 21 months, when the scheme is due to finish, will have a material impact on future valuations. In November 2008 we announced lettings and negotiations representing almost half of the retail space in the scheme

The equivalent yield attributed by our valuers to our wholly owned portfolio at 30 September 2008 was 5.65% (2007: 4.66%). An element of the fall in value, particularly in the second half of the year, reflects a slowdown since the summer in evidence of contracted rental growth for our shops and restaurants and the consequent discount applied by valuers to reversions . Whilst demand for our offices is currently stable, we expect the supply of vacant space to increase and rents to fall. Whilst the capital value of our residential apartments has fallen sharply, tenant demand remains healthy.

Past experience has shown us that the value of our portfolio should continue to outperform the market as a whole due to sustained tenant demand for our shops and restaurants as well as our proactive approach to estate management.

Notwithstanding current adverse conditions in property markets, DTZ, the valuers of our wholly-owned portfolio, have 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 we have adopted in our results.

Our valuers have estimated the rental value of our portfolio at 30 September 2008 to be £80.2 million (2007: £72.4 million) based on proven rental levels. This is in contrast to the portfolio’s current passing income of £60.4 million (2007: £57.9 million). Of this reversion of £19.8 million, £5.9 million (2007: £1.4 million) relates to our interest in the Longmartin Joint Venture, where we are now proceeding with our major scheme.

The table below shows the growth in the reversionary potential of our portfolio. 72% of the reversionary potential at 30 September 2008 in the wholly owned portfolio is attributable to non-office uses.

We are confident that over time we can realise the reversionary potential of our shops and restaurants as we invest only in locations which have demonstrated resilient tenant demand over many years. As we are rarely involved in substantial redevelopment, we achieve rental growth with relatively little additional risk or capital expenditure.

Finance

Great emphasis is being placed in the current climate on the stability of bank finance of companies in the real estate sector. We believe our finances are robust. Our business has good income/interest cover and our gearing and future expenditure commitments are low relative to the size of our portfolio. We believe the overall security structure we have in place with our lenders will mean they will continue to view us to be a secure customer. This has been evidenced by the willingness since the year end of two of our lenders to increase our facilities by £75 million. We now have facilities totalling £600 million of which approximately £135 million is currently unutilised.

Total Shareholder Return

Both Shaftesbury and the FTSE 350 Real Estate Index recorded negative returns over the year as reductions in share prices across the entire real estate sector continued during the year and have accelerated since the year end.

Current adverse sentiment towards property in equity markets, which reflects concerns over general economic prospects, the availability of finance for real estate investment and the outlook for property values, has resulted in real estate equities, including our shares, trading at substantial discounts to net asset values. It is unlikely these discounts will narrow until stability returns to financial and property markets and the economy generally.

Prospects

These are times of almost unprecedented economic turmoil and Shaftesbury cannot expect to be untouched by the prevailing market conditions. Nevertheless, we do believe that the Group’s highly specialised portfolio of tightly defined central London villages is better placed than most to continue generating robust income during this difficult period. Currently, demand for the retail and restaurant properties that constitute the majority of our assets remains strong.

Valuations have, inevitably, fallen as the international banking crisis has led to a repricing of assets. For a securely financed Group such as ours, this represents a fine opportunity to use our deep knowledge of the West End market to add to our portfolio.

Although it is impossible to say how long this economic downturn will prevail, we remain confident that, when the gloom lifts, Shaftesbury will emerge strongly positioned to benefit from its concentration of assets in the centre of one of the world’s favourite destinations.

P John Manser
Chairman

3 December 2008

Portfolio reversionary potential

	Valuers’ estimates			Attributable to	
	Current gross income £million	Estimated rental value £million	Reversionary potential £million	Wholly owned Group £million	Longmartin £million
At 30 September 2005	49.8	60.6	10.8	10.8	-
At 30 September 2006	53.9	66.0	12.1	11.3	0.8
At 30 September 2007	57.9	72.4	14.5	13.1	1.4
At 30 September 2008	60.4	80.2	19.8	13.9	5.9

Covent Garden







Our strategy

Our strategy is to focus our investment only in the most central and lively districts of London's West End.

Our determination to confine ourselves to such a specific investment policy located in this tightly defined geographical area originated from our experiences during the recession in the early 1990s. At that time, we found that whilst there was little demand for property investments and capital values fell, tenant demand continued and rents remained stable in the 32 buildings in Chinatown we then owned. With that experience and local knowledge, and the support of our institutional shareholders and banks, we took advantage of market uncertainty from 1993 to buy properties in Chinatown, Carnaby and Seven Dials, acquisitions which today form the nucleus of our unique portfolio of over 400 properties in the West End.

Although the continuing current downturn has already seen values fall even faster than the recession of the early 1990s, there remains a healthy demand from prospective tenants to rent shops and restaurants in our areas. These uses now represent over 70% of our business. Experience has shown that the unique qualities of London's West End, when combined with our approach to estate management, contribute to the out-performance of our investments, including in periods of downturn.

We expect that current uncertainties will offer us opportunities for further strategic property purchases, which are scarce in more buoyant markets. In anticipation, we have increased our bank facilities by £75 million since the year end, so that we now have committed unutilised facilities in the order of £135 million.

Our strategy is underwritten by London's strong economy and wealth as well as the heritage and unique cluster of leisure and cultural assets within the West End. Over the past 15 years Central London has benefited, in particular, from considerable public and private investment, and continues to do so. With over 40 theatres, the UK's premier cinemas, World class galleries, museums and palaces as well as the best shops and restaurants, many more visitors are attracted to the West End than any other city, knowing that they will have an experience that they are unlikely to find elsewhere. This in turn stimulates further development which is very apparent today, for example in the new hotels currently under construction in the West End and Covent Garden.

This year the number of visitors from overseas, and particularly the Eurozone area, has increased significantly as a result of the relative weakness of the pound against the euro, US dollar and other currencies.

Sustained investment by both the Mayor of London and Westminster City Council in recent years has greatly improved public transport as well as the quality of streets and the public realm in the West End. Completion of current works on Long Acre, St Martin's Cross and on Shaftesbury Avenue are creating important pedestrian-friendly routes between Piccadilly Circus and Covent Garden. Once the Crown Estates' Quadrant scheme at the south end of Regent Street is completed, the pedestrianised routes will extend to Oxford Circus via our Carnaby village. This public/private investment has encompassed many of the streets in our villages.

Since the setbacks of the early 1990s, the Government, the Mayor and local authorities have encouraged large new commercial developments such as Paddington and King's Cross as well as new shopping centres such as Lakeside, Bluewater and Westfield White City. Initially such large schemes with their purpose built space and controlled indoor environments can appear to pose a direct threat to the continued prosperity of the West End. This has not been our experience. Indeed, we have found that these new developments often serve different needs and segments of London's population and when taken together, they enhance what London as a whole has to offer to both residents and visitors.

These major investment projects, as well as the terrorist incidents in July 2005, have brought closer co-operation between public authorities, business and cultural groups with an interest in central London. New organisations such as London First, the New West End Company, the West End Marketing Alliance, the Heart of London Business Alliance and The Cultural Quarter Group now play an important role in promoting London to visitors and commerce in the UK and internationally.

Business review



All our investments are located within walking distance of our head office and we are “on-site” every day. We have a detailed understanding of our markets and specialist knowledge of how to get the most value from clusters of older buildings in Conservation Areas. Our approach to estate management, which is evident across all our villages, is well proven:

- We seek to acquire un-modernised properties which have potential for predominantly retail and restaurant use. Through clustering our ownerships over time and making physical improvements, we aim to regenerate areas to create distinctive destinations.
- We identify locations which are close to streets traditionally regarded as prime and which have good access to public transport. We encourage alternative shops and individual restaurants which when combined with offices and apartments provide lively districts on a traditional pattern with vibrant street life.
- We work closely with local authorities and community groups to co-ordinate our plans and combine resources so that the best environments are created. We give high priority to promoting improvements to streets, pavements, lighting and security.
- We carry out refurbishments of high quality with an emphasis on mixed and multiple uses to meet changing needs of occupiers. Where possible, we expand shops and restaurants into upper floors and often introduce new residential accommodation in place of offices, as we find there is strong demand in such central locations for living accommodation. This in turn adds life to our villages.

Portfolio activity

In our chosen areas the supply of suitable properties which are of interest to us has been very limited in 2008. In the year as a whole, we bought eleven freeholds at a cost of £24 million. All either adjoin or are close to our existing holdings. We remain very selective in what we buy.

Capital expenditure totalled £11.7 million in the wholly owned group, equivalent to approximately 1% of its capital value. Whilst we are always actively improving our portfolio, this continuing modest level of expenditure reflects our strategy of retention and improvement of existing buildings as opposed to redevelopment. Also our emphasis on shops and restaurants, where we only provide accommodation in shell form, means that both the fit out costs we incur and obsolescence we suffer are both low.

In the Longmartin Joint Venture, demolition, construction and refurbishment works for the St Martin’s Courtyard scheme commenced during the year. Our share of capital expenditure this year totalled £5.1 million and we expect that our share over the next two financial years will be in the order of £25 million.

During the year we sold £4.4 million of assets, which included two offices and two apartments. As we buy only those properties which are central to our strategy, it is rare that we have assets for disposal. Most of our sales are to special purchasers. In any event, we expect few sales in the coming year whilst the property market remains so inactive and property finance is scarce.

We have been increasingly active in negotiating surrenders of tenants’ leases where we have identified opportunities to increase income over the long term through change of use, reconfiguration of the space or new trading concepts.

In the year to 30 September 2008, we let commercial space with a rental value of £3.2 million per annum comprising £1.8 million of shops, £0.8 million of restaurants and £0.6 million of offices. These levels of letting activity are very similar to the previous year. Whilst rental growth has slowed since the summer, demand for shops, restaurants and apartments remains good. The more experienced and better financed retailers and restaurateurs continue to take advantage of weaker competitors to secure the best locations through assignment and lease acquisition. We welcome this. In contrast, office vacancies are showing signs of increasing as demand reduces. This is leading to increasing incentives and downward pressure on rental levels. Offices represent only 23% of our estimated rental value.

The rental value of wholly owned vacant commercial space at 30 September 2008 was £3.3 million, which represents 4.6% of the estimated rental value of our wholly owned portfolio. With £1.2 million under refurbishment and £1.0 million under offer, only £1.1 million (1.5% of estimated rental value) was available to let at the year end.

In addition, at the year end 29 new apartments with a rental value on completion of £0.7 million were under conversion from space which was formerly offices or derelict. Seventeen of these are in Covent Garden.

At Longmartin, our Joint Venture with The Mercers' Company, our 50% share of the rental value of space now under construction in the St Martin's Courtyard project subject to completion, was approximately £5.9 million at the year end.

Our wholly owned portfolio

Our wholly owned portfolio at 30 September 2008 included 301 shops extending to 375,000 sq. ft. They produce 42% of current income with an average unexpired lease term of seven years. Strong demand for our shops continues across all villages. Of the 22 vacant units, six larger shops represented 61% (£1.1 million) by rental value; three were in builders hands, two under offer and one to let.

We have 163 restaurants, bars and clubs with a total area of 396,000 sq. ft. which produce 28% of current income. 118 of these (over 70%) are located close to theatres and cinemas in Chinatown and Covent Garden. At the year end we had one restaurant to let and one bar under offer. The latter has now been let.

The supply of restaurants and bars in the best West End locations is very limited due to strict planning and licensing regulations. With consistent good demand, vacant units go under offer quickly. As considerable initial investment by our tenants is needed to fit out any good quality venture, we favour experienced operators who see present financial restrictions as an excellent opportunity to secure the best locations on long leases, usually 25 years.

Our office space continues to reduce in area and significance. We now have 404,000 sq. ft. of offices across 333 tenancies, which provide 22% of our income. Average office suites are small (1,200 sq. ft.) and leases are short (average unexpired term four years). As the office market tends to be more cyclical than our other uses we seek to reduce this risk wherever possible by letting our offices to businesses which are associated with the character of our villages; fashion in Carnaby and Far Eastern businesses in Chinatown. Also, we take every opportunity to convert our least valuable offices to other less volatile commercial and residential uses.

Our 279 apartments represent 7% of our income. 126 of these are in Covent Garden. Whilst the capital value of apartments has fallen sharply, demand to rent is good.

Analysis of Wholly Owned Vacant Commercial Space at 30 September 2008

	Restaurants Shops and leisure £'000 £'000		Offices £'000	Total £'000
Estimated Rental Value				
Under refurbishment	780	35	394	1,209
Ready to let	429	200	477	1,106
Under offer	573	275	165	1,013
Total	1,782	510	1,035	3,328
Number of units	22	2	33	
Area - sq. ft.	31,000	12,000	28,000	71,000

Carnaby

Carnaby is our largest village; it represents 40% of our property assets and contains 46% of our shops and 62% of our offices by floor area.

With Carnaby now acknowledged to be a retail location of international renown, this year has seen strong demand from experienced retailers such as Levi's, Diesel and VF Corporation to open more concept stores. Also, existing retail tenants are keen to take more trading space as their businesses are prospering in this popular destination.

The opening of Cha Cha Moon, the 6,000 sq. ft restaurant fronting Ganton Street and Kingly Court, has been a great success. It has brought an even livelier atmosphere to the courtyard throughout the day. Since the year end, a 3,000 sq. ft. nightclub underneath the courtyard has been relet following the failure of the previous tenant during the summer.

In August we took a significant step by relocating Boots within Carnaby Street to a 10,000 sq. ft. store. Obtaining vacant possession of their unit at 36/38 Carnaby Street has unlocked the potential to reconfigure and extend this large, under-utilised site, which has frontages to Carnaby Street and Kingly Street. The site has an area of 13,000 sq. ft. but the present buildings comprise only 21,500 sq. ft. of net lettable space. We have sub-divided the unit and are securing short term lettings while we investigate a number of exciting opportunities.

Elsewhere, along Kingly Street, we are creating new shops in anticipation of Westminster City Council's intention to pedestrianise the street in January 2009.

Carnaby Statistics

Valuation 30 September 2008	£477.7 million
Percentage of portfolio	40%
Acquisitions during year	£10.1 million
Capital expenditure in year	£6.2 million
Valuation deficit	£98.2 million
Valuation reduction	17.0%

	Number	Area sq. ft.	% of current gross income
Shops	139	194,000	48
Restaurants and leisure	37	78,000	13
Offices (tenancies)	193	255,000	35
Residential	64	45,000	4





Covent Garden

When our interest in the Longmartin Joint Venture is included, our total holdings in Covent Garden represent 33% of our property assets.

In Seven Dials, a most distinctive village, all 89 shops, 23 restaurants and offices are fully let with the exception of 4,000 sq. ft. of retail space in the Thomas Neal’s Centre. Here vacant possession will enable us, subject to planning and listed building consent, to reconfigure parts of the Centre with the object of creating larger units, which are in limited supply in Seven Dials.

The Opera Quarter is now attracting new, high quality restaurants and food shops, which are appropriate for this location, next to seven of London’s largest and busiest theatres and close to some famous hotels. Most of the derelict upper floors have been or are in course of refurbishment, with a significant portion going to residential use. During the year we created fifteen new apartments, of which thirteen have been let, with ten more due to be completed in the first half of the current financial year. Current progress indicates that the Opera Quarter will be substantially established by the end of 2009.

Covent Garden Statistics (wholly owned)

Valuation 30 September 2008	£331.2 million
Percentage of portfolio	27%
Acquisitions during the year	£11.5 million
Capital expenditure in year	£4.2 million
Book value of disposals	£2.2 million
Valuation deficit	£63.4 million
Valuation reduction	16.0%

	Number	Area sq. ft.	% of current gross income
Shops	103	121,000	50
Restaurants and leisure	59	124,000	23
Offices (tenancies)	62	106,000	16
Residential	126	78,000	11

Longmartin Joint Venture

Our Longmartin Joint Venture with The Mercers’ Company, owns an Island Site of 1.9 acres in Covent Garden, and close to Leicester Square and its important underground station. Its holdings comprise two elements:

- St Martin’s Courtyard, a mixed use project of 191,000 sq.ft. now underway to create 25 shops (69,000 sq. ft.), five restaurants (29,000 sq. ft.), 69,000 sq. ft. of offices and 37 apartments. This is probably the first major mixed use scheme in Covent Garden since the Piazza and Market Buildings were converted over 20 years ago. Completion will take place in phases until Summer 2010.
- In November 2008, we confirmed lettings and advanced negotiations extending to half of the 70,000 sq. ft. (60% by rental value) of retail space planned for the scheme. Demand for the five restaurants and remaining retail is encouraging, even though the Courtyard will not be open to the public until Spring 2010.
- A number of buildings adjacent to the Courtyard project, which have a total of 81,000 sq. ft., as detailed below. We have commenced a programme of phased vacancy and refurbishment.

Comprehensive street improvements to Long Acre are close to completion. The creation of new pedestrian crossovers at St Martin’s Cross, scheduled for completion in early in 2009, will greatly enhance pedestrian access from Leicester Square and its important transport links.

Longmartin’s Portfolio*

	Shops	Restaurants and leisure	Offices	Residential	Total
St Martin’s Courtyard Scheme					
Estimated rental value £’000	4,478	1,350	4,201	1,335	11,364
Area – sq. ft.	64,000	29,000	69,000	29,000	191,000
Number of units	25	5	-	37	
Adjacent Properties					
Estimated rental value £’000	664	815	828	646	2,953
Area – sq. ft.	5,000	17,000	30,000	26,000	78,000
Number of units	2	3	-	37	

* Shaftesbury Group has a 50% interest in the figures shown above









Chinatown

Chinatown comprises 25% of our assets. Unique in its central location, our 59 restaurants and 57 shops provide 86% of our current income from this village.

