

Shaftesbury PLC Interim Report 2002

Financial Highlights

| | | Six months ended | | Year ended |
|---|-------|------------------|------------|------------|
| | | 31.3.2002 | 31.3.2001* | 30.9.2001* |
| Net property revenue | £'000 | 16,739 | 14,833 | 30,634 |
| Profit before disposals | £'000 | 5,549 | 5,384 | 11,195 |
| Profit after taxation | £'000 | 3,868 | 3,767 | 9,232 |
| Basic earnings per share before disposals | pence | 4.22 | 4.09 | 8.51 |
| Basic earnings per share after taxation | pence | 2.94 | 2.86 | 7.02 |
| Interim dividend per share | pence | 1.25 | 1.15 | 1.15 |
| Final dividend per share | pence | - | - | 2.10 |
| Gross property assets | £'000 | 682,552** | 586,088** | 647,250 |
| Shareholders' funds | £'000 | 375,811** | 353,626** | 373,511 |
| Basic net asset value per share | pence | 285** | 269** | 284 |

*As restated – see Note 1

**Based on external valuation of investment assets the previous year end and subsequent additions and expenditure at cost.

2002 Financial Calendar

Results

| | |
|--|---------------|
| Interim results announced | 23rd May 2002 |
| Interim report posted to shareholders and debenture stockholders | 31st May 2002 |
| 2002 Annual results announced | December 2002 |

Dividends and interest

Declared interim dividend:

| | |
|-------------------------------|---------------------|
| Ex-dividend | 5th June 2002 |
| Record date | 7th June 2002 |
| Payment date | 28th June 2002 |
| Debenture stock interest paid | 30th September 2002 |

Chairman's Statement

The period since my last report has been one of considerable economic uncertainty. Despite this difficult environment, I am pleased to report good progress for Shaftesbury and healthy demand for

shops and restaurants in our West End villages.

Profit on ordinary activities before disposals and taxation amounted to £5.55 million, compared with £5.38 million for the same period last year. Property disposals, which realised net proceeds of £5.26 million, produced a small surplus over book values.

After provision for taxation of £1.69 million (2001 – £1.62 million), our profit after tax amounted to £3.87 million (2001 – £3.77 million). Your Directors have declared an interim dividend of 1.25p per share (2001 – 1.15p), an increase of 8.7%. The dividend will be paid on 28th June 2002 to shareholders on the register at 7th June 2002.

As anticipated, our refurbishment schemes in Carnaby and Covent Garden have continued to restrain the growth of our net income in the current year. However, I am pleased to report that in the period since October 2001 we have completed leases and agreements for pre-letting across our three villages which will produce rental income of approximately £3.5 million in a full year. We now expect an acceleration in our net revenue as schemes are completed and we secure further lettings. We estimate that the rental value of projects in hand but not yet let and properties available for letting is in excess of £4 million per annum.

In the period to 31st March 2002 our property acquisitions totalled £33.15 million, of which £32.5 million comprised freeholds in Upper St Martins Lane and adjoining streets referred to in our 2001 Annual Report. Since 31st March 2002 we have acquired the freeholds of two restaurants, a club and a shop, also in Covent Garden, at a cost of £9.3 million. We continue to investigate a number of interesting opportunities within our core West End locations.

Carnaby

Carnaby now represents 42% of our property assets. Since October 2001 we have contracted lettings in our refurbishment projects of £2 million per annum.

The reconstruction of Kingly Court to create an entirely new street with conversion of an office courtyard to shopping and leisure uses is now at its most intense. Since December 2001 we have further extended the first phase of five shops to include two more units. In addition we obtained planning consent in March 2002 for change of use of units fronting Ganton Street through to Kingly Court to accommodate our largest new restaurant of 6,000 sq.ft., over two floors. Four of the seven shops in this enlarged first phase have now been completed and let. We expect the remaining three shops, restaurant and clubs to be let on completion of works by September, up to four months later than originally anticipated. The final part of the scheme, which includes eighteen smaller shops on three levels in Kingly Court, 35,000 sq.ft. of offices and the opening of access from Carnaby Street into Kingly Court and on to Regent Street, is due for completion as anticipated in early 2003.

