

Shaftesbury PLC Interim Report 2003

Financial Highlights

		Six months ended 31.3.2003	31.3.2002	Year ended 30.9.2002
Net property revenue	£'000	17,984	16,739	34,239
Profit before disposals	£'000	6,371	5,549	10,896
Profit after taxation	£'000	4,338	3,868	9,714
Basic earnings per share before disposals	pence	4.84	4.22	8.28
Basic earnings per share after taxation	pence	3.29	2.94	7.38
Interim dividend per share	pence	1.375	1.25	1.25
Final dividend per share	pence	-	-	2.31
Gross property assets	£'000	713,058*	682,552*	698,195
Shareholders' funds	£'000	378,113*	375,811*	375,563
Basic net asset value per share	pence	287*	285*	285

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

2003 Financial Calendar

Results

Interim results announced	20th May 2003
Interim report posted to shareholders and debenture stockholders	30th May 2003
2003 Annual results announced	December 2003

Dividends and interest

Declared interim dividend:

Ex-dividend	4th June 2003
Record date	6th June 2003
Payment date	27th June 2003
Debenture stock interest payment date	30th September 2003

Chairman's Statement

I am pleased to report a profit on ordinary activities before disposals and taxation for the six months ended 31st March 2003 of £6.37 million, a 15% increase on the profit of £5.55 million reported for the same period last year.

After provision for taxation of £2.05 million (2002 - £1.69 million), our profit after tax amounted to £4.34 million (2002 - £3.87million). Your directors have declared an interim dividend of 1.375 pence per share compared with 1.25 pence last year. This increase in the interim dividend of 10% reflects both the growing revenue we are now generating following a period of substantial capital investment and our confidence in the Company's future prospects. The dividend will be paid on 27th June 2003 to shareholders on the register at 6th June 2003.

The period has been one of exceptionally uncertain conditions, which in the West End were compounded by strikes in public services, the closure of the Central Line and concerns of terrorist activity. These problems reduced the number of domestic and overseas visitors to the West End particularly during the traditionally subdued trading months of January, February and March. However there are now signs of a return to more normal conditions in the West End and we believe visitor numbers will recover in the important summer months.

Our strategy is to invest only in parts of the West End of London which are important and enduring destinations for Londoners as well as domestic and overseas tourists. Within this closely defined geographic core we foster an increasingly wide variety of mixed and in some cases multiple uses, which we know are particularly suitable for the centre of the West End. This also gives us the added flexibility to reorganise our properties to take advantage of changing patterns of demand. Despite signs of a modest revival in demand for offices in our villages, we are continuing to change offices to retail, restaurant and residential accommodation, for which there is growing demand and restricted supply.

In consequence, we have a very active and continuing programme of reconfiguration and refurbishment within our portfolio. The estimated rental value of property currently under refurbishment is £3.1 million per annum of which shops and restaurants account for £2.1 million and offices £1.0 million. Projects which have been completed and are now available to let have a total rental value of £1.9 million per annum, which comprises shops and restaurants of £0.9 million and offices of £1.0 million.

Carnaby

Carnaby now represents 41% by value of our property assets.

Our Kingly Court project, which is creating an entirely new street and courtyard with shopping and leisure uses on four levels, will be completed by the end of May. We have now secured lettings totalling £2.85 million, representing 75% of the total estimated rental value of the scheme. We have strong interest from a variety of independent fashion designers and retailers wishing to occupy the remaining shops within the three-storey courtyard, which have an estimated rental value of over £500,000. We are offering shorter term flexible tenancies to encourage an innovative and vibrant atmosphere within Kingly Court. In addition we have 10,500 sq.ft. of offices within the scheme remaining to let with an estimated rental value of approximately £450,000 per annum.

We have now commenced works to create seven larger shops on the east side of Carnaby Street, which have an estimated rental value of £1.25 million per annum. Two of the shops have already been let. The projects, which are expected to cost £3.1 million, are due for completion in shell form by December 2003.

Covent Garden

Following purchases in Covent Garden of retail and leisure investments totalling £10.1 million during the period, this village now represents over 30% of our property assets.

We are encouraged by the level of interest in our 7,000 sq.ft. of retail accommodation in Shorts Gardens which is nearing completion. We are now putting in hand the reconstruction of three more shops nearby in Earlam Street which we expect to complete by the end of the year. In total, these

projects are expected to cost £1.65 million and have an estimated rental value of £625,000 per annum.

Having secured vacant possession of key areas within the Thomas Neals Centre, we are now able to implement improvements over the next 12 months which will enhance accessibility to the shops within the Centre and benefit rental values and income.

We are making the first of our planning applications for new shops (13,500 sq. ft.) and residential accommodation (11,500 sq.ft) on the part of the Wellington House site that fronts Mercer Street and is presently used as car parking.

Chinatown

27% of our property portfolio is in London's Chinatown.

Since the start of the year, restaurant businesses in Chinatown have suffered a reduction in trade. In addition to the extensively publicised problems of public transport and safety concerns, for the first three months of 2003 excavations to replace gas mains have again made pedestrian access into Chinatown particularly difficult. Our Far Eastern restaurants however are fully let and there is unsatisfied demand to extend existing businesses and to open new ventures.