Our strategy is to assist in emphasising its Far Eastern culture and improving the diversity and quality of what is offered. To this end, we have welcomed the interest of The Prince’s Foundation, whose consultants endorse many of our initiatives.

Over the last three years, every street around Chinatown has been subject to major infrastructure works. At present Shaftesbury Avenue is undergoing major improvement works and the up-grading of Wardour Street to the south is due to start in March 2009. Whilst these works cause considerable short term disruption both to access and trading, they are of long term benefit to the whole area.

Chinatown Statistics

Valuation 30 September 2008	£306.9 million
Percentage of portfolio	25%
Acquisitions during year	£2.6 million
Capital expenditure in year	£1.0 million
Valuation surplus	£38.4 million
Valuation uplift	11.0%

	Number	Area sq. ft.	% of current gross income
Shops	57	57,000	27
Restaurants and leisure	59	177,000	60
Offices (tenancies)	70	48,000	7
Residential	71	45,000	6







Results

Our profit before taxation for the year, adjusted as shown on page 8 to eliminate the surplus realised on property disposals and the fair valuation movements in respect of investment properties and financial derivatives, amounted to £15.3 million, an increase of 20.2%, compared with an adjusted profit of £12.7 million in the previous year. The loss on ordinary activities before taxation reported in the Income Statement amounted to £220.9 million (2007: profit £124.2 million).

Our rental income has continued to rise, with rents receivable across the Group (adjusted for lease incentives) increasing from £55.6 million to £57.8 million, a net increase of £2.2 million. For the wholly owned Group, eliminating the impact of property acquisitions and disposals, rents invoiced increased by 7.2% this year compared with the previous year. Our share of rental income in the Longmartin Joint Venture has declined by £1.1 million to £1.8 million this year as vacant possession of a large part of its portfolio was secured in advance of the major works now underway.

Accounting standards require us to recognise lease incentives over the expected term of the lease under which they arise, which means we account for income in advance of its receipt in cash. Where a lease terminates earlier than expected, for example as a result of a surrender or a tenant default, there may be an element of previously recognised income which has to be reversed.

This year, the Income Statement includes a charge for lease incentives of £0.8 million (2007: credit £0.3 million), of which £0.7 million arose as a result of tenant defaults (2007: £0.1 million). The largest default, which gave rise to a write off of £0.5 million, arose when a nightclub tenant's business failed as a result of the suspension of their late night licence following a disturbance in the club, rather than as a consequence of current economic conditions. The lease was terminated in September 2008 and the premises have now been relet to a new operator. As the trading environment for our tenants becomes more challenging, there is a risk that tenant defaults increase, which may result in further accounting charges of this nature.

Property outgoings have increased this year by £0.4 million to £6.5 million (2007: £6.0 million). The Group's share of property outgoings in the Longmartin Joint Venture amounted to £0.5 million (2007: £0.4 million). We do not capitalise property outgoings of a revenue nature incurred in refurbishment schemes.

This year's administration expenses include a charge of £0.1 million (2007: £1.1 million) in respect of equity settled remuneration. The accounting charge in respect of share options has reduced by £0.6 million to £0.4 million, as the likelihood of performance-based options vesting has diminished. As a consequence, and coupled with the decline in our share price, the potential employer's national insurance liability on share awards and share options has reduced, resulting in a credit of £0.2 million (2007: charge £0.1 million).

Interest payable showed a modest increase of £0.4 million to £30.7 million during the year. The move during the year to long term, fixed rate interest swaps has resulted in amounts receivable under these contracts increasing to £2.4 million this year (2007: £0.8 million). This has limited the increase in overall interest charges despite higher interest rates which prevailed throughout the year, and increased borrowings to finance recent investment in our portfolio.

Net interest payable was covered 1.48 times by operating profit before investment property disposals and valuation movements (2007: 1.41 times). Based on the interest cover covenants and definitions contained in our banking agreements, net interest payable was covered 1.69 times by net property income (2007: 1.65 times), compared with the minimum ratio of 1.5 times we are required to maintain. REIT legislation requires us to maintain a minimum ratio of net rental income for properties in the REIT group against attributable interest payable of 1.25 times. The ratio this year was approximately 1.8 times.

The tax charge on the adjusted profit for the year was £0.4 million, compared with £1.2 million last year, and arises mainly in our Joint Venture. Longmartin remains outside of the Group's REIT election, so that our share of its profit continues to be subject to corporation tax and deferred tax continues to be recognised in respect of our share of its property revaluation movements.

The taxation credit reported in the Income Statement of £4.8 million includes a release of deferred taxation in respect of property revaluations of £5.3 million in the Joint Venture. Last year's taxation credit of £140.6 million included both the charge incurred in converting to REIT status of £27.5 million and the release of net deferred tax liabilities of £171.4 million as a result of conversion.

Adjusted diluted post-tax earnings per share for the current year amounted to 10.95p compared with 8.55p last year, an increase of 28.1%. The unadjusted diluted post-tax loss per share shown in the Group Income Statement for the current year amounted to 159.00p compared with earnings of 196.92p last year. The decline is largely attributable to property and financial derivative valuation movements.

Unadjusted shareholders' funds at the year end shown in the Group Balance Sheet totalled £642.3 million, equivalent to a diluted net asset value of £4.71 per share, a decrease over the year of £224.5 million, or £1.70p per share. Virtually all of this decline is attributable to falling property values. Adjusting these amounts to exclude the deferred tax liability arising on the valuation of investment properties and the fair value of financial derivatives and its associated deferred tax, our adjusted net asset value becomes £656.8 million equivalent to a diluted net asset value per share of £4.82 per share (2007: £872.7 million - £6.46 per share), a reduction of £215.9 million or £1.64 per share.

Dividends

Following our conversion last year to REIT status, the level of our dividends must now reflect the requirement of REIT legislation to distribute a minimum of 90% of income arising from our rental business (calculated by reference to tax rather than accounting rules).

Our interest in Longmartin is not currently within our REIT election, so that our share of its rental income and the cost of financing our investment in the Joint Venture are excluded from the calculation of taxable rental profits for REIT purposes. During the initial stages of this major scheme, Longmartin's net rental income is reduced and is less than the cost of financing our investment. As the calculation of taxable profits for the REIT group excludes this deficit the amount we are currently required to distribute to meet our REIT obligations is almost equal to our distributable accounting profits for the year. We expect our interest in Longmartin will be included in our REIT group with effect from 1 October 2009.



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 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.

The nominal value of debenture and bank borrowings at the year end totalled £517.5 million, an increase of £29.8 million over the previous year end. Cash outflows during the year on acquisitions less disposals of investment properties amounted to £7.4 million and expenditure on refurbishments totalled £15.0 million. Revenue operations after interest and taxation produced a net cash surplus of £6.4 million, compared with £13.5 million in the previous year. The reduction of £7.1 million reflects the first year's instalments of the REIT conversion charge paid in the year, which totalled £9.6 million.

Gearing at the year end, calculated by reference to our adjusted net assets referred to above and the nominal rather than book value of our debenture and net bank debt, was 79% (2007: 56%). The ratio of the nominal value of debenture and net bank debt to the market value of our property assets was 43% (2007: 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. 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 £525 million with a weighted average maturity of 8.9 years (2007: 9.9 years). Committed unutilised facilities at the year end totalled £68 million (2007: £98 million). Our facilities are provided by five lenders, but this will reduce to four once the merger of Lloyds TSB and HBOS goes ahead, as expected, in the coming months.

Since the year end, we have increased two of our facilities, to provide us with an additional £75 million, taking our total committed facilities to £600 million, with around £135 million currently undrawn. In addition, we have agreed terms in principle with a third lender to add a further £25 million to our committed facilities.

Our principal future expenditure commitments at the year end comprised £18 million to settle the balance of our REIT conversion charge, to be paid by January 2011, £25 million to fund our share of Longmartin's capital expenditure by mid 2010, and regular annual capital expenditure on our portfolio, which is usually in the region of £10 million per annum. These commitments total £73 million over the next three years. Our annual dividends are funded principally from our property revenue less interest and administration costs.

The average margin over LIBOR we paid on our facilities at the year end was 0.67%. The scarcity of finance following the upheaval in financial markets is resulting in lenders requiring higher margins on the facilities they are prepared to provide. The margin we will be paying on our additional facilities is higher, so that, the average margin we expect to be paying will rise to 0.80%. The repricing of finance may extend to existing as well as new facilities in the future. In the short term, these additional costs will be offset to a degree by recent falls in LIBOR rates.

At the year end, the weighted average cost of our borrowings including margin was 6.10%, compared with 6.54% at the previous year end. The turbulence in financial markets has resulted in LIBOR rates remaining at levels much higher than base rate throughout the year, and particularly at the end of September 2008. As a result of recent easing in LIBOR markets since the year end, by mid November our average cost of borrowings had fallen to 5.76%

At the year end, £421 million of borrowings, equivalent to 81% of our bank and debenture debt was either at fixed rate or hedged at fixed rates. We have restructured our hedging portfolio during the year to take advantage of attractive long term swap rates. At the year end, the weighted average fixed rate of our interest rate swaps (excluding margin) was 5.06%, with a weighted average maturity of 19.6 years. Further restructuring since the year end has reduced the weighted average rate of our swaps to 4.93% (excluding margin) and increased their weighted average maturity to 23 years.

At 30 September 2008, the fair value of the Group’s interest rate derivatives contracted at that date represented a liability of £14.5 million (2007: £0.6 million). Our strategy of taking long term, fixed rate swaps will lead to greater volatility in this non-cash mark-to-market calculation. However, we consider the benefit of fixing our interest costs on a substantial portion of our debt at rates we believe will prove attractive over the long term, outweighs this inevitable volatility.

The deficit arising on the fair value of the Group’s long term debenture debt, which is not reflected in the IFRS results, amounted to £11.3 million (2007: £14.5 million). The reduction in the deficit has arisen primarily as a result a widening in credit spreads.

The Group has no legal obligation to crystallise these fair value deficits by further early refinancing of its fixed rate debt or the 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 all the lenders, including the Debenture trustee, have a shared floating charge over the assets of the parent company and its wholly owned subsidiaries.

The outstanding Debenture stock of £61 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 cover the coupon of 8.5% by at least 1.25 times. We are comfortably within these ratios 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 2008, were as follows:

Financial covenants	Status at 30 September 2008
Net property income to be at least 150% of net interest payable	Net property income represents 169% of net interest payable
Actual borrowings not to exceed 67% of value of charged assets	Actual borrowings represent 42% of gross property assets
Borrowings not to exceed 125% of shareholders’ funds	Gearing 79% at the year end

Our lenders are well secured by these current arrangements. Based on current income projections and interest rate expectations, net property income could fall by £11 million (equivalent to 21% of this year’s Group net property income) before the interest cover covenant is reached. Based on the year end values and our current expectation of future debt levels, property values across the Group would have to decline by around 27% before we reach our loan to value covenant limit. Even at these covenant limits, our lenders would still have the security of 50% more income from our properties than is needed to service their loans, and the value of the security they have would exceed our debt by 50%.

The borrowing covenant which was in place at the year end would have been reached with a further 17% fall in property values in addition to the 15.6% decline already seen, as the impact of gearing amplifies the effect of changes in values. Recognising that this position would be reached far earlier than the loan to value covenant, our lenders have already agreed either to reset the covenant, so that in effect it would be reached in the event that values across the Group fall by a further 27% (i.e. in line with the loan to value covenant), or they have confirmed they expect to do so before the 125% limit is reached. This will mean the gearing covenant is or will be reset to at least 175%.

We believe that, with our good income/interest cover, gearing and future expenditure commitments which are modest relative to the value of our portfolio and the overall security structure, our lenders will continue to view us to be a secure customer. Their support for us has been clearly evident in the last two months, with two of our banks increasing our facilities by a total of £75 million and a third lender offering us an additional £25 million.

Performance and benchmarking

The table on page 5 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 as a component, an important element of our investment strategy. We have therefore used for comparison purposes the IPD UK Monthly Indices which tracks movements across all main commercial property categories on a monthly basis. Shaftesbury is a constituent of the FTSE 350 Real Estate Index.

As shown in the Performance Summary on page 5, against a background of falling property values, our capital value and total returns declines have been significantly less than those shown by the IPD Monthly indices.

We recorded a negative total shareholder return for the year ended 30 September 2008 of 12.8% compared with the FTSE 350 Real Estate Index which recorded a negative return of 27.6% over the year. It is unlikely that investor sentiment in our sector will improve until there is evidence of stability in financial and property markets and the wider economy.

Principal risks and uncertainties facing the business

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

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.

Whilst the economy in the West End has so far been more resilient than other parts of the UK, the current exceptional disruption in financial markets is now affecting the wider business environment. Restricted availability of credit for consumers and businesses is expected to lead to lower levels of spending, a higher level of business failures and difficulties for new ventures in raising start-up capital. The West End cannot be immune from these trends.

The Group has in place procedures to monitor and react to the impact of these deteriorating conditions on its tenants and to ensure it has sufficient committed resources to enable its business to continue.

The Group has some 800 commercial tenants, so that the risks associated with the default of individual tenants are well spread. Our 40 largest tenants by current passing rent provide approximately 29% of current income. No single tenant currently pays a rent in excess of £950,000 per annum.

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 28 to 29.

The Group's assets are concentrated in the centre of the West End of London. The prosperity of the West End economy, and therefore of the Group's retail and restaurant occupiers, which account for 70% of our rental income, is heavily dependent on large numbers of domestic and overseas visitors to this high profile area. In our experience, the diversity of this visitor base means that overall visitor numbers and spending are less influenced by UK economic conditions than in other domestic retail and leisure locations. However, any external events in our high profile locations, such as threats to security, public safety or health or transport disruption, which might result in a sustained and significant reduction in visitor numbers could, over time, lead to a reduction in occupier demand and the rental potential of the Group's property assets.

The St Martin's Courtyard scheme in the Longmartin Joint Venture is now underway. Our partner, the Mercer's Company is a long established City livery company, with substantial assets and no borrowings. Both partners have sufficient financial resources to complete the scheme now underway, and intend to hold Longmartin's portfolio as a long term investment. The scheme, which is being developed on a speculative basis, represents approximately 8% of the Group's estimated rental value. As a result of deteriorating economic conditions, there is a risk that letting targets may not be met, particularly those related to the office elements of the scheme. Wherever possible, pre-lettings are being sought and secured to mitigate the Group's risk.

All of the Group's properties are located within the jurisdictions of Westminster City Council and the London Borough of Camden. Although the Group works closely in many aspects of day-to-day business with these local authorities, 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.

Key performance indicators

The key financial objective of the Group is to deliver to shareholders sustained out-performance in the long term growth in its net asset value. Fundamental to this objective is the growth in value of the Group's property assets. The Group measures its overall portfolio performance against the publicly-available IPD UK Monthly Index which, as explained above, tracks movements across all main commercial property categories on a monthly basis. The Group's performance against this Index is set out on page 5.

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

- 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 and;
- the ability of management to minimise the time that properties are vacant and not producing income. In the case of properties being refurbished, the void period being 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 ready to let, marketing periods are monitored and assessed.

The Board is satisfied that the key performance indicator of rental growth is meeting its expectations. Void periods have generally remained at an acceptable level, largely unchanged from last year. Where delays have occurred, these are often due to problems beyond the Group's control, such as delays in the planning process or the failure of utility companies to meet their service obligations. Although occupier demand in the West End has been good, the widely-predicted economic downturn is likely to lead to more vacancies in the portfolio and longer void periods.

Prospects

At present the West End economy remains buoyant, with good visitor numbers and spending being reported. This is reflected in good occupier demand for retail, restaurant and residential accommodation across each of our villages. The diversity of the visitor base means the local economy is less affected by UK economic conditions than the rest of the country, but it cannot be immune from the effects of the exceptional turbulence we have seen over the last year, and particularly since the summer.

The deterioration in the wider economy is leading to an acceleration in property yield increases and reductions in property values. We believe that, despite the poor near term outlook for property and the economy, our well-located, mixed use portfolio will prove once again to be resilient in the short term and deliver out-performance in rental growth and capital values over the longer term.

Jonathan S. Lane Chief Executive
Brian Bickell Finance Director

3 December 2008

Note: The information required by the Companies Act 2006 in respect of environmental matters, the Group's employees, social and community issues and business relationships with customers and suppliers, is contained in the Corporate Responsibility Report on pages 52 to 54.





Portfolio Analysis

		Note	
Market Value		1	
% of total Market Value			
Current gross income		2	
Estimated rental value (ERV)		3	
Shops	Number		
	Area – sq.ft		
	% of current gross income	4	
	% of ERV	4	
	Vacancy rate by % of ERV	5	
	Average unexpired lease length- years	6	
Restaurants and leisure	Number		
	Area – sq.ft		
	% of current gross income	4	
	% of ERV	4	
	Vacancy rate by % of ERV	5	
	Average unexpired lease length- years	6	
Offices	Number of tenancies		
	Area – sq.ft		
	% of current gross income	4	
	% of ERV	4	
	Vacancy rate by % of ERV	5	
	Average unexpired lease length- years	6	
Residential	Number		
	Area – sq.ft		
	% of current passing rent		
	% of ERV	4	
	Vacancy rate by % of ERV	5	
* Longmartin statistics include space under construction in the St Martin’s Courtyard scheme and unmodernised accommodation not part of the current scheme.			
** Shaftesbury Group’s share.			
Basis of valuation			
at 30 September 2008			
Overall initial yield		8	
Overall equivalent yield		9	
Tone of retail equivalent yield			
Tone of retail estimated rental values [ITZA £ per sq.ft.]			
Tone of restaurant equivalent yields			
Tone of restaurant estimated rental values [£ per sq.ft.]			
Tone of office equivalent yields			
Tone of office estimated rental values [£ per sq.ft.]			
Tone of residential estimated rental values [£ per annum]			

Notes:

- 1

The Market Values at 30 September 2008 (the ‘date of valuation’) shown above in respect of the four 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 in 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.