Planning consent has now been granted to extend the shops on the south east side of Carnaby Street, immediately opposite the new entrance to Kingly Court. Vacant possession is being sought with a view to starting works in early 2003, as Kingly Court reaches completion.

Covent Garden

Following the purchase of £42 million of new investments since October, Covent Garden is now our second largest village, representing 28% of our property assets.

Since last October, we have let all of our completed projects, securing rental income of £1.1 million per annum. Construction of new shopping in Earlham Street is well advanced and in July 2002 we expect to begin a scheme in Shorts Gardens, converting offices to 7,000 sq.ft. of shops. This project will take approximately six months to complete.

We continue to explore the potential of the group of freeholds covering two thirds of an acre sited between Upper St Martins Lane and Long Acre acquired in November 2001.

Chinatown

Chinatown now represents 26% of our property assets. 58 restaurants and 44 shops provide almost 80% of our income in this village and we continue to experience strong occupier demand. Following the reletting of a restaurant in Gerrard Street last autumn, in March we negotiated possession of another restaurant fronting Shaftesbury Avenue. This has been pre-let prior to extension and refurbishment at a rent above our expectations.

We have identified further opportunities to unlock additional value from within our estate, and we expect to secure possession to commence works later next year.

Our initiatives to improve the environment in Chinatown and to enhance the day to day public services have been well received both by the business community and the local authority. These bodies are eager to harness our new ideas and to support further improvements to the local environment.

Finance

As previously reported, the Company's medium term bank facilities were increased at the end of 2001 to £150 million. Taking into account acquisitions since 31st March 2002, £109 million of these facilities have been drawn to date.

During the period, the Company has taken advantage of favourable market conditions to restructure existing interest rate hedging arrangements and enter into further forward start hedges. The effect of these transactions is to provide the Company by the end of 2002 with an average fixed rate of 5.22% (excluding margin) on long and medium term borrowings of £120 million for an average of 10 years, extendable for a similar period at the banks' option.

FRS 19 – Deferred Taxation

The Company has adopted Financial Reporting Standard 19 "Deferred Taxation" in the current accounting period. This accounting standard requires us to provide in full for deferred tax arising from the differing treatment of certain expenditure for accounting and taxation purposes. Full provision is required even where the Directors consider the likelihood of crystallisation of an actual liability is remote. As a result, the Company's net assets at 31st March 2002 have been reduced by £2.52 million, equivalent to 2p per share, to take account of the theoretical deferred tax liability. Further details are set out in note 1 to the Interim Results.

Prospects

Despite the uncertain conditions which have prevailed since last autumn, visitor numbers and consumer spending in the West End have remained robust. We are seeing renewed confidence in both the retail and leisure sectors where we specialise, and we continue to experience rental growth from these uses. We expect the demand for offices to remain subdued for the rest of 2002, and are continuing to reduce our exposure to this sector. With successful lettings in our Carnaby and Covent Garden projects now evident, and completion of Kingly Court in sight, our property revenue will increase significantly in the next financial year.

