

Shaftesbury PLC

Dear Shareholder

7th December 2005

PROPOSED NEW LONG TERM INCENTIVE PLAN

The Remuneration Committee of Shaftesbury PLC has recently reviewed its long term incentive provision for executive Directors and other employees.

The key conclusion of this review is that the Company's 2001 Discretionary Share Option Scheme should be replaced by a Long Term Incentive Plan (the "Plan"). The Plan will facilitate the introduction of a new policy for long term incentives, which will fulfil the following objectives:

- Simple, transparent and modern arrangements.
- Improve the link between reward, performance and creation of shareholder value.
- Align interests of executives and investors.
- Greater efficiency from a cost and share usage perspective.

The Plan involves the conditional award of shares. The shares will vest on the third anniversary of grant subject to meeting performance criteria agreed by the Board. The key features of the Plan are as follows:

- The face value of awards of free shares to any one individual will be limited to 150% of salary per annum in normal circumstances, although the maximum value of initial grants will be capped at 100% of salary. The maximum percentage of salary will vary according to the employee's position in the Company and in particular to the extent to which each employee is capable of influencing corporate performance. The current intention is that the first award will be granted in February 2006 subject to shareholder approval at the 2006 Annual General Meeting with vesting determined by reference to the three year performance period commencing 1st October 2005. Thereafter, subsequent annual grants will revert to a December grant timetable (following the announcement of preliminary results).

- For initial awards there will be a mix of total shareholder return ("TSR") and net asset value ("NAV") performance conditions, each applying to half of an award. Initial awards will require average annual NAV growth of between RPI plus 3% to RPI plus 7% per annum over three financial years commencing 1 October 2005 for between 30% and 100% of this part of the award to vest (i.e. between 15% and 50% of the total award). The range of NAV targets are considered by the Committee to be appropriately challenging reflecting an historically high base measurement point for the NAV condition and the outlook for the business over the next 2 to 3 years.

The TSR performance condition will measure the Company's TSR against the FTSE 350 Real Estate Index. This is a broader benchmark than the current comparator group used for the Company's 2001 Discretionary Share Option Scheme. This Index currently comprises 22 companies and, despite continued consolidation in the property sector, should provide a durable benchmark for measuring performance. The maximum threshold of 5.5% per annum out performance for full vesting has been arrived at following detailed back-testing which has shown that this has been broadly equivalent to the average annual performance of the upper quartile companies against the Index over rolling three year periods between 1998 and 2005.

Shareholding guidelines have been introduced for executive Directors requiring accumulation of a shareholding worth no less than 100% of base salary. While all current executive Directors have shareholdings which exceed this level, the policy will apply to all future executive Board appointments.

A summary of the principal terms of the Plan are contained in the Appendix to this letter.

Recommendation

The Board considers that the proposal described in this document is in the best interests of the Company and its shareholders and recommends that you vote in favour of resolution 13 at the 2006 Annual General Meeting approving the Shaftesbury Long Term Incentive Plan as the Directors intend to do so in respect of their own beneficial holdings.

Yours faithfully

John Manser

Chairman CBE, DL, FCA

APPENDIX

SUMMARY OF THE PRINCIPAL TERMS OF THE SHAFTESBURY LONG-TERM INCENTIVE PLAN (THE "PLAN")

General

The Remuneration Committee of the board of Directors of the Company (the "Committee") will supervise the operation of the Plan.

Eligibility

Any employee (including an executive Director) of the Company and any of its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee, unless he is within twelve months of his anticipated retirement date (unless this provision would be unlawful).

Grant of Awards

The Committee may grant an award in one of three forms: (i) conditional allocations, where a participant will receive free ordinary shares in the Company ("Shares") automatically on the vesting of his award; (ii) nil (or nominal) cost options, where a participant can decide when to exercise his award during a period of 6 months after it has vested; or (iii) forfeitable Shares, where a participant will receive complete ownership of free Shares automatically on the vesting of his award but, unlike conditional awards, he will have certain shareholder benefits prior to the vesting of his award. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash (either in whole or part), although it does not currently intend to do so.

The Committee may grant awards within six weeks of the approval of the Plan by shareholders and within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards when there are exceptional circumstances which the Committee considers justifies the granting of awards

No awards may be granted more than 10 years after the approval of the Plan by shareholders.

Awards are not transferable, except on death. Awards are not pensionable.

Individual Limit

An individual may not receive awards in any financial year over Shares having a market value in excess of 150 per cent. of his or her annual salary in that financial year, although it is intended that the maximum level of initial awards will be capped at 100 per cent. of salary. In exceptional circumstances, such as a senior executive recruitment, an award of up to 200 per cent. of salary may be made.

Overall Plan Limits

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten year period the Company may not issue (or have the possibility to issue) more than:

- 10 per cent. of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company; and
- 5 per cent. of the issued ordinary share capital of the Company under the Plan and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits but they will cease to count towards these limits if institutional investor bodies decide that they need not count.

Vesting of Awards

Awards will normally vest following the third anniversary of grant once the Committee has determined the extent to which the applicable performance conditions (see below) have been satisfied and provided the participant is still employed in a company within the Shaftesbury Group.

Leaving Employment

As a general rule, an award will lapse upon a participant leaving the employment of the Shaftesbury Group. However, if a participant leaves employment because of his death, disability, injury, retirement at his normal retirement age or early retirement with the agreement of his employing company, his office or employment being with a company or business which ceases to be a member of the Shaftesbury Group or in other exceptional circumstances at the discretion of the Committee (including redundancy), then his award will vest on the normal vesting date (i.e. the third anniversary of the date of grant) to the extent determined by the performance conditions (measured over the full performance period). Exceptionally, the Committee may in its discretion permit awards to vest in such circumstances at the time of cessation of employment to the extent to which the performance conditions have, in the opinion of the Committee, been satisfied up to the date of leaving. In either case the award will then be pro-rated to reflect the period of time between its grant and the time of leaving employment, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

Corporate Events

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early to the extent that the performance conditions have, in the opinion of the Committee, been satisfied at that time. The awards will then be pro-rated to reflect the reduced period of time between the grant of the awards and the time of vesting, although the Committee can decide not to pro-rate awards if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

Performance Conditions

All awards will be subject to performance conditions set by the Committee each year.

For initial awards expected to be granted in February 2006, there will be two separate performance conditions, each applying to half of an award.

- 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 commencing 1st October 2005 for between 30% and 100% of this part of the award to vest (i.e. between 15% and 50% of the total award).
- Similarly, 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 commencing 1st October 2005 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.

For future awards, different performance conditions may be set by the Committee, but prior shareholder approval would be sought if new conditions for awards to Directors are (in the opinion of the Committee) less difficult to satisfy or are materially different.

The Committee will ensure that a consistent approach is taken to measuring NAV as the Company moves to financial reporting under International Financial Reporting Standards.

The Committee may also vary the performance conditions applying to existing awards to take account of events that the Committee considers to be exceptional, including technical events such as changes in accounting standards and treatment, provided the Committee considers the varied condition is fair and reasonable and not materially less challenging than the original condition would have been but for the event in question.

Participants' Rights

Conditional allocations and options will not confer any shareholder rights until the awards have vested and the participants have received their Shares. Holders of awards of forfeitable Shares will have shareholder rights except where they will be required to waive their rights to receive dividends.

Participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest.

Rights Attaching to Shares

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of Capital

In the event of any variation of share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or to the exercise price payable (if any).

Alterations to the Plan

The Committee may, at any time, amend the provisions of the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

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