	Carnaby	Covent Garden	Chinatown	Charlotte Street	Wholly Owned Portfolio	Longmartin*	Total Portfolio
	£477.7m 40% £24.9m £32.5m	£331.2m 27% £17.5m £21.5m	£306.9m 25% £15.4m £17.6m	£23.6m 2% £1.3m £1.4m	£1,139.4m 94% £59.1m £73.0m	**£67.9m **6% **£1.3m **£7.2m	£1,207.3m 100% £60.4m £80.2m
	139 194,000 48% 49% 9% 4	103 121,000 50% 51% 3% 9	57 57,000 27% 27% 5% 8	2 3,000 9% 9% - 13	301 375,000 42% 43% 6% 7	26 69,000 26% 36% 32% 6	
	37 79,000 13% 12% - 12	59 127,000 23% 21% 5% 13	59 169,000 59% 58% - 16	8 25,000 44% 43% - 15	163 396,000 29% 28% 1% 14	8 46,000 29% 15% 9% 8	
	193 250,000 35% 34% 8% 4	62 95,000 16% 15% 1% 4	70 47,000 8% 9% 17% 4	8 12,000 27% 30% - 1	333 404,000 22% 23% 7% 4	99,000 24% 35% 29% 7	
	64 45,000 4% 5% 29%	126 90,000 11% 13% 27%	71 45,000 6% 6% 11%	18 8,000 20% 18% -	279 188,000 7% 8% 23%	74 55,000 21% 14% 10%	
	4.59%	4.76%	4.72%	5.07%	4.68%	4.14%	
	5.84%	5.63%	5.38%	5.42%	5.65%	5.25%	
	5.50 - 6.50%	5.25 - 6.75%	5.30 - 6.25%	5.50 - 6.00%		4.75 - 5.50%	
	£86 - £365	£40 - £450	£150 - £260	£72 - £80		£100 - £440	
	5.75 - 6.00%	5.00 - 6.25%	5.30 - 6.00%	5.25 - 5.50%		5.25 - 6.50%	
	£65 - £92	£35 - £112	£135 - £320 ITZA	£70		£39 - £53	
	5.50 - 7.00%	6.00 - 6.75%	6.00 - 6.50%	6.50 - 7.00%		5.75 - 7.25%	
	£35 - £59	£27 - £52	£30 - £42	£37 - £42		£37 - £65	
	£10,400 - £52,000	£9,250 - £52,000	£7,800 - £27,400	£10,400 - £18,200		£20,000 - £50,000	

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
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.

10
The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.

11
All commercial floor areas are net lettable. All residential floor areas are gross internal.

Newburgh Street







Jonathan S Lane,
MA, FRICS
Chief Executive

Joined in 1986 as managing director and appointed to the Board on 3.11.1986. Overall responsibility for the Group's strategy and day-to-day operations.



Brian Bickell,
FCA
Finance Director

Joined in 1986 and appointed a Director on 20.7.1987. Responsible for finance strategy, accounting and taxation.



Simon J Quayle,
BSc, MRICS
Director

Joined in 1987 and appointed a Director on 1.10.1997. Responsible for strategy and management of the Carnaby village and the Longmartin Joint Venture.



Thomas J C Welton,
MRICS
Director

Joined in 1989 and appointed a Director on 1.10.1997. Responsible for strategy and management of Chinatown, the Covent Garden villages and Charlotte Street.

Directors,



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. Chairman of Intermediate Capital Group PLC. Deputy Chairman of Colliers CRE plc. Non-executive director of SABMiller plc.



John R K Emly, FCIS*
Senior Independent
Director. Chairman of
the Remuneration
Committee

Appointed to the Board on 16.10.2000 and Senior Independent Director from 1.10.2004. Investment director of the Civil Aviation Authority Pension Scheme. Non-executive director of the JP Morgan Mid-Cap Investment Trust plc and the F&C Capital and Income Investment Trust plc. Member of the investment committees of the P&O and Balfour Beatty pension funds.



Alastair W MacDonald*
Non-executive Director

Appointed to the Board on 3.12.2001. Formerly a director of and adviser to a number of private property investment companies and funds.



Patience J Wheatcroft*
Non-executive Director

Appointed to the Board on 1.3.2008. Non-executive director of Barclays plc. Former editor of the Sunday Telegraph between 2006 and 2007 and Business and City Editor of The Times between 1997 and 2006. Founder and former editor of Retail Week.



W Gordon McQueen ,
BSc, CA, FCIBS*
Non-executive Director.
Chairman of the Audit
Committee.

Appointed to the Board on 25.4.2005. Non-executive director of Scottish Mortgage Investment Trust plc and JP Morgan Mid-Cap Investment Trust plc.

*Independent non-executive Directors for the purposes of the Combined Code.

Secretary and Registered Office

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Registered Number: 1999238

Stockbrokers

JPMorgan Cazenove
Merrill Lynch International

Principal Bankers

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

Debenture Stock Trustee

Prudential Trustee Company Limited

Registered Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells LLP
Eversheds LLP
Forsters LLP

Valuers

DTZ Debenham Tie Leung Limited (wholly owned portfolio)
Knight Frank LLP (Longmartin Joint Venture)

officers

and advisors

Web sites

Corporate:

www.shaftesbury.co.uk

Includes Annual and Interim Reports Library from 2002 and recent corporate announcements. News alert service allows registered users to receive e-mail alerts of new announcements.

Villages:

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

Directors’ report

The Directors present their report and the financial statements for the year ended 30 September 2008.

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 is 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 15 to 30 of the Business Review and pages 52 to 54 of the Corporate Responsibility Report.

Principal Activity

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 a Real Estate Investment Trust (“REIT”).

Results and Dividends

The results for the year ended 30 September 2008 are set out in the Group Income Statement on page 59.

An interim dividend of 5.00p per Ordinary Share was paid on 27 June 2008 (2007: 2.16p).

The Directors recommend a final dividend in respect of the year ended 30 September 2008 of 6.00p per Ordinary Share (2007: 5.50p), making a total dividend for the year of 11.00p per Ordinary Share (2007: 7.66p). If authorised at the Annual General Meeting, the dividend will be paid on 20 February 2009 to members on the register at the close of business on 30 January 2009. The dividend will be paid as a Property Income Distribution (PID). For further information see page 79.

Share Capital

During the year, 157,975 Ordinary Shares were issued fully paid at prices in the range £4.46 to £5.66 per Ordinary Share pursuant to the exercise of share options granted under the Group’s Share Schemes and 889,422 Ordinary Shares at £5.50 in connection with the acquisition of Carnaby Investments Limited in November 2007.

At 30 September 2008, the Company’s authorised share capital comprised 200,000,000 Ordinary Shares of 25p each and at the same date, the issued share capital was 135,363,421 Ordinary Shares of 25p each.

Directors

The rules that the Group has governing the appointment and replacement of Directors are contained in the Company’s Articles of Association. Changes to the Company’s Articles of Association are only permitted in accordance with legislation.

The Directors of the Company served throughout the year ended 30 September 2008, except where indicated otherwise, and their interests in the Ordinary Share capital of the Company, were as follows:

	Ordinary Shares of 25p each		
	1.10.2007	30.9.2008	28.11.2008
Beneficial interests:			
J S Lane	454,837	478,028	478,028
B Bickell	353,895	372,139	372,139
S J Quayle	330,768	367,357	367,357
T J C Welton	229,096	255,585	255,585
P J Manser	90,000	95,000	95,000
J R K Emly	15,000	18,000	18,000
A W MacDonald	41,000	41,000	41,000
W G McQueen	5,000	5,000	5,000
P J Wheatcroft*			
(appointed 1 March 2008)	-	1,000	1,000

*P J Wheatcroft held no shares in the Company at the date of her appointment to the Board.

The Group has a policy requiring executive Directors to build up and maintain a minimum shareholding in the Company equivalent to the value of one year’s basic salary. Newly appointed executive Directors will be expected to accumulate a shareholding to this equivalent value over a period of five years from the date of their appointment.

Details of options granted to executive Directors under the Group’s Share Schemes are set out in the Directors’ Remuneration Report on pages 45 to 50.

At the forthcoming Annual General Meeting John Manser, Gordon McQueen, Jonathan Lane and Simon Quayle will retire by rotation and will offer themselves for re-election. As required by the Company’s Articles of Association, Patience Wheatcroft will offer herself for election having been appointed to the Board since the last Annual General Meeting.

The unexpired terms of appointment of John Manser and Gordon McQueen do not extend beyond the date of the 2009 Annual General Meeting. In accordance with the Company’s Articles of Association and the Combined Code 2006, John Manser is subject to re-election annually having been first appointed to the Board in 1997. Jonathan Lane and Simon Quayle have service contracts with the Group which are terminable by either party upon giving not less than 12 months prior notice of termination. The compensation that would become payable by the Group in the event that the service contract of either of these Directors was terminated is described in the Directors’ Remuneration Report.

Following the annual board performance reviews of individual directors, the Board considers;

- that each of the Directors subject to re-election continues to operate as an effective member of the Board; and
- that each of the Directors subject to re-election and election has the skills, knowledge and experience that enable them to discharge their duties properly and contribute to the operation of the Board. The Board, on the advice of the Nomination Committee, therefore recommends their re-election and election.

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 2008, the Company had been notified in accordance with the UK Listing Authority’s Disclosure and Transparency Rules that the following held, or were beneficially interested in, 3% or more of the Ordinary Shares:

	Percentage of Ordinary Share Capital
Laxey Partners Limited	19.03
Co-operative Financial Services Limited	8.50
Schroders plc	4.78
Legal & General Group Plc	4.28
Lloyds TSB Group Plc	4.04
Morgan Stanley Securities Limited	3.81
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 receipt of goods or services. At 30 September 2008, the Group’s creditors in respect of invoiced supplies represented 24 days purchases (2007: 27 days).

Purchase of Own Shares

The Company was granted authority at the 2008 Annual General Meeting to make market purchases in its own Ordinary Shares. This authority will expire at the conclusion of the 2009 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 to 28 November 2008.

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 £5 million. The Board reviewed the level of cover during the year and deemed it sufficient.

Charitable and Other Donations

During the year the Group made charitable donations in cash amounting to £109,000 (2007: £95,000). The principal charities supported by the Group are set out in the Corporate Responsibility Report on pages 52 to 54.

The Group made no donations of a political nature during the year.

Employment and Environment

The Group’s employment and environment policies are described in the Corporate Responsibility Report on pages 52 to 54.

Financial Instruments

The information in respect of financial instruments as required by the Companies Act 1985 is given on pages 70 to 71.

Change of Control

Certain of the Group’s bank loan agreements and the Longmartin Joint Venture arrangements contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group.

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

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors to the Company and Group will be proposed at the 2009 Annual General Meeting. Their re-appointment has been recommended to shareholders by the Audit Committee and the Board and they have consented to act.

2009 Annual General Meeting

The 2009 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 adoption of new Articles of Association. The resolutions are set out in the Notice of Annual General Meeting together with explanatory notes which, this year, is contained in a separate circular to Shareholders which accompanies this Annual Report.

Disclosure of Information to Auditors

- Each Director has confirmed that:
- So far as he/she is aware, there is no relevant audit information of which the Group’s auditors are unaware, and
 - He/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group’s auditors are aware of that information.

This confirmation is given in accordance with Section 234ZA of the Companies Act 1985.

By Order of the Board

Penny Thomas
Secretary

3 December 2008





Corporate governance

The Board of Directors is responsible to Shareholders for the strategic direction and management and control of the Group's activities and is committed to high standards of Corporate Governance in achieving these goals. The Board confirms that the Group has complied in full with the recommendations of the Combined Code on Corporate Governance issued in June 2006 (the "Combined Code") except that in the period 1 October 2007 to 29 February 2008, the Group did not comply with the recommendation that at least half the Board should comprise non-executive Directors determined by the Board to be independent.

The application of the principles contained in the Combined Code is described below.

Composition of the Board

The Board comprises the non-executive Chairman, four executive Directors and, since 1 March 2008, four non-executive Directors. The composition of the Board now complies with the Combined Code. Each of the non-executive Directors is considered to be independent of the executive management of the Group and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. John Manser was considered independent at the date of his appointment as Chairman in October 2004 but for the purposes of the Combined Code and the balance of non-executive and executive Directors on the Board, he is not included within the total of independent non-executive Directors.

The Nomination Committee recognises that succession planning is important to the future continuing performance of the Group and it considers succession planning for the Board as a whole and senior management on a regular basis. During the year the Nomination Committee recommended the appointment of an additional independent non-executive Director. The appointment of a further non-executive Director will be considered in the coming year to refresh the membership of the Board.

Each of the executive Directors is a member of a recognised professional body and is expected to act in accordance with the ethical principles of the relevant body. The non-executive Directors are of high calibre and contribute wide-ranging business and financial experience to the Board's decision making process. Their terms of appointment are available for inspection at the Company's registered office and on the Group's website. Biographies of each member of the Board are set out on page 36.

All Directors are required to submit themselves for election at the Annual General Meeting following their appointment and thereafter for re-election at three yearly intervals. Non-executive Directors who have completed nine years service are required to submit themselves for re-election annually in accordance with the Company's Articles of Association and the Combined Code.

The Chairman, John Manser, holds a number of non-executive directorships which are disclosed on page 36. The Board considers that the time commitment required by his other roles does not impact on his Chairmanship of the Group. John Emly and Gordon McQueen are both directors at J P Morgan Mid Cap Investment Trust but the Board considers that this does not affect the exercise of their independent judgement on the Board or Committees. None of the executive Directors has held any non-executive directorship at a FTSE 100

company or the chairmanship of such a company.

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 Board has a Senior Independent Director, John Emly, whose role includes being available to shareholders if required. He is also a nominated contact for employees under the Group's whistle blowing policy.

Functioning of the Board

The Board met five times during the year ended 30 September 2008. 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 forecast up-dates, 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 three times during the year without executive Directors or the Company Secretary present.

The Chairman is responsible for ensuring that all the Directors continually update their skills and knowledge required to fulfil their role on the Board and the Board's Committees. All Directors are encouraged to meet their professional training requirements and attend training courses to ensure that their skills are updated and refreshed. The Board receives regular technical updates on regulatory, accounting and legal matters.

During the year, the newly appointed non-executive Director, Patience Wheatcroft, received a structured and comprehensive induction to the Group's activities. This was led by the Chairman and co-ordinated and administered by the Company Secretary introducing her to all aspects of the Company and her role as a Director of a publicly listed company, following the guidelines issued by the Institute of Chartered Secretaries and Administrators. Patience Wheatcroft has also met with a number of the Group's institutional shareholders.

There is a formal schedule of matters reserved for the Board for decision which includes, inter alia, approval of all investment property acquisitions and disposals, refurbishment and property management strategies and all significant aspects of finance. The schedule of matters reserved for the Board is available on the Group's website.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedure, corporate governance, statutory and compliance obligations are met and that Board discussions and decisions are appropriately recorded. Directors may seek independent professional advice at the Group's expense in furtherance of their duties as Directors.

Board Committees

The Board has established three committees to deal with specific aspects of the Group's affairs: 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 and the minutes are circulated to all Directors. Separate reports from the Committees are set out on pages 45 to 52.

Attendance at meetings

Directors’ attendance at Board, Committee and General meetings convened in the year ended 30 September 2008 is set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of meetings in year	5	3	3	2	1
	Attended	Attended	Attended	Attended	Attended
Executive Directors					
J S Lane	5	-	-	-	1
B Bickell	5	-	-	-	1
S J Quayle	5	-	-	-	1
T J C Welton	5	-	-	-	1
Non-executive Directors					
P J Manser	5	-	3	2	1
J R K Emly	5	3	3	2	1
A W MacDonald	5	3	3	2	1
W G McQueen	5	3	3	2	1
PJ Wheatcroft*	3(3)	0(0)	0(0)	-	0(0)

*The numbers in brackets indicate the maximum number of meetings which Patience Wheatcroft could have attended during the period following her appointment to the Board on 1 March 2008 and to the Remuneration and Audit Committees on 22 September 2008.

The meetings recorded above are the scheduled Board and Committee meetings. Additional ad hoc meetings are held between the main meetings to deal with routine and operational matters as required and are not included in the meetings reported above.

Board performance

The Board carries out an annual review of its performance and effectiveness. The review is undertaken internally and includes completion by all members of the Board of a comprehensive questionnaire which incorporates the criteria recommended by the Combined Code and addresses the composition and function of the Board and each of its Committees. There is an assessment of each Director and the Chairman by their peers. In addition, this year, the Chairman interviewed each of the executive Directors as part of the process. The non-executive Directors, led by the Senior Independent Director, were responsible for the performance evaluation of the Chairman, taking into account the views of the executive Directors. The results of the review were considered by the Nomination Committee and reported to the Board. The review carried out in 2008 did not reveal any aspects of the Board’s performance or effectiveness which were considered to be unsatisfactory and following the appointment of an additional non-executive Director during the year, the Board is currently satisfied with its composition.