We are securing vacant possession of our last remaining non-Asean restaurant, which occupies a prime location at the corner of Shaftesbury Avenue and Wardour Street. Following completion of works of improvement and repair we expect to re-let the building by the end of 2003.

After further detailed consultation with us, Westminster City Council published a draft Action Plan for Chinatown in April. The final document and timetable for improvement is expected to be published before the end of the year. The City Council has already implemented recommendations from our joint study in 2002 for improvements for the collection of refuse and highway cleaning.

We actively support those elements of the Action Plan that will both foster and improve the 24 hour environment and the unique atmosphere which has made London's Chinatown one of the most distinctive and successful districts of its kind in Europe.

Finance

In December 2002 we completed the drawdown of a further £25 million long term bank loan. We now have committed unused facilities of £35 million. We expect to secure additional long term facilities later this year, in order to increase our capacity to make further property acquisitions.

Prospects

In the period since my last report, conditions in London's West End have been extremely challenging but there are signs that the problems of recent months are now receding. Throughout this difficult period, demand and rental levels for retail and restaurant accommodation in our villages, which account for two-thirds of our income, have remained firm. As our schemes complete we have continued to secure important new lettings of all types of accommodation, demonstrating the resilience of demand in our chosen locations. We remain confident that we will continue to deliver growing rental income.

Peter L Levy
Chairman
19th May 2003

Unaudited Group Profit and Loss Account

For the six months ended 31st March 2003

	Note	Six months ended 31.3.2003 £'000	31.3.2002 £'000	Year ended 30.9.2002 £'000
Gross rental income		20,750	18,997	38,855
Rents payable		(16)	(16)	(32)
Other property charges		(2,750)	(2,242)	(4,584)
Net Property Revenue		17,984	16,739	34,239
Administrative expenses		(1,603)	(1,636)	(3,822)
Operating Profit		16,381	15,103	30,417
Surplus on disposal of investment assets	2	17	9	2,106
Profit Before Interest and Taxation		16,398	15,112	32,523
Net interest payable		(10,010)	(9,554)	(19,521)
Profit on Ordinary Activities Before Taxation		6,388	5,558	13,002
Taxation	3	(2,050)	(1,690)	(3,288)
Profit on Ordinary Activities After Taxation		4,338	3,868	9,714
Dividends	4	(1,808)	(1,642)	(4,679)
Retained Profit for the Period	11	2,530	2,226	5,035
Earnings Per Ordinary Share	5			
Before property disposals and taxation				
- basic		4.84p	4.22p	8.28p
- diluted		4.84p	4.20p	8.26p
After disposals before taxation				
- basic		4.85p	4.22p	9.88p
- diluted		4.85p	4.21p	9.86p
After disposals and taxation				
- basic		3.29p	2.94p	7.38p
- diluted		3.29p	2.93p	7.36p

All operations relate to continuing activities.

Abridged Unaudited Group Balance Sheet

As at 31st March 2003

	<i>Note</i>	31.3.2003	31.3.2002	30.9.2002
		£'000	£'000	£'000
Fixed Assets				
Tangible assets				
Freehold investment properties	6	713,058	682,552	698,195
Premises, equipment and vehicles		297	313	286
		713,355	682,865	698,481
Current Assets				
Debtors				
	7	8,441	10,218	10,087
Creditors falling due within one year	8	(25,519)	(26,815)	(28,563)
Net Current Liabilities		(17,078)	(16,597)	(18,476)
Total Assets Less Current Liabilities		696,277	666,268	680,005
Creditors falling due after more than one year	9	(314,895)	(287,936)	(301,573)
Provisions for liabilities and charges				
Deferred taxation				
	10	(3,269)	(2,521)	(2,869)
		378,113	375,811	375,563
Share Capital and Reserves	11	378,113	375,811	375,563

Abridged Unaudited Group Cash Flow Statement

For the six months ended 31st March 2003

	Note	Six months ended 31.3.2002 £'000	31.3.2002 £'000	Year ended 30.9.2002 £'000
Net Cash Inflow from Operating Activities	12	18,925	15,526	31,790
Returns on Investments and Servicing of Finance				
Interest received		29	22	35
Interest paid		(10,497)	(9,312)	(19,079)
Net cash outflow		(10,468)	(9,290)	(19,044)
Taxation				
Corporation tax paid		(1,294)	(1,385)	(3,268)
Capital Expenditure and Financial Investment				
Acquisition of and expenditure on investment properties		(18,779)	(40,515)	(73,189)
Sales of investment properties		1,236	5,259	21,152
Net purchase of premises, equipment and vehicles		(66)	(116)	(144)
Net cash outflow		(17,609)	(35,372)	(52,181)
Equity Dividends Paid		(3,038)	(2,760)	(4,401)
Cash Outflow before use of Cash Resources and Financing		(13,484)	(33,281)	(47,104)
Financing				
Net proceeds of shares issued for cash		20	74	115
Net proceeds from drawdown of secured long term bank loan		24,879	-	-
(Repayment)/drawdown of secured medium term bank loans		(11,415)	33,207	46,989
Movement in Cash Balances		-	-	-

Notes to the Interim Results

1 Basis of Accounting

The unaudited interim financial statements have been prepared on a basis consistent with the statutory financial statements for the year ended 30th September 2002.