Peter L Levy
Chairman

23rd May 2002

Unaudited Group Profit and Loss Account

For the six months ended 31st March 2002

| | Note | Six months ended 31.3.2002 | 31.3.2001 (as restated)* | Year ended 30.9.2001 (as restated)* |
|--|------|--------------------------------------|-----------------------------|---|
| | | £'000 | £'000 | £'000 |
| Gross rental income | | 18,997 | 16,287 | 33,726 |
| Rents payable | | (16) | (57) | (72) |
| Other property charges | | (2,242) | (1,397) | (3,020) |
| Net Property Revenue | | 16,739 | 14,833 | 30,634 |
| Administrative expenses | | (1,636) | (1,504) | (3,130) |
| | | 15,103 | 13,329 | 27,504 |
| Income receivable from listed investment | | - | 118 | 334 |
| Operating Profit | | 15,103 | 13,447 | 27,838 |
| Surplus on disposal of investment assets | 3 | 9 | - | 1,465 |
| Profit Before Interest and Taxation | | 15,112 | 13,447 | 29,303 |

| | | | | |
|--|----|----------------|---------|----------|
| Net interest payable | | (9,554) | (8,063) | (16,643) |
| Profit on Ordinary Activities Before Taxation | | 5,558 | 5,384 | 12,660 |
| Taxation | 4 | (1,690) | (1,617) | (3,428) |
| Profit on Ordinary Activities After Taxation | | 3,868 | 3,767 | 9,232 |
| Dividends | 5 | (1,642) | (1,512) | (4,272) |
| Retained Profit for the Period | 12 | 2,226 | 2,255 | 4,960 |
| Earnings Per Ordinary Share | 6 | | | |
| Before property disposals and taxation | | 4.22p | 4.09p | 8.51p |
| - basic | | 4.20p | 4.08p | 8.48p |
| - diluted | | | | |
| After disposals before taxation | | 4.22p | 4.09p | 9.62p |
| - basic | | 4.21p | 4.08p | 9.60p |
| - diluted | | | | |
| After disposals and taxation | | 2.94p | 2.86p | 7.02p |
| - basic | | 2.93p | 2.85p | 7.00p |
| - diluted | | | | |

*As restated – See Note 1

All operations relate to continuing activities.

Abridged Unaudited Group Balance Sheet

As at 31st March 2002

| | Note | 31.3.2002 | 31.3.2001 | 30.9.2001 |
|---|------|------------------|-------------------------|-------------------------|
| | | £'000 | (as restated)* £'000 | (as restated)* £'000 |
| Fixed Assets | | | | |
| Tangible assets | | | | |
| Freehold investment properties | 7 | 682,552 | 586,088 | 647,250 |
| Premises, equipment and vehicles | | 313 | 262 | 256 |
| Investment | | | | |
| Listed investment | | - | 13,500 | - |
| | | 682,865 | 599,850 | 647,506 |
| Current Assets | | | | |
| Debtors | 8 | 10,218 | 7,966 | 9,525 |
| Cash at bank | | - | - | - |
| | | 10,218 | 7,966 | 9,525 |
| Creditors falling due within one year: | | | | |
| Due in respect of property acquisitions | | (547) | (2,597) | - |
| Other creditors | 9 | (26,268) | (21,231) | (26,390) |
| Net Current Liabilities | | (16,597) | (15,862) | (16,865) |
| Total Assets Less Current Liabilities | | 666,268 | 583,988 | 630,641 |
| Creditors falling due after more than one year | 10 | (287,936) | (228,521) | (254,874) |
| Provisions for liabilities and charges | | | | |
| Deferred taxation | 11 | (2,521) | (1,841) | (2,256) |
| | | 375,811 | 353,626 | 373,511 |
| Capital and Reserves | | 375,811 | 353,626 | 373,511 |