Relations with Shareholders

The Group encourages dialogue with all shareholders at the Annual General Meeting and during 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 are encouraged to attend. The Chief Executive and Finance Director meet investor representatives regularly during the year to discuss strategic and other issues within the constraints imposed by the Disclosure Rules of the UK Listing Authority. On the announcement of the Group’s annual and half year results, the Chief Executive and Finance Director give presentations to institutional investors and analysts and hold a series of one to one briefings with key shareholders. Non-executive Directors also attend a number of these presentations and briefings. A copy of the presentation is made available on the Group’s website. The Board receives regular reports on all shareholder meetings from the Chief Executive. The Senior Independent Director is available to shareholders as an alternative channel of communication with the Board.

Internal control and risk management

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. Executive Directors and staff meet regularly to review both the risks facing the business and 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 and appropriate action taken at an early stage. Reports on this review process are submitted to the Audit Committee and the Board during the year to enable them to assess the effectiveness of the process and ensure that the Group complies with the Turnbull Guidance. The key risks identified in these review processes are summarised in the Business Review on page 30. 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 the Annual Report 2008. The key elements of the Group’s procedures and internal financial control framework, which are reviewed annually, 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.
- c) A comprehensive system of financial reporting and forecasting. Financial accounts are prepared quarterly and submitted to the Board. Rolling three year forecasts are prepared at least quarterly, approved by the Board and used to monitor actual performance, the current and future utilisation of bank facilities and compliance with their covenants and the Group’s exposure to interest rate changes.
- d) Regular meetings of the Board and Audit Committee at which financial information is reviewed and business risks are identified and monitored.

The Group employs managing agents to manage its properties. Financial information produced by the agents is scrutinised closely by the Group’s own staff prior to its inclusion in the Group’s financial records. Periodic reviews of managing agents’ procedures and systems are carried out by external consultants on behalf of the Group.

Going concern

Comprehensive financial forecasts are prepared at least quarterly and submitted to the Audit Committee for review. Based on the information contained in these forecasts, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Penny Thomas
Secretary

3 December 2008

Directors' remuneration report

This Report, which has been prepared in accordance with the Companies Act 1985 as amended by the Directors' Remuneration Report Regulations 2002, outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the components of the Group's remuneration policy together with details of Directors' remuneration in respect of the year ended 30 September 2008. A resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Group's Auditors are required to report to shareholders regarding Directors' remuneration, descriptions of the Group's Long Term Incentive Arrangements and Sharesave Scheme and the information contained in Tables 1, 2 and 3 in this Report ("the audited parts") and to state whether, in their opinion, these parts of the Report have been properly prepared in accordance with the Companies Act 1985.

The Board considers that the Group has complied throughout the year with the requirements of the Combined Code 2006 (the "Combined Code") in relation to Directors' remuneration.

The Committee's recommendations during the period from 1 October 2007 to the date of this Report regarding Directors' remuneration have been accepted by the Board without amendment.

Membership of the Remuneration Committee

John Emly (Chairman of the Committee)
John Manser
Alastair MacDonald
Gordon McQueen
Patience Wheatcroft (appointed 22 September 2008)

The Committee has been chaired throughout the year by John Emly (the Senior Independent Director). The Committee is comprised solely of independent non-executive Directors with the exception of the Group's Chairman, John Manser, who is permitted under the Combined Code to be a member of the Committee as he was deemed independent on appointment as Chairman to the Group.

The Committee met three times during the year ended 30 September 2008 to consider the employment terms and remuneration of executive Directors and the Group's employees. The Committee also reviews the fees of the Group's Chairman. Proposals in respect of matters relating to the Directors' and Chairman's remuneration are submitted to the Board for approval before implementation. Whilst the Chief Executive may at the invitation of the Chairman attend Committee meetings, the other executive Directors do not attend. No Director has any involvement in decisions regarding his own remuneration.

Hewitt New Bridge Street ("HNBS") has provided independent external advice throughout the year to assist the Committee in formulating its recommendations to the Board to implement the remuneration policy. HNBS is appointed by the Committee and only provides advice to the Group in respect of Directors' remuneration.

Remuneration policy

The key policy objective of the Committee is to secure and retain high calibre executive Directors and management with the skills, experience and motivation necessary to direct and manage the affairs of the Group so as to maximise shareholder value on a sustainable basis. The Committee aims to align its remuneration policies with the Group's medium and long term strategy. This is achieved by a combination of:

- a basic salary package, which recognises the responsibilities of individual Directors and reflects salary and benefit levels of comparable positions in the real estate sector and takes cognisance of salary and benefit levels of UK FTSE 250 companies;
- an Annual Bonus Scheme, which provides rewards which reflect the performance of the Group and the contribution of individual Directors in a particular year and which encourages participants to invest annual bonuses in the Company's shares;
- long term incentives which incentivise executives to deliver sustained improvement in financial performance and shareholder returns; and
- a pension contribution, which funds retirement benefits.

In determining the components of total remuneration, the Committee seeks to incentivise Directors and 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 overall remuneration package where the challenging performance targets set by the Committee are met.

The Committee undertakes an annual review of the share incentive schemes operated by the Group to ensure that their structure and targets remain appropriate to the Group's circumstances and overall remuneration policy.

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.

Executive Directors are permitted to accept external appointments with the prior approval of the Board and where there is no 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. Fees from external appointments are disclosed in this Report.

The terms of appointment of non-executive Directors are documented in letters of appointment between the Group and the non-executive Director. Their term of appointment does not extend beyond the date on which they are next subject to re-election by shareholders. If re-elected and elected at the 2009 Annual General Meeting, John Manser, Gordon McQueen and Patience Wheatcroft will receive new letters of appointment.

Salaries, benefits and Non-Executive Directors' fees

The Committee's policy is broadly to align salaries with comparable companies in the real estate sector whilst also taking cognisance of salaries of similar sized UK FTSE 250 companies. The salary for each executive Director is reviewed annually in November against market information provided by the Committee's independent advisor and taking into account the individual's performance and experience in their role and salary increases of other employees in the Group.

The benefits provided to each executive Director are a fully expensed car or a car allowance in lieu, life assurance (including widow's pension), health insurance and long term disability insurance. The Group makes a pension contribution of 25% of basic salary into a personal pension plan in respect of each executive Director. Beyond this the Group has no further obligation in respect of funding executive Directors' pensions. An executive Director may elect to receive elements of his benefit entitlement in cash, although the cash equivalent is reduced by any resultant taxation liability borne by the Company.

Fees payable to non-executive Directors are determined by the Board and are reviewed periodically, with advice from HNBS. Fees are within the limits set by the Articles of Association and are intended to reflect the time commitment and responsibilities of individual non-executive Director's roles and are set at broadly market median levels to ensure individuals of the necessary calibre and experience are recruited and retained. The fees payable to the Chairman are set by the Committee with advice from HNBS and ratified by the Board. The Chairman is absent for the discussion regarding his fees and therefore takes no part in the discussion.

Fees for non-executive Directors were reviewed in November 2007 and new fee levels became effective from 1 December 2007. Fees are expected to be reviewed again in November 2009.

Annual Bonus Scheme

The Group operates an Annual Bonus Scheme under which executive Directors and staff may receive a bonus based on the achievement of a range of challenging personal and corporate performance targets set annually by the Committee and intended to stretch the individual's performance.

These annual targets, which are consistent with the Group's key business objective of long term growth of its net asset value, 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 long term income and capital value potential.

In setting these targets and assessing actual performance, the factors the Committee takes into account include the Group's financial and non-financial key performance indicators and its corporate responsibility policies and goals.

A participant may elect to receive all or part of the annual bonus in the form of shares or in cash. The value of the bonus is reduced by 20% for that part taken in cash rather than shares. Other than in exceptional circumstances, the maximum bonus limit is 125% of salary if the entire bonus is taken in shares or 100% of salary if taken entirely in cash. The Committee is satisfied that the bonus limit is competitive with peer companies and is not excessive.

Where a participant elects for shares, they are awarded under a Deferred Annual Share Bonus Scheme, which allows participants to exercise their right to their entitlement after a minimum period of two years and no later than seven years following the date of the award. No dividend is payable on these shares whilst they are held in the Scheme. This award is not subject to any further performance conditions as the award 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 arrangements

The 2006 Long Term Incentive Plan was approved by shareholders at the 2006 Annual General Meeting. Under the 2006 Long Term Incentive Plan all employees are eligible to participate, with the conditional award of shares granted to employees at the discretion of the Remuneration Committee. Shares are awarded in the form of nil cost options. All awards are subject to performance conditions set by the Committee each year. Awards to executive Directors and all employees are limited to 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 each employee is capable of influencing corporate performance.

There are two separate performance conditions for the vesting of awards, each applying to one half of the shares awarded. 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.

- The performance condition attached to one half of an award will require average annual net asset value ("NAV") growth of between RPI plus 3% to RPI plus 7% per annum over three financial years for between 30% and 100% of this part of the award to vest (i.e. between 15% and 50% of the total award).
- The performance condition attached to the other half will require total shareholder return ("TSR") performance against the FTSE 350 Real Estate Index to match or exceed it by up to 5.5% per annum over three financial years for between 20% and 100% of this part of the award to vest (i.e. between 10% and 50% of the total award). For the purposes of calculating TSR, share price plus dividends reinvested will be averaged over the three months prior to the start and end of the performance period.

Awards will vest on a straight line basis between minimum and maximum thresholds.

The Committee believes that these are the most appropriate measures of performance to deliver enhanced shareholder value.

Performance against targets will be subject to independent review and ratification by the Committee prior to vesting.

Following the establishment of the 2006 Long Term Incentive Plan, no further awards of shares have been made under the 2001 Discretionary Share Option Scheme. Details of outstanding awards are set out in Table 2.

Sharesave Scheme

The Group operates an H M Revenue and Customs approved Sharesave Scheme for all employees, including executive Directors, subject to a qualifying service period. Sharesave allows employees to save each month over a three, five or seven year period up to a maximum of £250 per month. At the end of the period, employees may use their savings, plus a tax free bonus, to buy shares in the Company at a 20% discount to the market price prevailing shortly before the date of grant. The Company made a further offer of options to all employees in 2008.

Table 1 – Remuneration (audited)

Directors’ remuneration for the year ended 30 September 2008 was as follows:

		2008 £'000	2007 £'000
Aggregate emoluments	Executive Directors	1,780	2,278
	Chairman and other non-executive Directors	238	168
		2,018	2,446

Executive Directors	JS Lane £'000	B Bickell £'000	SJ Quayle £'000	TJC Welton £'000	Total £'000
Service Contract dated	12.10.1987	12.10.1987	8.10.1997	8.10.1997	
Basic Salary	2007 *424	258	252	242	1,176
	2007 *384	248	238	223	1,093
Annual bonus	2007 139	97	96	92	424
	2007 355	219	240	197	1,011
Benefits	2007 50	41	47	42	180
	2007 79	26	37	32	174
Aggregate Emoluments	2007 613	396	395	376	1,780
	2007 818	493	515	452	2,278
Pension Contributions	2007 29	65	63	60	217
	2007 53	62	59	56	230

*Includes £56,000 (2007: £31,000) in respect of amount taken as salary in lieu of Company pension contributions.

The reduced levels of bonuses awarded in respect of the year ended 30 September 2008 reflect the achievement of individual and corporate targets set by the Committee at the beginning of the year and also take account of the decline in the Company’s net asset value and share price. All the executive Directors have elected to take their 2008 Annual Bonus entirely in shares and this is reflected in the figures above.

Chairman and other non-executive Directors

	PJ Manser £'000	JRK Emlý £'000	AW MacDonald £'000	WG McQueen £'000	PJ Wheatcroft £'000	Total £'000
Fees	2007 80	44	44	44	26	238
	2007 60	36	36	36	-	168

Review of Salaries and Fees

Executive Directors’ basic annual salaries were revised with effect from 1 December 2008 to the following levels and were generally awarded an inflation linked annual increase in the order of 4%:

	1.12.2008 £'000	1.12.2007 £'000
JS Lane	385	370
B Bickell	275	260
SJ Quayle	265	255
TJC Welton	255	245

Summary of Directors' share options

Directors' share options held and exercised during the year ended 30 September 2008 in the Group's schemes are as follows:

Table 2 – Share options (audited)

	Options and nil cost options held at 1.10.2007	Granted	Exercised	Options and nil cost options held at 30.9.2008			Grant Price	Exercise Period	
				Total	Vested	Not Vested		From	To
JS Lane									
2001 Scheme									
21.2.2001	53,300	-	-	53,300	53,300	-	£2.945	2.2004	2.2011
13.12.2001	121,115	-	-	121,115	121,115	-	£2.735	12.2004	12.2011
18.12.2002	132,500	-	-	132,500	132,500	-	£2.00	12.2005	12.2012
18.12.2003	154,223	-	-	154,223	154,223	-	£2.31	12.2006	12.2013
15.12.2004	188,235	-	-	188,235	188,235	-	£3.40	12.2007	12.2014
2006 LTIP									
15.2.2006	66,150	-	-	66,150	-	66,150	nil	3.2009	9.2009
20.12.2006	47,900	-	-	47,900	-	47,900	nil	12.2009	6.2010
18.12.2007	-	69,200	-	69,200	-	69,200	nil	12.2010	6.2011
Sharesave									
3.7.2006	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012
B Bickell									
2001 Scheme									
21.2.2001	32,445	-	-	32,445	32,445	-	£2.945	2.2004	2.2011
13.12.2001	69,469	-	-	69,469	69,469	-	£2.735	12.2004	12.2011
18.12.2002	95,000	-	-	95,000	95,000	-	£2.00	12.2005	12.2012
18.12.2003	90,910	-	-	90,910	90,910	-	£2.31	12.2006	12.2013
15.12.2004	132,355	-	-	132,355	132,355	-	£3.40	12.2007	12.2014
2006 LTIP									
15.2.2006	46,695	-	-	46,695	-	46,695	nil	3.2009	9.2009
20.12.2006	33,800	-	-	33,800	-	33,800	nil	12.2009	6.2010
18.12.2007	-	48,735	-	48,735	-	48,735	nil	12.2010	6.2011
Sharesave									
3.7.2006	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012
SJ Quayle									
2001 Scheme									
21.2.2001	32,445	-	-	32,445	32,445	-	£2.945	2.2004	2.2011
13.12.2001	60,329	-	-	60,329	60,329	-	£2.735	12.2004	12.2011
18.12.2002	82,500	-	-	82,500	82,500	-	£2.00	12.2005	12.2012
18.12.2003	75,757	-	-	75,757	75,757	-	£2.31	12.2006	12.2013
15.12.2004	111,765	-	-	111,765	111,765	-	£3.40	12.2007	12.2014
2006 LTIP									
15.2.2006	44,750	-	-	44,750	-	44,750	nil	3.2009	9.2009
20.12.2006	32,400	-	-	32,400	-	32,400	nil	12.2009	6.2010
18.12.2007	-	46,785	-	46,785	-	46,785	nil	12.2010	6.2011
Sharesave									
3.7.2006	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012
TJC Welton									
2001 Scheme									
21.2.2001	28,969	-	-	28,969	28,969	-	£2.945	2.2004	2.2011
13.12.2001	51,190	-	-	51,190	51,190	-	£2.735	12.2004	12.2011
18.12.2002	70,000	-	-	70,000	70,000	-	£2.00	12.2005	12.2012
18.12.2003	69,266	-	-	69,266	69,266	-	£2.31	12.2006	12.2013
15.12.2004	102,945	-	-	102,945	102,945	-	£3.40	12.2007	12.2014
2006 LTIP									
15.2.2006	41,830	-	-	41,830	-	41,830	nil	3.2009	9.2009
20.12.2006	30,300	-	-	30,300	-	30,300	nil	12.2009	6.2010
18.12.2007	-	43,860	-	43,860	-	43,860	nil	12.2010	6.2011
Sharesave									
3.7.2006	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012

See notes opposite

No Director exercised any options during the year. There have been no changes in options outstanding in the period from 1 October 2008 to 28 November 2008. No options lapsed during the year. The Committee does not anticipate any changes to the conditions of the Schemes under which existing options have been granted.

The mid-market price of the shares at 30 September 2008 was £4.225 and during the year then ended was quoted in the range £3.705 to £6.03.

Notes to Table 2

Vesting of options during the year

2001 Discretionary Share Option Scheme

Under the terms of the 2001 Discretionary Share Option Scheme, performance is measured in terms of growth in net asset value per Ordinary Share prior to distributions compared with that of a Peer Group of listed real estate companies.

Calculations of performance are reviewed by the Group’s Auditors prior to the vesting of any options. The following sliding scale range applies:

Net Asset Value Performance	Proportion of options exercisable
Upper quartile	100%
Median	30%
Between median and upper quartile	Pro-rata between 30% and 100%
Below median	Nil

Performance conditions are applied with options vesting after three years. A comparison of the Group’s performance against the Peer Group resulted in the full vesting during the year of options granted on 15 December 2004. The closing mid market share price on 19 March 2008, being the date the options vested, was £5.66. No grants have been made under this scheme since 2004.

2006 Long Term Incentive Plan

The performance conditions described above in the 2006 Long Term Incentive Plan section apply to the vesting of awards granted to date, each applying to one half of the shares awarded.

The award of nil cost options is based on the average closing mid market share price on the five days prior to the date of grant. For options granted on 18 December 2007, this was £5.13. Closing market share price on the date of grant was £4.80.

For the awards made under the 2006 LTIP on 15 February 2006, the performance period of 1 October 2005 to 30 September 2008 has now ended. The performance criteria have been met as follows: the TSR performance condition has been met in full and 50% of the award will vest. The NAV performance has not been met and therefore none of the remainder of the award will vest. Overall, 50% of the award will vest on 15 February 2009. The performance calculations were prepared by HNBS.

Table 3 – Share entitlements (audited)

Directors hold entitlements to shares in respect of that part of awards granted under the Deferred Annual Bonus Scheme where Directors have elected to take their annual bonus by way of shares rather than cash. At 30 September 2008 and at 28 November 2008, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 325,084 shares in respect of awards granted but not delivered to Directors as set out below and employees:

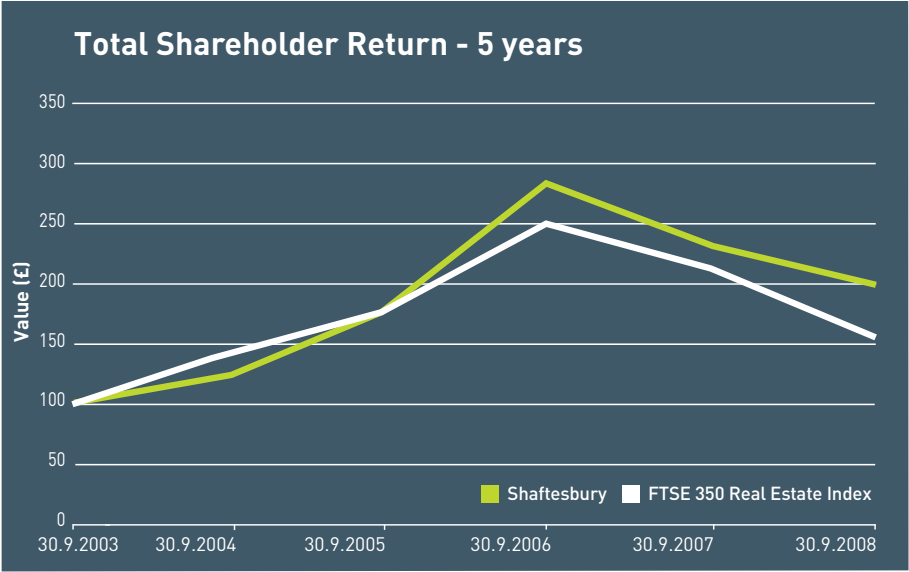
Date of Award	Entitlement to Ordinary Shares at 1.10.2007	Awarded in Year*	Delivered in Year	Entitlement to Ordinary Shares at 30.9.2008
JS Lane				
15.12.2005	22,406	-	(22,406)	-
13.12.2006	48,364	-	-	48,364
6.12.2007	-	64,470	-	64,470
	70,770	64,470	(22,406)	112,834
B Bickell				
15.12.2005	14,004	-	(14,004)	-
13.12.2006	29,871	-	-	29,871
6.12.2007	-	39,726	-	39,726
	43,875	39,726	(14,004)	69,597
SJ Quayle				
15.12.2005	45,162	-	(45,162)	-
13.12.2006	28,627	-	-	28,627
6.12.2007	-	43,585	-	43,585
	73,789	43,585	(45,162)	72,212
TJC Welton				
15.12.2005	28,008	-	(28,008)	-
13.12.2006	26,760	-	-	26,760
6.12.2007	-	35,753	-	35,753
	54,768	35,753	(28,008)	62,513

*In respect of Annual Bonus for the year ended 30 September 2007

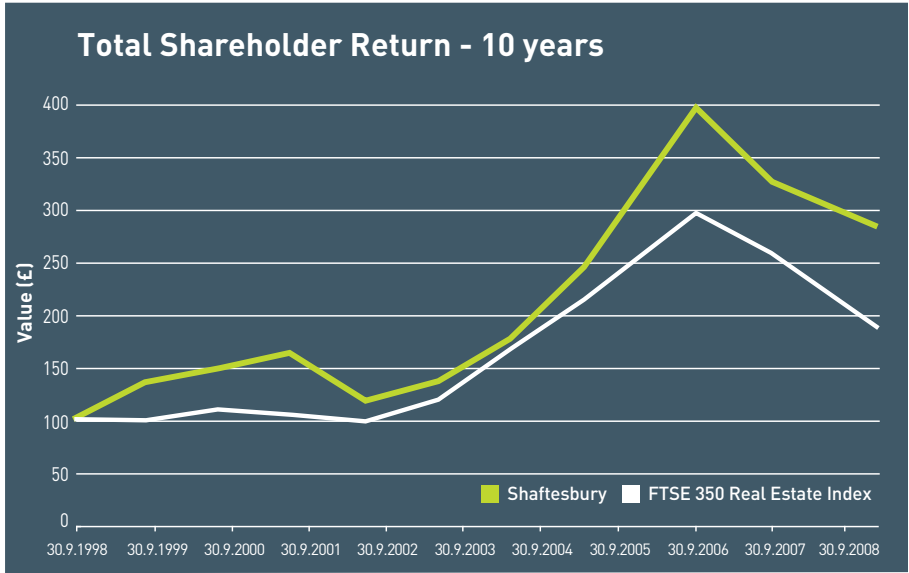
Each award of shares may be delivered to an individual for a consideration of £1 at any time between two and seven years after the date of grant of an award. No long term performance conditions apply to these awards as the awards have been made after annual performance targets relating to the annual bonus have already been met.

Total Shareholder Return

The graphs below show the Total Shareholder Return for the Company compared with the FTSE 350 Real Estate Index. As the Company is a constituent of the FTSE 350 Real Estate Index and the Committee uses this index as one measure of performance for awards of shares under the 2006 Long Term Incentive Plan, 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 Total Shareholder Return (which includes dividends reinvested) performance over the last five and ten financial years. The Committee considers the ten year period gives a better indication of the Group’s long term performance.



This graph shows the value, by 30 September 2008, of £100 invested in Shaftesbury PLC on 30 September 2003 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year ends. **Source: Thomson Financial**



This graph shows the value, by 30 September 2008, of £100 invested in Shaftesbury PLC on 30 September 1998 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year ends. **Source: Thomson Financial**

Fees from external appointments

Jonathan Lane received and retained fees in the year ended 30 September 2008 in respect of his directorship of two private companies unconnected with the Group’s business totalling £9,250 (2007 - £7,650). The other executive Directors did not hold any paid external appointments during the year.

On behalf of the Board

John R K Emly
Remuneration Committee Chairman

3 December 2008

Nomination committee report

Membership of the Committee

John Manser (Chairman of the Committee)
John Emly
Alastair MacDonald
Gordon McQueen

The Nomination Committee (the “Committee”) is comprised of the Chairman of the Group and three independent non-executive Directors. There were no changes to the membership of the Committee during the year.

Meetings

The Committee met twice during the year ended 30 September 2008.

Main activities of the Committee

The Committee is responsible for the selection and nomination to the Board of candidates for directorship and in addition advises the Board on the orderly succession for appointment of Directors and monitors the balance of the composition of the Board. In the year under review, the Committee has undertaken:

- The monitoring of the composition of the Board;
- Board succession planning;
- Nomination of Directors for election and re-election; and
- A review of the annual Board and Committee performance evaluations together with recommendations to the Board.

In early 2008, the Committee recommended to the Board that an additional non-executive Director should be appointed. The Committee was instructed to identify suitable candidates and recommend a candidate to the Board. An executive search company was employed to compile a list of suitable potential candidates. Following review and interviews by the Committee, Patience Wheatcroft was recommended to the Board for appointment. In making the recommendation, the Committee considered her other non-executive directorships and was satisfied that she had sufficient time to commit to the role.

The Committee recognises the need to maintain a balance of independent non-executive Directors on the Board, particularly as existing non-executive Directors reach nine years service and cease to be independent under the criteria for independence of the Combined Code. It therefore will consider recommending to the Board that a further independent non-executive Director be appointed during 2009.

On behalf of the Board

John Manser

Nomination Committee Chairman

3 December 2008

Audit committee report

Membership of the Committee

Gordon McQueen (Chairman of the Committee)
John Emly
Alastair MacDonald
Patience Wheatcroft (appointed 22 September 2008)

The Audit Committee (the “Committee”) is comprised solely of independent non-executive Directors. 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 financial experience. John Emly is a Fellow of the Institute of Chartered Secretaries.

Meetings

The Committee met three times during the year ended 30 September 2008. The Finance Director and representatives of the Group’s Auditors have been invited to attend each meeting. The Committee considers some items of business without executives or the auditors present as appropriate.

Main activities of the Committee

The principal responsibilities of the Committee are to monitor the framework of financial controls, review published financial information and monitor developments in financial reporting. In addition, it advises the Board on the appointment of external auditors and their remuneration for both audit and non-audit work. In the year under review, the Committee has reviewed and monitored:

- Published annual and half year financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- Published Interim Management Statements;
- Management’s reports to the Board on risk and internal controls and the Group’s public statements on these matters;
- The risk and control strategies of the Group’s principal managing agents;
- The appointment of an external consultant to undertake a review of the Group’s operational processes and controls;
- Review of the Group’s whistleblowing policy;
- The need to establish an internal audit function;
- Developments in accounting and reporting requirements;
- The Committee’s effectiveness;
- The performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting. The Group’s Auditors provide annually a letter to the Committee confirming their independence and stating the methods they employ to safeguard their independence; and
- Non-audit assignments awarded to the external 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 audit firm where there is a risk of a conflict arising with their audit independence and objectivity. The Committee reviews and approves the award of all non-audit assignments to the external audit firm in excess of £25,000.

The audit fees for the Company and the Group are relatively low due primarily to the simple corporate structure of the Group. Audit fees for the year totalled £99,000 (2007: £115,000). During the year, the external auditors, PricewaterhouseCoopers LLP undertook non-audit work for the Group totalling £143,000 (2007: £191,000). Of this amount, £101,000 (2007: £103,000) related to taxation compliance and associated matters and £27,000 (2007: £30,000) in relation to the Group’s interim results and other services.

One non-audit assignment in excess of £25,000 in relation to the REIT conversion of the Group’s interest in Longmartin Properties Limited was awarded to PricewaterhouseCoopers LLP during the year. The Committee is satisfied that it did not give rise to any risk that the auditors’ objectivity and performance of their statutory audit responsibilities would be compromised.

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

On behalf of the Board

Gordon McQueen
Audit Committee Chairman

3 December 2008

Corporate responsibility

The Board recognises the importance of social, environmental and ethical matters in the conduct of the Group’s business. The Chief Executive is responsible for the development and administration of policies and procedures relating to Corporate Responsibility. The Board receives regular reports on Corporate Responsibility and Corporate Responsibility matters are taken into account in annual corporate and personal targets set by the Remuneration Committee.

The Group’s Corporate Responsibility Policy is reviewed annually to ensure it continues to reflect the Corporate Responsibility risks and opportunities relevant to the Group. A revised Statement of Policies was approved by the Board in July 2008. The annual external review was undertaken in September 2008 by RPS Consultants in order to verify working practices against Policy Goals and achievement of objectives and targets in the Action Plan. The revised Policy, the results of the external review (which includes KPIs and environmental data) and the Action Plan, in this and the previous five years, are available in full on the Group’s website. The following highlights key achievements and challenges during the year identified in the external review.

The Group is a constituent of the FTSE4 Good Index, which acts as a guide to socially responsible investment, and continues to be listed on the Dow Jones Sustainability Index. The Group was a member of Business in the Community’s PerCent Club until it was phased out last year. However, the Group continues to support the principles of the PerCent Club and confirms that its level of community investment is in excess of 1% of pre-tax profits. The Group has also retained its listing in the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies and was placed sixth out of the FTSE 350 in the second annual Good Companies Guide (compiled with research from Co-operative Asset Management).

Environmental strategy – investment and refurbishments

The Group’s strategy is mainly to invest in and refurbish existing buildings. This is in line with Government policy for maximising the re-use of existing development land and buildings which consume a lower level of resources than demolition and construction of new buildings.

Significant regulatory emphasis is being placed on carbon emissions of dwellings throughout their operational lifetime, with drivers such as improvements in the Building Regulations, Energy Performance Certificates (EPCs) and BREEAM/Code for Sustainable Homes. The Group supports and applies these requirements wherever practical. However, 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 rebuilding. 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.

When installing new fixtures and plant, consideration is given to environmental sustainability as well as building regulations. For example, where practical dual flush cisterns are used, new boilers are condensing boilers, individual radiators have thermostat controls, double or secondary glazing is installed, a minimum of 30% of new lights are required to be energy saving fittings, all new water supplies have water meters. In commercial common parts, spray taps are installed as well as sunlight sensors for lighting. Insulation for both acoustic and energy saving purposes is also fitted. The Group works with tenants to ensure that their plant and machinery is efficient and maintained to minimise the impact on neighbouring occupiers and the environment.

For the small amount of timber that is purchased, the aim is for the sourcing of sustainably sourced products, particularly those certified to the Forestry Stewardship Commission (FSC) or Programme for the Endorsement of Forest Certification (PEFC) schemes. This year was the first year of full quantified data and an average of 56% timber from certified sources was used on projects against a target of 30%.

During refurbishment projects, it is recognised that the principal issues that require management are minimising local environmental impacts, particularly noise and dust, managing construction waste and sourcing materials. In the year:

- Eighteen refurbishment schemes of a capital value of above £75,000 have been registered with the Considerate Constructors Scheme. Of these, 89% of those that have been audited achieved and exceeded the target score of 26/40. This is a significant improvement in performance over last year.
- The Group's Corporate Responsibility Policy is included within tender documentation for subcontractors with guidance provided for the specification of materials, waste management and checklists for legal compliance. All were updated in late 2007 to reflect new legislation and best practice, and with the aim of improving the data collection process.
- The Contractor's Induction leaflet, briefly outlining the key points of the Group's Corporate Responsibility Policy has been issued to all subcontractors working on the portfolio.
- There have been no notifiable environmental incidents within the portfolio for the year 2007-2008.

Waste management activities were again monitored but it continued to be difficult to collect data in a form to compare against a recognisable performance indicator. As a result of the small scale of most of the Group's refurbishment projects, the volumes of waste are relatively low and there is often insufficient space to segregate waste. This is a continuing practical problem, which is unlikely to be resolved given the unusual nature of the Group's portfolio. In view of this, the Group will continue to monitor waste production, but considers that an appropriate performance indicator will not be identified. A sample of two refurbishment sites were audited for good practice against duty of care for waste management and were confirmed to be operating satisfactorily.

Environmental strategy - Longmartin Joint Venture

The environmental strategy for St Martin's Courtyard aims to reduce adverse environmental impacts to create both energy efficient new buildings and improve the efficiency of existing buildings in a sustainable manner. Renewable energy sources are being evaluated to supplement existing power sources. A number of initiatives including green roofs and new planting will enhance overall biodiversity. Vehicle recharging facilities will be available for electric vehicles and a car club and cycle parking will also be made available. The scheme aims to achieve a 'Very Good' rating under BREEAM.

Environmental strategy – property 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. Data collected indicates relatively low energy usage at comparable levels to the data collected last year. The rolling programme of replacing light fittings with long life/low energy fittings; use of timer controls on lights; thermostats on boilers and maximising use of insulation and secondary glazing continues where appropriate within the portfolio. The two year green energy tariff contract expired in July 2008. On retendering of the Carnaby portfolio electricity, it was estimated that the cost of electricity would increase by 130% and that in the current financial market it was not considered appropriate to procure electricity from a green tariff where the additional service charge would be applied to tenants. Therefore, since July 2008, electricity in Carnaby has been sourced from standard grid tariffs as opposed to green tariffs that have been selected in the past. The position will be monitored and it is still an objective of the Group to source electricity from sustainable sources where possible and economically viable.

Water data was available from the majority of the meters within Carnaby and Seven Dials, and a slight improvement in water efficiency was demonstrated on last year's performance. Water use in South Service Yard, the only area metered in Chinatown, continues to be consistent year on year.

Within the Group's portfolio, virtually all waste is generated by the Group's tenants. The Group's policy is actively to encourage tenants to reduce waste, increase recycling by modifying their activities and to organise communal facilities wherever possible. Where practical, dedicated refuse storage areas have been included within refurbishment schemes to improve the management of waste and improve the local environment.

In Carnaby, the three recycling and compacting schemes continue to be a success and are well used by tenants. In previous years, accurate recording of waste removed was difficult but under the new waste contract precise figures are available for the proportion of waste recycled for the first time. A notable achievement is all waste from Ganton House being recycled, and in other areas, recycling rates vary between 18% and 50%, with an overall rate for this part of the portfolio of 32%. This is considered to be a good achievement given the variety of uses and various wastes produced within the village. In Chinatown, the Group continues to work closely with Westminster City Council to manage the issues that are specific to the area such as controlling the problems of fly tipping and disposal of food and oil waste and options are being investigated to encourage restaurants to recycle bottles.

The leaflet explaining the principles of the Group's environmental policy developed to raise awareness of tenants of environmental issues is given to all new tenants.

Environmental Strategy – Group’s Office

In the Group’s office, environmental impacts are low risk and relate to energy consumption, resource use and waste production. The Group switched to a green tariff electricity supplier in October 2006 and has retained this supply throughout the year. Electricity consumption is low and there was a slight decrease in the reporting year (full disclosure of energy consumption levels is contained in the external review on the Group’s website). A paper recycling scheme continues to be operated and volume of paper used is consistent with previous years; all paper used is manufactured from recycled sources.