*As restated – see Note 1

Abridged Unaudited Group Cash Flow Statement

For the six months ended 31st March 2001

| | Note | Six months ended 31.3.2002 £'000 | 31.3.2001 £'000 | Year ended 30.9.2001 £'000 |
|--|------|--|--------------------|----------------------------------|
| Net Cash Inflow from Operating Activities | 13 | 15,526 | 12,597 | 24,639 |
| Returns on Investments and Servicing of Finance | | | | |
| Interest received | | 22 | 12 | 56 |
| Interest paid | | (9,312) | (8,394) | (16,337) |
| Net cash outflow | | (9,290) | (8,382) | (16,281) |
| Taxation | | | | |
| Corporation tax paid | | (1,385) | (235) | (1,777) |
| Capital Expenditure and Financial Investment | | | | |
| Acquisition of and expenditure on investment properties | | (40,515) | (21,700) | (64,217) |
| Sales of investment properties | | 5,259 | - | - |
| Sale of listed investment | | - | - | 14,965 |
| Net purchase of premises, equipment and vehicles | | (116) | (60) | (94) |
| Net cash outflow | | (35,372) | (21,760) | (49,346) |
| Equity Dividends Paid | | (2,760) | (2,563) | (4,075) |
| Cash Outflow before use of Cash Resources and Financing | | (33,281) | (20,343) | (46,840) |
| Financing | | | | |
| Net proceeds of shares issued for cash | | 74 | 20 | 20 |
| Net proceeds from drawdown of secured long term bank loan | | - | 49,575 | 49,575 |
| (Repayment)/drawdown of secured medium term bank loans | | 33,207 | (29,252) | (2,755) |
| Movement in Cash Balances | 14 | - | - | - |

Notes to the Interim Results

1 Change in Accounting Policy and Restatement of Prior Periods Results

The Company has adopted FRS 19 "Deferred Taxation" which requires full provision to be made in respect of timing differences arising from the differing treatment of certain expenditure for accounting and taxation purposes. Under this Standard, full provision for a potential future liability is required even in circumstances where the likelihood of an actual tax liability crystallising is remote.

Previously the Company's policy was to provide only in respect of timing differences which were expected to reverse in the foreseeable future. The effect of this change in accounting policy is as follows:

Six months ended Year ended

| | 31.3.2002 £'000 | 31.3.2001 £'000 | 30.9.2001 £'000 |
|---|---------------------------|--------------------|--------------------|
| Profit and loss account | | | |
| Increase in taxation charge | <u>265</u> | 275 | 690 |
| Balance sheet | | | |
| Reduction in profit and loss reserve – Cumulative deferred tax liability | <u>2,521</u> | 1,841 | 2,256 |

The results for the period ended 31st March 2001 have been restated to reflect the adoption of UITF28 "Operating lease incentives" at the 2001 year end. The effect of this change in accounting policy on the results for that period was as follows:

| | Six months ended 31.3.2001 £'000 |
|--|--|
| Profit and loss account | |
| Increase in rents receivable | 472 |
| Increase in taxation charge | <u>(172)</u> |
| Increase in profit on ordinary activities after taxation | <u>300</u> |
| Balance sheet | |
| Debtors – increase in accrued income | 1,251 |
| Creditors – increase in corporation tax payable | <u>(376)</u> |
| Increase in net assets | 875 |

2 Basis of Accounting

Other than the change in accounting policy referred to in note 1, the unaudited interim financial statements have been prepared on a basis consistent with the statutory financial statements for the year ended 30th September 2001.

Investment properties are stated at their value at 30th September 2001 together with the cost of expenditure incurred during the period. Investment properties acquired during the period are stated at cost.

The financial information for the periods ended 31st March 2002 and 2001 has not been audited or reviewed by the Company's auditors. The financial information in respect of the year ended 30th September 2001 has been extracted from the full Group financial statements which have been delivered to the Registrar of Companies, and on which the report of the auditors was unqualified.

3 Surplus on Disposal of Investment Assets

| | Six months ended 31.3.2002 £'000 | 31.3.2001 £'000 | Year ended 30.9.2001 £'000 |
|---|---|--------------------|----------------------------------|
| Net proceeds of sales of properties | 5,259 | - | - |
| Net proceeds of sale of listed investment | - | - | 14,965 |
| Less: Book value at date of sale | <u>(5,250)</u> | - | <u>(13,500)</u> |
| | 9 | - | 1,465 |

4 Taxation

| Six months ended | Year ended |
|------------------|------------|
|------------------|------------|

| | 31.3.2002 | 31.3.2001 | 30.9.2001 |
|---|------------------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| UK Corporation tax on revenue profit at 30% | 1,425 | 1,342 | 2,700 |
| Deferred taxation | 265 | 275 | 690 |
| | 1,690 | 1,617 | 3,390 |
| Over provisions in prior years | - | - | 38 |
| | 1,690 | 1,617 | 3,428 |

No taxation liability arises on the disposal of investment assets due to the availability of capital losses.