Health and safety issues

Health and safety is an important aspect of the Group’s business and operations. Overall responsibility rests with the Board and the Chief Executive has day to day responsibility for ensuring that the Group’s Health and Safety Policy is adhered to. Health and safety is identified within pre-tender documentation and is monitored on site by site managers and project managers. The Group’s managing agents oversee health and safety on an ongoing basis in respect of the Group’s portfolio management responsibilities.

There were two health and safety prohibition notices served on subcontractors during the year and in both instances the issues were resolved to the satisfaction of the Health and Safety Executive.

Shaftesbury in the community

The Group’s policy is to align its charitable support and community involvement with its areas of investment in London’s West End. Support is provided to a number of organisations involved in the arts, theatre and music together with support and involvement with community groups and charities which are addressing important local issues. In addition, the Group continues to work closely with local statutory bodies to maintain and improve the local environment.

The Group has long established relationships with several organisations which are directly relevant to its business. The Group also provides financial support and advice to the National Campaign for the Arts, the Art Fund, the Association of British Orchestras, the Orchestra of the Age of Enlightenment, the Donmar Theatre, the Royal Shakespeare Company and the Theatres Trust. Other organisations which the Group has supported during the year include: the London branch of the Samaritans (located in Carnaby), the Hungerford Drugs Rehabilitation Project (located in Chinatown), the Soho Family Centre, the Soho Green Charity, the London Chinatown Chinese Association, Chinatown Arts Space, the Chinatown Working Party, the Seven Dials Trust, the Yellow Earth Theatre Company, The Tennis Foundation and Victim Support Westminster Limited. In addition, the Group has partnered extensively with Barnados during the year on a number of fund raising projects.

The Group recognises that its villages must offer safe, well-maintained and welcoming environments if they are to continue to appeal to tenants, their staff and customers, and local residents. This is particularly challenging in these central locations where visitor numbers are high and trading hours are often long. The Group continues to work closely with Westminster City Council, Camden Council, the police and other bodies to develop practical solutions to local issues, supporting initiatives such as CCTV, improved street cleaning and waste disposal, and environmental improvements.

During the year, the Group has partnered local authorities and charities to promote and provide financial support for street and lighting improvement works in Carnaby, Covent Garden and Chinatown which will improve public safety and accessibility. The Longmartin Joint Venture has provided substantial contributions to the street improvement works on Long Acre. A number of other schemes are scheduled for the year ahead. In addition, the Group supports and endorses the Soho Action Plan which aims to help Soho achieve its full potential whilst preserving its unique character, the Chinatown Action Plan and the Covent Garden Action Plan.

Employment issues

The Group employs nineteen staff including executive Directors. The Corporate Responsibility Policy contains policy statements on equal opportunities in employment and procedures for reporting concerns regarding non-adherence to the Group’s ethical standards (which incorporates the Group’s whistle blowing policy). The policy statements are supported by full operational policies. Flexible working for staff is accommodated where appropriate and according to individual circumstances. The welfare, safety and training of employees is a key priority.

The Group actively encourages staff training and skills development and involvement in the development of the Group’s business, Corporate Responsibility policies and targets and community activities. Employees receive a basic salary together with a pension contribution of 17.5% of salary, life and health insurance. All members of staff are eligible to participate in the Group’s bonus and long term incentive schemes.

In view of the small number of employees, the Group does not consider that employee-based key performance indicators would provide a meaningful measure of the performance of the Group.

The Group maintains effective relationships across all aspects of its business and especially with its tenants and service providers.

Corporate responsibility objectives for 2008–2009

For 2008-2009 the following key objectives have been set to build on the achievements to date:

- Continue to utilise 100% “brownfield” sites;
- Continue to maximise the reuse of materials, especially timber, as part of the refurbishment process. Where new timber needs to be sourced, aim to purchase a minimum of 50% from certified sustainable sources (2007-2008: target was 30%);
- Aim to achieve a “very good” BREEAM score for the Longmartin Joint Venture (objective for 2008-2009 and 2009-2010);
- Ensure all refurbishment schemes above a specified capital value are signed to the Considerate Constructors’ Scheme and continue to achieve 26/40 (above the ‘satisfactory’ score);
- Continue to monitor water use in Carnaby and Seven Dials;
- Continue to monitor a waste management strategy for Carnaby and Seven Dials in order to encourage recycling by tenants;
- Promote initiatives in Chinatown to improve recycling; and
- Continue to support local community groups and continue to be proactive in mentoring charitable and other organisations

On behalf of the Board

Jonathan Lane
Chief Executive

3 December 2008

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 30th September 2008 (the "date of valuation") held by Shaftesbury Carnaby Limited, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown Limited and Shaftesbury Charlotte Street 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 14th November 2008 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2008 and a number were subject to internal inspections.

The valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). The valuations have been undertaken by External Valuers, qualified for the purpose of the valuations.

In accordance with UKPS 5.4, 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. This is the fifth time that he has been the signatory of Reports addressed to the Subsidiary Companies. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars. In addition to valuation instructions, there are other current or recent fee-earning relationships between DTZ Debenham Tie Leung and certain of the Subsidiary Companies or the Company itself. These relate to our appointment, until recently, 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 involvement in advising the Company and Longmartin Properties Limited in respect of landlord and tenant and other matters; to our involvement in advising the Company or some of the Subsidiary Companies in connection with the acquisition or disposal of certain properties and to our 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 30th April 2008, 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 PS 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.

The financial markets have seen significant turbulence over the last year or so resulting in severe liquidity shortages. The turmoil in the credit markets had an immediate effect on the real estate investment market resulting in some transactions failing or prices being renegotiated downwards either in the period leading up to exchange of contracts or by way of a last minute price reduction coupled with a threat of withdrawal. There has been a marked reduction in the volume of transactions. Generally, there is greater volatility in the evidence generated by comparable transactions and in these circumstances there is a greater degree of uncertainty than that which exists in a more active and stronger market in forming an opinion of the realisation prices of property assets.

Whereas transaction evidence underpins the valuation process the definition of Market Value, including the commentary in Practice Statement 3.2.4 requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

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 30th September 2008, 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 the tenants. We have reflected these costs in our valuations. The total amount of such costs is £4,541,000 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 30th September 2008, 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 14th November 2008, were as follows:-

Freehold properties	£1,066,980,000 (One billion, sixty-six million, nine hundred and eighty thousand pounds)
Long leasehold Properties	£72,395,000 (Seventy-two million, three hundred and ninety-five thousand pounds)
Total	£1,139,375,000 (One billion, one hundred and thirty-nine million, three hundred and seventy-five thousand pounds)

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

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

DTZ Debenham Tie Leung Limited
International Property Advisers
One Curzon Street
London W1A 5PZ

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 1985 and 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 and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors’ confirmation in accordance with Section 234ZA of the Companies Act 1985 is contained within the Directors’ Report on page 41.

Independent auditors' report

To the Members of Shaftesbury PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Shaftesbury PLC for the year ended 30 September 2008 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and "Corporate Responsibility" that is cross referred from the Business Review section of the Directors' Report.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether "Corporate Governance" reflects the company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Performance Summary, the Chairman's Statement, the Business Review, the Directors' Report, "Corporate Governance", the unaudited part of the Directors' Remuneration Report, the Nomination Committee Report, the Audit Committee Report, "Corporate Responsibility", the Valuers' Summary Report and the Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 and of its loss and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 September 2008 and of its cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and
Registered Auditors
London

3 December 2008



Group income statement

for the year ended 30 September 2008

	Note	2008 £'000	2007 £'000
Revenue from properties	3	65,359	62,423
Property charges	4	(14,021)	(12,843)
Net property income		51,338	49,580
Administration expenses	5	(5,389)	(5,628)
Charge in respect of equity settled remuneration	6	(153)	(1,140)
Total administration expenses		(5,542)	(6,768)
Operating profit before investment property disposals and valuation movements		45,796	42,812
Profit on disposal of investment properties	7	278	2,215
Investment property valuation movements	13	(222,540)	103,034
Operating (loss)/profit		(176,466)	148,061
Interest receivable		156	214
Interest payable	8	(30,674)	(30,313)
Change in fair value of financial derivatives	19	(13,917)	8,688
Loss on purchase of debenture stock	9	-	(2,474)
Total finance costs		(44,435)	(23,885)
(Loss)/profit before tax		(220,901)	124,176
Current tax	10	(497)	(27,980)
Deferred tax	10	5,310	168,612
Tax credit for the year		4,813	140,632
(Loss)/profit for the year		(216,088)	264,808
(Loss)/earnings per share:	11		
Basic		(159.88)p	197.90p
Diluted		(159.00)p	196.92p

Balance sheets

as at 30 September 2008

	Note	Group		Company	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
Non-current assets					
Investment properties	13	1,207,712	1,393,662	-	-
Office assets and vehicles	14	343	387	343	387
Investment in subsidiary undertakings	26	-	-	483,580	428,491
Investment in joint venture	27	-	-	78,958	78,958
		1,208,055	1,394,049	562,881	507,836
Current assets					
Trade and other receivables	15	14,566	24,622	453,761	506,513
Cash and cash equivalents		173	336	2	-
Total assets		1,222,794	1,419,007	1,016,644	1,014,349
Current liabilities					
Trade and other payables	16	30,381	33,666	23,055	33,299
Non-current liabilities					
Taxation payable	17	11,054	17,901	11,054	17,901
Borrowings	18	524,521	494,714	525,325	495,108
Financial derivatives	19	14,547	630	14,547	630
Deferred tax liabilities	20	-	5,310	-	-
Total liabilities		580,503	552,221	573,981	546,938
Net assets		642,291	866,786	442,663	467,411
Equity					
Called up share capital	21	33,841	33,579	33,841	33,579
Other reserves	22	131,969	126,468	131,969	126,468
Retained earnings	22	476,481	706,739	276,853	307,364
Total equity		642,291	866,786	442,663	467,411
Net assets per share:	23				
Basic		£4.75	£6.45		
Diluted		£4.71	£6.41		

On behalf of the Board who approved the financial statements on pages 59 to 76 on 3 December 2008.

Jonathan S Lane
Chief Executive

Brian Bickell
Finance Director

Cash flow statements

for the year ended 30 September 2008

		Group		Company	
	Note	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating activities					
Cash generated from/(consumed by) operations	24	47,551	43,032	(4,157)	(5,202)
Interest received		156	214	3	25
Interest paid		(31,097)	(30,257)	(31,947)	(31,324)
Tax (payments)/receipts in respect of operating activities		(10,172)	470	(9,445)	1,000
Cash flows from operating activities		6,438	13,459	(45,546)	(35,501)
Investing activities					
Property acquisitions		(19,743)	(32,133)	-	-
Capital expenditure on properties		(14,984)	(10,038)	-	-
Net proceeds from sales of properties		12,383	674	-	-
Net purchase of office assets and vehicles		(94)	(116)	(94)	(116)
Purchase of shares in Carnaby Investments Limited		-	-	(245)	-
Cash flows from investing activities		(22,438)	(41,613)	(339)	(116)
Financing activities					
Issue of shares for cash		498	3,693	498	3,693
Purchase of debenture stock		-	(9,312)	-	(9,312)
Increase in borrowings	25	29,767	33,562	30,146	32,407
Bank loan arrangement costs		-	(413)	-	(413)
Payment of finance lease liabilities		(258)	(260)	-	-
Equity dividends paid	12	(14,170)	(7,870)	(14,170)	(7,870)
Net loans to subsidiary undertakings		-	-	34,463	8,789
Loan to joint venture		-	-	(5,050)	(575)
Cash flows from financing activities		15,837	19,400	45,887	26,719
Net change in cash and cash equivalents		(163)	(8,754)	2	(8,898)

Statement of changes in shareholders' equity

At 1 October 2007	866,786	606,881	467,411	459,383
(Loss)/profit for the year	(216,088)	264,808	(16,341)	12,931
Dividends paid	(14,170)	(7,870)	(14,170)	(7,870)
Proceeds of shares issued	5,392	3,693	5,392	3,693
Fair value of share based remuneration	371	1,036	371	1,036
Deferred tax in respect of share based remuneration released from equity	-	(1,762)	-	(1,762)
At 30 September 2008	642,291	866,786	442,663	467,411

Notes to the financial statements

for the year ended 30 September 2008

1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRSs") and those parts of the Companies Act 1985 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 financial derivatives at fair value.

Accounting estimates and judgements

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 Income Statement and Balance Sheet. 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 the principal area of judgement exercised by the Board in the preparation of these financial statements. The fair valuations of investment properties, financial derivatives and share based payments are carried out by external advisors who the Board considers to be suitably qualified to carry out such valuations.

2. Accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting as modified by the semi-annual revaluation of investment properties and the valuation of derivative financial instruments. Accounting policies have been applied consistently in all periods presented in these financial statements.

New accounting standards and interpretations

The Group's approach to new accounting standards and interpretations issued during the year is set out below.

Standards, amendments and interpretations effective in 2008

The following standards, amendments and interpretations have been adopted during the year ended 30 September 2008:

IFRS7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements - Capital disclosures", introduce new disclosures relating to financial instruments. These standards did not have any impact on the classification and valuation of the Group's financial instruments.

Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:

- IFRIC 10, "Interim financial reporting and impairment".
- IFRIC 11, "Group and treasury share transaction"

Interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's future accounting but which the Group has not adopted early:

- IAS 1 (revised), "Presentation of financial statements - comprehensive revision including a statement of comprehensive income" (effective for the Group from 1 October 2009), impacting the presentational disclosure of the financial statements, but will have no impact on the carrying values of items.
- IAS 27, (revised), "Consolidation and separate financial statements - consequential amendment arising from amendments to IFRS 3" (effective for the Group 1 October 2009).
- IFRS 2, (Amendment), "Share based payments - amendment to vesting conditions and cancellations" (effective for the Group 1 October 2009).
- IAS 31, "Investments in joint ventures - consequential amendment arising from amendment to IFRS 3" (effective for the Group 1 October 2009)
- IAS 23, (Amendment), "Borrowing Costs" becomes effective for the Group from 1 October 2009. The revised standard will have no impact on the Group's financial statements. The Group's properties are included in the financial statements at fair value and it will not be required to capitalise interest in respect of any development projects carried at fair value.
- IFRS 8, "Operating segments" will become effective for the Group on 1 October 2009. The standard is not expected to have any material impact on the format of the Group's financial reporting, as the Group has only one reportable segment within its business.
- IFRIC 15, "Construction of real estate" (effective for the Group 1 October 2009)

Interpretations to existing standards that are not yet effective and are not relevant for the Group's operations

IFRS 3, (Revised), "Business combinations - comprehensive revision on applying the acquisition method"

- IAS 28, "Investments in Associates - consequential amendment arising from amendments to IFRS 3"
- IFRIC 12, "Service concession arrangements"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"
- IFRIC 16, "Hedges of a net investment in a foreign operation"

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to the balance sheet date.

Subsidiary undertakings

Investments in subsidiary undertakings 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 Income Statement 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.

Entity set up costs

Costs incurred which are directly attributable to the formation of a specific joint venture entity which has the main purpose of property investment are capitalised in the Company's Balance Sheet.

Investment properties

Investment properties are properties owned or leased by the Group which are held for long term income and capital appreciation.

Investment properties are initially recognised on acquisition at cost and are revalued semi-annually to reflect fair value. Fair value is determined by 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.

In the case of investment properties which are leasehold interests, such leases are accounted for as finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is held in the balance sheet at fair value, gross of the finance lease liability. 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 Income Statement 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 Income Statement as incurred. Finance costs are not capitalised.

Where refurbishment projects are in progress at the balance sheet date, the contractually committed costs to be incurred in completing such projects are deducted in the valuation.

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 Income Statement.

Purchases and sales of investment properties

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.

Tenant leases

Virtually 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. Such leases are included in investment property, with rental income recognised on a straight line basis over the term of the lease.

Office assets and vehicles

Office assets and vehicles are stated at cost less accumulated depreciation.

Depreciation is provided on office assets and vehicles to write their cost down to their estimated residual values over their estimated useful lives at the following rates:

Short leasehold -over the period of the lease on office premises cost, assuming no residual value

Equipment -20%/25% per annum on cost

Motor vehicles -25% per annum on written down value

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.

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.

Financial instruments:

Financial assets and liabilities at fair value reflected in the Income Statement

Financial derivatives are recorded at fair value based on market prices, estimated future cash flows and forward interest rates. Movements in fair value and amounts payable or receivable under such arrangements, are recognised in the Income Statement within total finance costs. Amounts payable or receivable under the Group's hedging arrangements are dealt with in the Income Statement on an accruals basis.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred.

Expenses and discounts relating to the issue of long term debt are deducted from the proceeds and written off in the Income Statement 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 Income Statement 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 Income Statement at a rate which results in a constant charge over the unexpired term of the facilities.

Loans and receivables

Trade receivables and trade payables are recognised and carried at the original transaction value. In the case of trade receivables, provision is made for impairment where recovery is uncertain.

Cash and cash equivalents

Cash comprises cash in hand and on-demand bank deposits unless such deposits can be offset against any amounts owing to that bank under a loan agreement and the Group has the intention to settle the net liability, in which case they are deducted from that loan liability.

Income taxes

Income tax on the profit for the 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 and 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 cost base for corporation tax purposes. Deferred tax is recognised in the Income Statement 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 are calculated using the tax rate applicable at the balance sheet date and are not discounted. Deferred tax assets are recognised when recoverability is considered probable.

Share based remuneration

The cost of granting share options and other share based remuneration to employees and Directors is recognised in the Income Statement based on the fair value at the date of grant. Fair value is calculated using an option pricing model and charged in the Income Statement over the relevant vesting period. As permitted by IFRS 2 ('Share Based Payments') no provision is made in respect of options granted or which had vested on or before 7 November 2002.

Lease of property occupied for own use

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 Income Statement on a straight line basis over the term of the lease.

3. Revenue from properties

	2008 £'000	2007 £'000
Rents invoiced	58,616	55,348
Lease incentives (written back)/recognised	(801)	278
Rents receivable	57,815	55,626
Recoverable property expenses	7,544	6,797
	65,359	62,423

The Group’s revenue is generated entirely from its principal activity of property investment located in London.

4. Property charges

Property outgoings	6,477	6,046
Recoverable property expenses	7,544	6,797
	14,021	12,843

5. Administration expenses

Included in this heading are the following:		
Administration fees receivable from joint venture	(351)	(337)
Auditor’s remuneration relating to:		
The audit of the Company and Group financial statements (Company: 2008: £19,000; 2007: £16,000)	27	42
The audit of the financial statements of subsidiary and joint venture undertakings pursuant to legislation	72	73
	99	115
Fees payable to PricewaterhouseCoopers LLP in connection with:		
Taxation advice – compliance	101	103
Taxation advice – REIT conversion	15	58
Other services	27	30
	242	306
Depreciation	135	130
Operating lease rentals – office premises	166	166
Staff costs (including executive Directors):		
Salaries	2,006	1,804
Annual bonuses	720	1,271
Social security costs	259	479
Pension contributions	360	347
Equity settled remuneration (see note 6)	153	1,140
	3,498	5,041

The Company operates a defined contribution pension arrangement for executive Directors and staff. The amount charged in the Income Statement is equal to the contributions payable during the year.

Average number of employees:	Number	Number
Executive Directors	4	4
Administration	14	13
Estate management	2	2
	20	19

A summary of Directors’ emoluments, including the disclosures required by the Companies Act 1985, is set out in the Directors’ Remuneration Report on pages 45 to 50.

6. Charge in respect of equity settled remuneration

	2008 £'000	2007 £'000
Charge for share based remuneration	371	1,036
Employer's National Insurance in respect of share awards and share options vested or expected to vest	(218)	104
	153	1,140

A summary of the principal assumptions made in the calculation of the charge for share based remuneration is set out in Note 30.

7. Profit on disposal of investment properties

Net sale proceeds	4,688	8,394
Book value at date of sale	(4,410)	(6,179)
	278	2,215

8. Interest payable

Debenture stock interest and amortisation	5,091	5,100
Bank and other interest	27,767	25,808
Amounts receivable under financial derivative contracts	(2,442)	(854)
Amounts payable under finance leases	258	259
	30,674	30,313

9. Loss on purchase of debenture stock

Cost of debenture stock purchased	-	9,312
Nominal amount of stock purchased	-	(6,494)
	-	2,818
Unamortised net premium written off	-	(344)
	-	2,474

10. Taxation

Current tax

UK Corporation tax at 29% (2007 - 30%)	462	875
REIT conversion charge	98	27,512
Adjustments in respect of prior years	(63)	(407)
	497	27,980

Deferred tax

Revaluation of investment properties	(5,310)	2,766
Released on REIT conversion	-	(171,378)
	(5,310)	(168,612)

Tax credit for the year

	(4,813)	(140,632)
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Tax charged directly to reserves:

Deferred taxation in respect of share based remuneration released on REIT conversion	-	(1,762)
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Factors affecting the tax charge:

(Loss)/profit before tax	(220,901)	124,176
UK Corporation tax at 29% (2007: 30%)	(64,061)	37,253
Taxable profit no longer liable to UK Corporation tax following conversion to REIT status	(3,963)	(1,929)
Deferred tax not provided in respect of property and financial derivative movements and capital allowances as a result of REIT conversion	63,483	(31,088)
Difference between expenses and deductions for taxation purposes and amounts charged in the financial statements	(307)	(595)
Adjustments in respect of prior years	(63)	(407)
Effect of REIT conversion:		
REIT conversion charge	98	27,512
Deferred tax provided in prior years now released	-	(171,378)
Tax credit for the year	(4,813)	(140,632)

11. Earnings per share

	2008 £'000	2007 £'000
(Loss)/profit after tax used for calculation of basic earnings per share	(216,088)	264,808
Adjusted for:		
Gain on sale of investment properties	(278)	(2,215)
Investment property valuation movements	222,540	(103,034)
Movement in fair value of financial derivatives	13,917	(8,688)
Loss on purchase of Debenture Stock	-	2,474
Current tax in respect of:		
REIT conversion charge	98	27,512
Loss on purchase of debenture stock	-	(742)
Deferred tax in respect of:		
Investment property revaluation gains	(5,310)	2,766
Deferred tax released on REIT conversion	-	(171,378)
Profit after tax used for adjusted earnings per share	14,879	11,503
	'000	'000
Weighted average number of shares in issue	135,137	133,808
Weighted average number of shares in issue for calculation of diluted earnings per share	135,908	134,475
(Loss)/earnings per share:	Pence	Pence
Basic	(159.88)	197.90
Diluted	(159.00)	196.92
Adjusted basic	11.00	8.60
Adjusted diluted	10.95	8.55

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.

The adjusted earnings per share is considered to give a better indication of the Group's underlying revenue performance before property disposals and movements in the valuation of investment properties and financial derivatives (2007: including losses on Debenture Stock purchases).

12. Dividends paid

	2008 £'000	2007 £'000
Final dividend paid in respect of:		
Year ended 30 September 2007 at 5.50p per share	7,418	-
Year ended 30 September 2006 at 3.73p per share	-	4,974
Interim dividend paid in respect of:		
Six months ended 31 March 2008 at 5.00p per share	6,752	-
Six months ended 31 March 2007 at 2.16p per share	-	2,896
	14,170	7,870

A final dividend in respect of the year ended 30 September 2008 of 6.00p per Ordinary share amounting to £8.12 million will be proposed by the Board at the 2009 Annual General Meeting. If approved, this dividend will be paid on 20 February 2009 to shareholders on the register at 30 January 2009. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2009.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 325,082 (2007: 247,323) Ordinary shares during the year.

13. Investment properties

	Group	
	2008	2007
	£'000	£'000
At 1 October 2007 – book value	1,388,134	1,249,215
Acquisitions	19,518	32,101
Acquisition on purchase of subsidiary undertaking	4,890	-
Refurbishment and other capital expenditure	16,623	9,846
Disposals	(4,410)	(6,062)
Net (deficit)/surplus on revaluation	(222,540)	103,034
	1,202,215	1,388,134
Add: Head lease liabilities	5,497	5,528
Book value at 30 September 2008	1,207,712	1,393,662
Market value at 30 September 2008:		
Properties valued by DTZ Debenham Tie Leung	1,139,375	1,312,295
Properties valued by Knight Frank LLP	67,950	81,750
	1,207,325	1,394,045
Add: Head lease liabilities	5,497	5,528
Less: Lease incentives recognised to date	(5,110)	(5,911)
Book value at 30 September 2008	1,207,712	1,393,662
Historic cost of properties at valuation	747,621	709,310

Investment properties were subject to external valuation as at 30 September 2008 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 (Sixth Edition).

A summary report by DTZ Debenham Tie Leung 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 55 to 56.

Investment properties include freehold properties valued at £1,067.0 million (2007: £1,227.4 million), leasehold properties with an unexpired term of over 50 years valued at £73.8 million (2007: £88.9 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 £66.5 million (2007: £77.7 million).

Capital Commitments

	Wholly owned Group		Group’s share of Longmartin Joint Venture	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Authorised and contracted	5,690	4,151	4,021	601
Authorised but not contracted	4,541	5,190	17,414	2,000

The Company had no capital commitments at 30 September 2008 (2007: £Nil)

14. Office assets and vehicles

	Short Leasehold Office Premises	Equipment and Vehicles	Total	Total
	£'000	£'000	2008 £'000	2007 £'000
Group and Company				
Cost				
At 1 October 2007	162	800	962	929
Additions	-	108	108	123
Disposals	-	(135)	(135)	(90)
At 30 September 2008	162	773	935	962
Depreciation				
At 1 October 2007	128	447	575	520
Charge for the year	5	130	135	130
Eliminated on disposals	-	(118)	(118)	(75)
At 30 September 2008	133	459	592	575
Net book value at 30 September 2008	29	314	343	387
Net book value at 30 September 2007	34	353	387	

15. Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts due from tenants	7,652	9,554	-	-
Provision for doubtful debts (see below)	(224)	(208)	-	-
	7,428	9,346	-	-
Lease incentives recognised in the Income Statement	5,110	5,911	-	-
Due in respect of property disposals	-	7,835	-	-
Corporation tax recoverable	-	264	-	264
Dividend receivable from joint venture	-	-	-	500
Amounts due from subsidiary undertakings	-	-	453,392	505,136
Other receivables and prepayments	2,028	1,266	369	613
	14,566	24,622	453,761	506,513

Amounts due from tenants at each year end included amounts 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 2008, amounts due from tenants which were more than 90 days overdue, which related to accommodation and services provided up to the year end, totalled £0.7 million (2007: £1.2 million). Provisions against these overdue amounts totalled £0.2 million (2007: £0.2 million)

Movement in provision for doubtful debts:

At 1 October 2007	208	179	-	-
Amounts written off during the year	(546)	(281)	-	-
Charge in the Income Statement	562	310	-	-
At 30 September 2008	224	208	-	-

At 30 September 2008, cash deposits totalling £8.1 million were held against tenants’ rent payment obligations (2007: £8.4 million).

16. Trade and other payables

Rents and service charges invoiced in advance	14,106	*13,823	-	-
Corporation tax and REIT conversion charge payable (note 17)	7,135	10,178	6,847	9,711
Amount due to joint venture undertaking	-	-	13,350	18,800
Trade payables in respect of accrued capital expenditure	2,295	1,502	-	-
Other trade payables and accruals**	6,845	*8,162	2,858	4,788
	30,381	33,666	23,055	33,299

* Service charges invoiced in advance totalling £1.94 million reallocated from other trade payables and accruals.

** Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group’s wholly owned assets

17. Taxation payable

Group and Company

REIT conversion charge outstanding at year end	17,901	27,512
Less: Payable within one year included in trade and other payables (note 16)	(6,847)	(9,611)
	11,054	17,901

The Group has elected to pay the REIT conversion charge in instalments as follows:

Year to 30 September 2008	-	9,611
Year to 30 September 2009	6,847	6,847
Year to 30 September 2010	7,286	7,286
Year to 30 September 2011	3,768	3,768
	17,901	27,512

18. Borrowings

	2008			2007		
	Nominal value £'000	Unamortised premium and issue costs £'000	Book Value £'000	Nominal value £'000	Unamortised premium and issue costs £'000	Book Value £'000
Group						
8.5% First Mortgage Debenture Stock 2024	61,048	3,050	64,098	61,048	3,148	64,196
Secured bank loans	456,432	(1,506)	454,926	426,665	(1,675)	424,990
Debenture and bank borrowings	517,480	1,544	519,024	487,713	1,473	489,186
Finance lease obligations	5,497	-	5,497	5,528	-	5,528
	522,977	1,544	524,521	493,241	1,473	494,714
Company						
8.5% First Mortgage Debenture Stock 2024	61,048	3,050	64,098	61,048	3,148	64,196
Secured bank loans	462,733	(1,506)	461,227	432,587	(1,675)	430,912
Debenture and bank borrowings	523,781	1,544	525,325	493,635	1,473	495,108

The Group's finance lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 172 years held by Longmartin Properties Limited.

Debenture and bank borrowings are secured by fixed charges over certain wholly owned investment properties and by floating charges over the assets of the Company and certain subsidiary companies.

The Company's bank loan agreements allow for part of the facility commitments to be provided by way of overdrafts to the Company and certain subsidiaries, which are available throughout the term of those facilities. At 30 September 2008, Group and Company bank loans included overdrafts of £2,233,000 (2007: £2,087,000) which have been classified according to the maturity dates of the facilities under which they are made available. Similarly, LIBOR loan tranches, all of which have been drawn for periods of less than one year, have been classified according to the maturity date of the facility under which they are drawn.

	2008			2007		
	Book value £'000	Facilities* Committed £'000	Undrawn £'000	Book value £'000	Facilities* Committed £'000	Undrawn £'000
Group						
Repayable after more than 15 years:						
8.5% First Mortgage Debenture Stock 2024	64,098	61,048	-	64,196	61,048	-
Bank facilities:						
Repayable between 10 and 15 years	99,555	100,000	-	99,520	100,000	-
Repayable between 5 and 10 years	355,371	425,000	68,567	325,470	425,000	98,335
	519,024	586,048	68,567	489,186	586,048	98,335
Finance lease obligations - leases expiring in 172 years	5,497	5,496	-	5,528	5,528	-
	524,521	591,544	68,567	494,714	591,576	98,335

* Nominal value

Since the year end, committed bank facilities have been increased from £525 million to £600 million. The additional facilities of £75 million are repayable between 5 and 10 years from the balance sheet date.

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 29.

19. Financial instruments and management of financial risk

Categories of financial instruments (Group)	2008		2007	
	Book value £'000	Income/ (expense) £'000	Book value £'000	Income/ (expense) £'000
Financial assets/liabilities at fair value through the Income Statement				
Interest rate swaps	(14,547)	2,442	(630)	854
Financial assets				
Trade and other receivables (note 15)	7,428	-	9,346	-
Cash and cash equivalents	173	156	336	214
	7,601	156	9,682	214
Financial liabilities				
Trade and other payables (due within one year)	(6,845)	-	(8,162)	-
Interest bearing borrowings (note 18)	(519,024)	(32,858)	(487,713)	(30,908)
Finance leases (note 18)	(5,497)	(258)	(5,528)	(259)
Liabilities at amortised cost	(531,366)	(33,116)	(501,403)	(31,167)
Total financial instruments	(538,312)	(30,518)	(492,351)	30,099

There were no gains or losses in respect of financial instruments recognised in equity during the year (2007: Nil).

Fair values of financial instruments	2008	2007
	£'000	£'000
Interest rate hedges		
At 1 October 2007 – Deficit	(630)	(9,318)
(Increase)/reduction in fair value deficit in year		
(Charged)/credited in the Income Statement	(13,917)	8,688
At 30 September 2008 – Deficit	(14,547)	(630)

Changes in the fair value of the Group’s interest rate swaps, which are not held for speculative purposes, are reflected in the Income Statement as none of the Group’s hedging arrangements qualify for hedge accounting under the provisions of IAS 39 (Financial Instruments: Recognition and Measurement”). They have been valued by J. C. Rathbone Associates Limited by reference to the mid point of the yield curve at the balance sheet date.

Fair value deficit not recognised in the reported results for the year:	2008	2007
	£'000	£'000
8.5% Mortgage Debenture Stock 2024		
At 30 September 2008	(11,272)	(14,464)

The fair value of the outstanding Debenture Stock has been calculated by J.C. Rathbone Associates Limited at 142 basis points (2007: 93 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 any further amounts of the £61.048 million (nominal) of Stock remaining in issue in advance of its redemption date of 31 March 2024, when repayment of the stock in issue will be at par value.

The fair values of the Group’s cash and cash equivalents, trade and other receivables, interest bearing borrowings and trade and other payables are not materially different from the values at which they are carried in the financial statements.

Management of financial risk

Credit risk

Credit risk refers to the risk that a counterparty will default on its 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 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 to ensure it has sufficient bank facilities available to meet its commitments and 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 28 to 29. The availability and maturity of the Group’s borrowings is set out in note 18. The Group’s bankers are listed on page 37.

19. Financial instruments continued

Market risk

Interest rate 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. The Group’s policy is to minimise interest rate risk through long term, fixed rate debt and the use of long term interest rate swaps to effectively fix the interest rate on a large portion of its floating rate bank debt. As described in the Business Review on pages 28 to 29 the Board keeps under review the Group’s interest rate risk in light of market expectations of future interest rate movements.

At the year end, in addition to its fixed rate debenture debt, the Group had in place fixed rate hedging in respect of £360 million of floating rate bank debt, at a weighted average fixed rate of 5.06% excluding margin. These swaps, which are settled against three month LIBOR, expire between December 2027 and March 2029.

Interest rate profile of interest bearing borrowings	2008		2007	
	Debt £'000	Weighted Average Interest Rate %	Debt £'000	Weighted Average Interest Rate %
Floating rate borrowings				
LIBOR-linked loans – interest rates fixed until October 2008 at latest (including margin)	96,432	6.23	134,745	6.66
Hedged borrowings				
Interest rate swaps in operation at year end (including margin)	360,000	5.74	290,250	6.17
Fixed rate borrowing				
8.5% First Mortgage Debenture Stock (interest rate fixed for 15.5 years until 31 March 2024) - book value	64,098	7.93	64,196	7.93
Weighted average cost of borrowings		6.10		6.54*

*As at the year end, ignoring contracted interest rate hedges which commenced after that date.

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% £'000	Reduction of 0.5% £'000
(Increase)/decrease in interest payable before fair valuation of interest rate swaps	[482]	482
Change in fair value of interest rate swaps	22,585	(22,585)
Increase/(decrease) in results and shareholders’ equity	22,103	(22,103)

This sensitivity analysis does not take into account of the impact that long term interest rate movements could have on the valuation of the Group’s investment properties, which would be reflected in the Income Statement.