5 Dividends

| | Six months ended 31.3.2002 | 31.3.2001 | Year ended 30.9.2001 |
|---|--------------------------------------|-----------|-------------------------|
| | £'000 | £'000 | £'000 |
| Interim dividend of 1.25p (2001 – 1.15p) per share to be paid on 28th June 2002 | 1,642 | 1,512 | 1,512 |
| Final dividend of 2.10p per share | - | - | 2,760 |
| | 1,642 | 1,512 | 4,272 |

6 Earnings Per Share

| | Six months ended 31.3.2002 | 31.3.2001 | Year ended 30.9.2001 |
|---|--------------------------------------|-----------|-------------------------|
| | £'000 | £'000 | £'000 |
| The calculations of earnings per Ordinary Share are based on profit on ordinary activities: | | | |
| Before disposals and taxation | £'000 5,549 | 5,384 | 11,195 |
| After disposals before taxation | £'000 5,558 | 5,384 | 12,660 |
| After disposals and taxation | £'000 3,868 | 3,767 | 9,232 |
| Weighted average number of Ordinary shares in issue | '000 131,608 | 131,574 | 131,577 |
| Diluted average number of Ordinary Shares | '000 131,995 | 131,964 | 131,942 |

7 Freehold Investment Properties

| | |
|--------------------------------------|----------------|
| At 1st October 2001 | 647,250 |
| Acquisitions | 33,147 |
| Expenditure on investment properties | 7,405 |
| Disposals | (5,250) |
| At 31st March 2002 | 682,552 |

8 Debtors

| | 31.3.2002 | 31.3.2001 | 30.9.2001 |
|---|------------------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| Amounts due from tenants | 7,941 | 6,086 | 7,400 |
| Rents not yet due but recognised in advance in accordance with UITF28 | 1,644 | 1,251 | 1,447 |
| Other debtors and prepayments | 633 | 629 | 678 |

10,218 7,966 9,525

9 Other Creditors

| | 31.3.2002 | 31.3.2001 | 30.9.2001 |
|------------------------------|------------------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| Rents invoiced in advance | 7,684 | 6,664 | 7,078 |
| Dividend payable | 1,642 | 1,512 | 2,760 |
| Corporation tax | 2,079 | 2,186 | 2,039 |
| Capital expenditure accruals | 7,551 | 4,727 | 8,049 |
| Other creditors and accruals | 7,312 | 6,142 | 6,464 |
| | 26,268 | 21,231 | 26,390 |

10 Creditors falling due after more than one year

| | 31.3.2002 | 31.3.2001 | 30.9.2001 |
|--|------------------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| 8.5% First Mortgage Debenture Stock 2024 | 139,005 | 139,323 | 139,164 |
| Secured long term bank loan | 49,604 | 49,575 | 49,590 |
| Secured medium term bank loans | 99,327 | 39,623 | 66,120 |
| At 31st March 2002 | 287,936 | 228,521 | 254,874 |

11 Deferred Taxation

| | 31.3.2002 | 31.3.2001 | 30.9.2001 |
|---|------------------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| At beginning of period (as restated – see Note 1) | 2,256 | 1,566 | 1,566 |
| Provided in period | 265 | 275 | 690 |
| At end of period | 2,521 | 1,841 | 2,256 |

12 Capital and Reserves

| | Share Capital £'000 | Share Premium Account £'000 | Revaluation Reserve £'000 | Profit and Loss Account £'000 | Total £'000 |
|--|---------------------------|--------------------------------------|---------------------------------|--|----------------|
| At 1st October 2001 | 32,895 | 118,971 | 192,313 | 31,588 | 375,767 |
| Prior year adjustment (see Note 1) | - | - | - | (2,256) | (2,256) |
| As restated | 32,895 | 118,971 | 192,313 | 29,332 | 373,511 |
| Ordinary shares issued during period | 11 | 63 | - | - | 74 |
| Investment property revaluation surpluses realised in period | - | - | (1,969) | 1,969 | - |
| Retained profit for the period | - | - | - | 2,226 | 2,226 |
| At 31st March 2002 | 32,906 | 119,034 | 190,344 | 33,527 | 375,811 |

During the period 42,614 Ordinary Shares of 25p each were issued fully paid in the range £1.665 –

£1.98 on the exercise of options granted under the Company's 1997 Share Option Scheme.

13 Net Cash flow from Operating Activities

| | Six months ended | | Year ended |
|---|------------------|---------------|---------------|
| | 31.3.2002 | 31.3.2001 | 30.9.2001 |
| | £'000 | £'000 | £'000 |
| Net revenue from properties | 16,739 | 14,361 | 30,634 |
| Administrative expenses | (1,636) | (1,504) | (3,130) |
| Depreciation (adjusted for profit/losses on disposal) | 55 | 42 | 85 |
| Income from listed investment | - | 118 | 334 |
| Increase in debtors | (693) | (680) | (2,711) |
| Increase/(decrease) in creditors | 1,061 | 260 | (573) |
| | 15,526 | 12,597 | 24,639 |

14 Analysis of Changes in Net Debt

| | 1.10.2001 | Cash flows | Non-cash items | 31.3.2002 |
|------------------------------------|------------------|-----------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| 8.5% Mortgage Debenture Stock 2024 | (139,164) | - | 159 | (139,005) |
| Secured long term bank loan | (49,590) | - | (14) | (49,604) |
| Secured medium term bank loans | (66,120) | (33,207) | - | (99,327) |
| | (254,874) | (33,207) | 145 | (287,936) |

Directors, Officers and Advisers

Directors

Peter L Levy, OBE, FRICS (Chairman – Non-executive)
 Jonathan S Lane, MA, FRICS (Chief Executive)
 Brian Bickell, FCA (Finance Director)
 Simon J Quayle, BSc, MRICS
 Thomas J C Welton, MRICS
 P John Manser, CBE, DL, FCA (Senior non-executive)
 Neil W Benson, FCA (Non-executive)
 John R K Emly, FCIS (Non-executive)
 Alastair W MacDonald (Non-executive)

Secretary and Registered Office

Brian Bickell, FCA
 Pegasus House, 37/43 Sackville Street, London W1S 3DL
 Tel: 020 7333 8118
 Fax: 020 7333 0660
 e-mail: shaftesbury@shaftesbury.co.uk

Registered Number – 1999238

Registrars and Transfer Office

Lloyds TSB Registrars,
 The Causeway, Worthing, West Sussex BN99 6DA

Stockbrokers

Dresdner Kleinwort Wasserstein
Merrill Lynch International

Merchant Bankers

Dresdner Kleinwort Wasserstein

Principal Bankers

Bradford & Bingley plc
Clydesdale Bank PLC
Lloyds TSB Bank Plc

Debenture Stock Trustee

Prudential Trustee Company Limited

Auditors

PricewaterhouseCoopers

Solicitors

Lovells
Eversheds

Web sites

Corporate: www.shaftesbury.co.uk

Includes Annual and Interim Reports library from 1998 and recent corporate announcements. News Alert Service allows registered users to receive E-mail alerts of any new announcements.

Carnaby: www.carnaby.co.uk

Extensive information on tenants and events in Carnaby.