20. Deferred tax liabilities

	Valuation of investment properties £'000
Group	
At 1 October 2007	5,310
Recognised in Income Statement	(5,310)
At 30 September 2008	-

21. Called Up Share Capital

	2008 Number '000	2007 Number '000	2008 £'000	2007 £'000
Ordinary Shares of 25p each Authorised	200,000	200,000	50,000	50,000
Issued, called up and fully paid At 1 October 2007	134,316	132,768	33,579	33,192
Issued in connection with the acquisition of Carnaby Investments Limited (see note 26)	889	-	222	-
Issued in connection with the exercise of share options	158	1,548	40	387
At 30 September 2008	135,363	134,316	33,841	33,579

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 2008:

Date of Grant	Ordinary Shares of 25p each		Option Exercise Price	Exercise Period
	Vested	Not yet vested		
2001 Discretionary Share Option Schemes				
21 February 2001	147,158	-	£2.945	2004-2011
13 December 2001	304,555	-	£2.735	2004-2011
18 December 2002	383,355	-	£2.00	2005-2012
18 December 2003	408,203	-	£2.31	2006-2013
15 December 2004	540,120	-	£3.40	2007-2014
2001 Sharesave Scheme				
3 July 2006	38,372	-	£3.97	2009-2012
30 June 2008	15,032	-	£3.74	2011-2013
2007 Long Term Incentive Plan				
15 February 2006	-	260,550*	Nil Cost	2009
20 December 2006	-	190,600	Nil Cost	2009
18 December 2007	-	284,310	Nil Cost	2010
Number of shares under option at 30 September 2008	1,836,795	735,460		

The rules of the Schemes referred, which apply on the same basis to options granted to Directors and other employees, are described on pages 46 to 49 of the Directors' Remuneration Report.

*Options over 130,275 Ordinary Shares will vest in February 2009, following satisfaction of performance targets in respect of the three years ended 30 September 2008. The remainder of the options will lapse.

22. Reserves

Group	Share premium £'000	Share based payments £'000	Retained earnings £'000	Total £'000
At 1 October 2006	120,734	3,154	449,801	573,689
Premium on shares issued	3,306	-	-	3,306
Fair value of share based payments	-	1,036	-	1,036
Deferred tax in respect of share based remuneration released on REIT conversion	-	(1,762)	-	(1,762)
Profit for the year	-	-	264,808	264,808
Dividends paid during the year	-	-	(7,870)	(7,870)
At 30 September 2007	124,040	2,428	706,739	833,207
Premium on shares issued	5,130	-	-	5,130
Fair value of share based payments	-	371	-	371
Loss for the year	-	-	(216,088)	(216,088)
Dividends paid during the year	-	-	(14,170)	(14,170)
At 30 September 2008	129,170	2,799	476,481	608,450
Company				
At 1 October 2006	120,734	3,154	302,303	426,191
Premium on shares issued	3,306	-	-	3,306
Fair value of share based payments	-	1,036	-	1,036
Deferred tax adjusted in equity	-	(1,762)	-	(1,762)
Profit for the year	-	-	12,931	12,931
Dividends paid during the year	-	-	(7,870)	(7,870)
At 30 September 2007	124,040	2,428	307,364	433,832
Premium on shares issued	5,130	-	-	5,130
Fair value of share based payments	-	371	-	371
Loss for the year	-	-	(16,341)	(16,341)
Dividends paid during the year	-	-	(14,170)	(14,170)
At 30 September 2008	129,170	2,799	276,853	408,822

The Company’s retained earnings at 30 September 2008 include amounts distributable of £31.3 million (2007: £47.6 million). As permitted by Section 230 of the Companies Act 2006, no Income Statement has been presented for the Company.

23. Net assets per share

	2008 £'000	2007 £'000
Net assets used for calculation of basic net assets per share	642,291	866,786
Adjusted for:		
Cumulative fair value adjustment in respect of financial derivatives	14,547	630
Cumulative deferred tax provided in respect of investment property revaluation gains	-	5,310
Adjusted net assets	656,838	872,726
Additional equity if all outstanding share options exercised	4,479	3,159
Net assets used for adjusted diluted net asset calculations	661,317	875,885
Ordinary shares in issue '000	135,363	134,316
Diluted Ordinary shares '000	137,219	135,619
Net assets per share:		
Basic	£4.75	£6.45
Diluted	£4.71	£6.41
Adjusted basic	£4.85	£6.50
Adjusted diluted	£4.82	£6.46

The calculations of diluted net asset value per share show the potentially dilutive effect of vested 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.

24. Cash generated from operations

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating activities				
Operating (loss)/profit	(176,466)	148,061	(3,732)	(5,452)
Adjustment for non-cash items:				
Lease incentives written back/(recognised)	801	(278)	-	-
Share option expense	371	1,036	371	1,036
Depreciation and losses on disposals	138	138	138	138
Profit on sale of investment properties	(278)	(2,215)	-	-
Investment property valuation movements	222,540	(103,034)	-	-
Cash flows from operations before changes in working capital	47,106	43,708	(3,223)	(4,278)
Change in trade and other receivables	1,209	(2,279)	244	(320)
Change in trade and other payables	(764)	1,603	(1,178)	(604)
Cash flows from operating activities	47,551	43,032	(4,157)	(5,202)

25. Movement in borrowings

Group	1.10.2007 £'000	Cash Flows £'000	Non-cash Items £'000	30.9.2008 £'000
8.5% First Mortgage Debenture Stock 2024	(64,196)	-	98	(64,098)
Secured bank loans	(424,990)	(29,767)	(169)	(454,926)
Finance lease obligations	(5,528)	-	31	(5,497)
	(494,714)	(29,767)	(40)	(524,521)
Year ended 30 September 2007	(468,341)	(23,837)	(2,536)	(494,714)
Company				
8.5% First Mortgage Debenture Stock 2024	(64,196)	-	98	(64,098)
Secured bank loans	(430,912)	(30,146)	(169)	(461,227)
	(495,108)	(30,146)	(71)	(525,325)
Year ended 30 September 2007	(469,857)	(22,682)	(2,569)	(495,108)

26. Investment in Subsidiary Undertakings

	2008 £'000	2007 £'000
Shares at cost		
At 1 October 2007	428,491	278,441
Shares acquired during the year	55,089	150,050
At 30 September 2008	483,580	428,491

In November 2008 the Company acquired the entire issued share capital of Carnaby Investments Limited for a total consideration of £4.89 million, settled by the issue of 889,422 Ordinary 25p shares at £5.50. The sole property asset of that company was a freehold property in Carnaby Street, London W1, which was valued at £4.89 million. Subsequently the property was transferred to a fellow subsidiary undertaking and the company became dormant.

At 30 September 2008 the Group’s operating subsidiary companies, all of which are wholly-owned and engaged in property investment, were:

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

All of the Company’s subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. A complete list of subsidiaries, all of which are consolidated, will be annexed to the next Annual Return delivered to the Registrar of Companies.

27. Investment in Joint Venture

	2008 £'000	2007 £'000
Shares at cost	78,958	78,958

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.

The Group’s share of the results of Longmartin Properties Limited for the year ended 30 September 2008, and its assets and liabilities at that date, which have been consolidated in the Group’s Income Statement and Balance Sheet, are as follows:

	2008 £'000	2007 £'000
Income Statement		
Rents receivable	1,719	2,841
Lease incentives recognised	50	-
Recoverable property expenses	107	176
Revenue from properties	1,876	3,017
Property outgoings	(487)	*(361)
Recoverable property expenses	(107)	(176)
Property charges	(594)	(537)
Net property income	1,282	2,480
Administration expenses	(411)	(382)
Operating profit before investment property disposals and revaluation	871	2,098
Investment property revaluation movements	(18,986)	9,217
Operating (loss)/profit	(18,115)	11,315
Interest receivable	881	1,078
Interest payable	(262)	*(258)
Total finance income	619	820
(Loss)/profit before tax	(17,496)	12,135
Current tax	434	(875)
Deferred tax	(4,963)	(2,766)
Tax credit/(charge) for the year	4,529	(3,641)
(Loss)/profit for the year	(12,967)	8,494
Dividends paid	(1,402)	(2,050)
(Loss)/profit retained for the year	(14,369)	6,444

*2007 comparative restated to reallocate head lease rents of £259,000 to interest payable.

Balance Sheet

Non-current assets

Investment properties at market value	67,950	81,750
Lease incentives recognised	(50)	-
Head lease liability grossed up	5,496	5,529
	73,396	87,279

Current assets

Trade and other receivables	551	715
Amounts due from shareholders	13,350	18,800
Cash and cash equivalents	171	335

Total assets

	87,468	107,129
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Current liabilities

Trade and other payables	2,093	2,389
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Non-current liabilities

Deferred tax	347	5,310
Head lease liability	5,496	5,529

Total liabilities

	7,936	13,228
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Net assets attributable to the Shaftesbury Group

	79,532	93,901
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28. Commitments under operating leases

Annual commitments in respect of non-cancellable operating leases were as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Lease expiring within one year	12	-	12	-
Leases expiring between two and five years	-	12	-	12
Leases expiring after more than five years	468	468	210	210

29. Related party transactions decimals

During the year, the Company received from its wholly owned operating subsidiaries administration fees totalling £4.2 million (2007: £5.3 million) and interest in respect of inter-company debt totalling £28.5 million (2007: £31.8 million). In 2007 dividends totalling £10.7 million were also received. The Company provides funding to its wholly owned operating subsidiaries as required. Surplus cash held by the operating subsidiaries is loaned to the Company. The net amount owing to the Company by subsidiary undertakings at the year end totalled £453.4 million (2007: £505.1 million).

During the year the Company received from Longmartin Properties Limited, a 50% owned joint venture, administration fees totalling £0.7 million (2007: £0.7 million) and paid interest in respect of a loan from that company totalling £0.8 million (2007: £1.1 million). The amount owing by the Company to Longmartin Properties Limited at the year end totalled £13.3 million (2007: £18.8 million).

30. Share based remuneration

The charge for share based remuneration been calculated by Lane Clark & Peacock LLP, Actuaries and Consultants, using the following principal assumptions:

	2001 Discretionary Share Option Schemes	2001 SAYE Scheme	2006 Long Term Incentive Plan
Range of share prices at grant date	£2.00 - £3.47	£1.59 - £5.24	£4.80 - £7.48
Range of exercise prices	£2.00 - £3.40	£1.305 - £3.97	Nil Cost Options
Expected share return volatility per annum	23% - 26%	25% - 29%	25%-28%
Expected life	3.5 - 6.5 years (depending on vesting period and assumed exercise pattern)	3 - 7 years (depending on savings period)	3 years
Risk free interest rate per annum	4.4% - 4.7%	3.9% - 5.2%	4.3% - 5.1%
Expected dividend yield per annum	1.2% - 1.9%	1.0% - 2.9%	0.8% - 2.3%
Assumed pattern of exercise (once vested) - Directors	Exercise at earlier of expiry and time at which market price is 200% of exercise price	Exercise at earlier of expiry and time at which market price is 120% of exercise price	-
Assumed pattern of exercise (once vested) - Other staff	Exercise at earlier of expiry and time at which market price is 120% of exercise price	Exercise at earlier of expiry and time at which market price is 120% of exercise price	-
Employee turnover before vesting per annum: Accounting periods or grant prior to 31.3.2008	5%	5%	5%
Accounting periods or grant after 31.3.2008	0%	0%	0%
Employee turnover after vesting per annum	5%	Not material	N/a
Return volatility of FTSE 350 Real Estate Index per annum	-	-	15%-20%
Assumed statistical correlation between the total return on the Company's shares and those in the FTSE 350 Real Estate Index	-	-	0.5 - 0.74
Basis of option pricing: No performance condition	-	Modified binomial model	-
Net asset value comparator	Modified binomial model	-	Modified binomial model
Total Shareholder Return comparator	-	-	Monte Carlo simulation
Range of Fair Values (pence per share):			
Directors	59.2 - 119.2	215.9	-
Other staff	45.7 - 91.9	43.8 - 215.9	-
2006 LTIP:			
NAV comparator	-	-	448 - 731
TSR comparator	-	-	289 - 442

The vesting conditions relating options granted under the 2001 Discretionary Share Option Schemes and the 2006 Long Term Incentive Plan are described in the Directors' Remuneration Report on pages 45 to 50.

Five year financial summary

Net Assets	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Investment properties					
At 1 October	1,388,134	1,249,215	987,516	820,431	723,808
Acquisitions	24,164	32,101	107,667	37,571	16,361
Refurbishment expenditure	16,867	9,846	8,856	10,580	9,728
Disposals	(4,410)	(6,062)	(45,757)	(11,070)	(771)
Net revaluation (deficit)/surplus	(222,540)	103,034	190,933	130,004	71,305
	1,202,215	1,388,134	1,249,215	987,516	820,431
Head lease liabilities	5,497	5,528	5,561	-	-
	1,207,712	1,393,662	1,254,776	987,516	820,431
At 30 September – book value					
Deferred tax assets	-	-	6,244	4,849	-
Other assets	343	387	409	364	296
	1,208,055	1,394,049	1,261,429	992,729	820,727
Net current (liabilities)/assets	(15,642)	(8,708)	2,881	5,320	(4,782)
	1,192,413	1,385,341	1,264,310	998,049	815,945
Taxation payable	(11,054)	(17,901)	-	-	-
Borrowings	(524,521)	(494,714)	(468,341)	(384,432)	(344,431)
Financial derivatives	(14,547)	(630)	(9,318)	(11,758)	(7,724)
Deferred taxation	-	(5,310)	(179,770)	(128,698)	(84,311)
Reported Net Assets	642,291	866,786	606,881	473,161	379,479
Add:					
Fair value deficit in respect of financial derivatives	14,547	630	9,318	11,758	7,724
Deferred tax provisions in respect of property revaluations and financial derivatives	-	5,310	172,505	118,723	80,083
Adjusted Net Assets	656,838	872,726	788,704	603,642	467,286
Reported Diluted Net Asset Value per Ordinary Share	£4.71	£6.41	£4.54	£3.57	£2.87
Adjusted Diluted Net Asset Value per Ordinary share	£4.82	£6.46	£5.90	£4.55	£3.53
Mid market share price at 30 September	£4.22	£4.95	£6.00	£3.80	£2.76

Income Statements

	IFRS 2008 £'000	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	UK GAAP 2004 £'000
Rents invoiced	58,616	55,348	51,535	48,688	42,067
Recognition of lease incentives	(801)	278	696	173	2,361
Recoverable property expenses	7,544	6,797	6,561	3,938	4,279
Revenue from properties	65,359	62,423	58,792	52,799	48,707
Property outgoings	(14,021)	(12,843)	(11,809)	(9,398)	(8,529)
Net property income	51,338	49,580	46,983	43,401	40,178
Administrative expenses	(5,542)	(6,768)	(7,421)	(5,804)	(4,375)
Operating profit	45,796	42,812	39,562	37,597	35,803
Surplus on disposal of properties	278	2,215	748	4,220	616
Property revaluation movements	(222,540)	103,034	190,933	130,004	-
	(176,466)	148,061	231,243	171,821	36,419
Net interest payable	(30,518)	(30,099)	(26,072)	(23,644)	(21,095)
Change in fair value of financial derivatives	(13,917)	8,688	2,440	(4,171)	-
Loss on purchase of debenture stock	-	(2,474)	(20,009)	(3,655)	-
(Loss)/profit before tax	(220,901)	124,176	187,602	140,351	15,324
Taxation credit/(charge)	4,813	140,632	(50,100)	(41,574)	(4,520)
Reported (loss)/profit after taxation	(216,088)	264,808	137,502	98,777	10,804
Adjust for:					
Exceptional administration costs	-	-	-	297	-
Property disposal surpluses	(278)	(2,215)	(748)	(4,220)	(616)
Property revaluation surpluses	222,540	(103,034)	(190,933)	(130,004)	-
Change in fair value of financial derivatives	13,917	(8,688)	(2,440)	4,171	-
Loss on purchase of debenture stock	-	2,474	20,009	3,655	-
Taxation movements relating to the above	(5,310)	2,024	46,170	37,454	-
Effect of REIT conversion	98	(143,866)	-	-	-
Adjusted Profit after taxation	14,879	11,503	9,560	10,130	10,188
Reported diluted (loss)/earnings after tax per Ordinary Share	(159.00)p	196.92p	103.32p	74.62p	8.18p
Adjusted diluted earnings after tax per Ordinary Share	10.95p	8.55p	7.18p	7.65p	7.71p
Total Dividends per Ordinary Share declared in respect of the financial year	11.00p	7.66p	5.65p	5.00p	4.413p

Shareholders and corporate information

Analysis of Shareholders

at 30 September 2008

	Number of accounts	Shares held '000	%
Shareholder type:			
Banks	6	431	0.3
Nominees	467	126,432	93.4
Limited and public limited companies	39	536	0.4
Other organisations	28	2,928	2.2
Individuals	244	5,036	3.7
		135,363	100.0
Number of shares:			
1 – 100,000	648	6,900	5.1
100,001 – 500,000	89	21,525	15.9
500,001 – 1,000,000	22	16,447	12.1
Over 1,000,001	25	90,491	66.9
		135,363	100.0

Corporate timetable

Financial Calendar

Annual Results announced	3 December 2008
Annual Report posted to shareholders	19 December 2008
Annual General Meeting	11 February 2009
Interim Management Statement (first half)	11 February 2009
2009 Half Year Results to be announced	May 2009
Interim Management Statement (second half)	August 2009

Dividends and Debenture Interest

Proposed 2008 Final Dividend:	
Ex-Dividend	28 January 2009
Record date	30 January 2009
Payment date	20 February 2009
2009 Interim Dividend to be paid	July 2009
Debenture Stock interest to be paid	31 March 2009 and 30 September 2009

Shareholder information

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 2008 final dividend is 30 January 2009.

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.



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