Investment properties are stated at their value at 30th September 2002 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 2003 and 2002 has not been audited or reviewed by the Company's auditors. The financial information in respect of the year ended 30th September 2002 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.

2 Surplus on Disposal of Investment Assets

	Six months ended 31.3.2003 £'000	31.3.2002 £'000	Year ended 30.9.2002 £'000
Net proceeds of sales of properties	1,277	5,259	21,102
Less: Book value at date of sale	(1,260)	(5,250)	(18,996)
	17	9	2,106

3 Taxation

	Six months ended 31.3.2003 £'000	31.3.2002 £'000	Year ended 30.9.2002 £'000
UK Corporation tax on revenue profit at 30%	1,650	1,425	2,800
Deferred taxation			
Provision in respect of timing differences	400	265	613
	2,050	1,690	3,413
Over provisions in prior years	-	-	(125)
	2,050	1,690	3,288

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

4 Dividends

	Six months ended 31.3.2003 £'000	31.3.2002 £'000	Year ended 30.9.2002 £'000
Interim dividend of 1.375p (2002 - 1.25p) per share to be paid on 27th June 2003	1,808	1,642	1,641
Final dividend of 2.31p per share	-	-	3,038

1,808 1,642 4,679

5 Earnings Per Share

		Six months ended 31.3.2003	31.3.2002	Year ended 30.9.2002
		£'000	£'000	£'000
The calculations of earnings per Ordinary Share are based on profit on ordinary activities:				
Before disposals and taxation	£'000	6,371	5,549	10,896
After disposals before taxation	£'000	6,388	5,558	13,002
After disposals and taxation	£'000	4,338	3,868	9,714
Weighted average number of Ordinary shares in issue	'000	131,671	131,608	131,617
Diluted average number of Ordinary Shares	'000	131,745	131,995	131,909

6 Freehold Investment Properties

	£'000
At 1st October 2002	698,195
Acquisitions	10,953
Expenditure on investment properties	5,170
Disposals	(1,260)
At 31st March 2002	713,058

7 Debtors

	31.3.2003	31.3.2002	30.9.2002
	£'000	£'000	£'000
Amounts due from tenants	5,431	7,941	7,543
Rents not yet due but recognised in advance in accordance with UITF28	2,376	1,644	1,797
Other debtors and prepayments	634	633	747
	8,441	10,218	10,087

8 Creditors Falling Due Within One Year

	31.3.2003	31.3.2002	30.9.2002
	£'000	£'000	£'000
Rents invoiced in advance	8,810	7,684	8,046
Dividend payable	1,808	1,642	3,038
Corporation tax	1,802	2,079	1,446
Capital expenditure accruals	5,346	8,098	8,115
Other creditors and accruals	7,753	7,312	7,918
	25,519	26,815	28,563

9 Creditors Falling Due After More Than One Year

31.3.2003	31.3.2002	30.9.2002
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	£'000	£'000	£'000
8.5% First Mortgage Debenture Stock 2024	138,686	139,005	138,845
Secured long term bank loan	74,515	49,604	49,619
Secured medium term bank loans	101,694	99,327	113,109
	314,895	287,936	301,573

10 Deferred Taxation

	31.3.2003	31.3.2002	30.9.2002
	£'000	£'000	£'000
At beginning of period	2,869	2,256	2,256
Provided in period	400	265	613
At end of period	3,269	2,521	2,869

11 Share Capital and Reserves

	Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1st October 2002	32,915	119,066	179,362	44,220	375,563
Ordinary shares issued during period	5	15	-	-	20
Investment property revaluation surpluses realised in period	-	-	(86)	86	-
Retained profit for the period	-	-	-	2,530	2,530
At 31st March 2003	32,920	119,081	179,276	46,836	378,113

During the period 18,423 Ordinary Shares of 25p each were issued fully paid at £1.085 on the exercise of an option granted under the Company's 1987 Share Option Scheme.

12 Net Cash flow from Operating Activities

	31.3.2003	31.3.2002	30.9.2002
	£'000	£'000	£'000
Net revenue from properties	17,984	16,719	34,239
Administrative expenses	(1,603)	(1,636)	(3,822)
Depreciation (adjusted for profit/losses on disposal)	55	55	110
Decrease/(increase) in debtors	1,646	(693)	(562)
Increase in creditors	843	1,061	1,825
	18,925	15,526	31,790

13 Analysis of Changes in Net Debt

1.10.2002	Cash flows	Non-cash items	31.3.2003
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	£'000	£'000	£'000	£'000
8.5% Mortgage Debenture Stock 2024	(138,845)	-	159	(138,686)
Secured long term bank loan	(49,619)	(24,879)	(17)	(74,515)
Secured medium term bank loans	(113,109)	11,415	-	(101,694)
	(301,573)	(13,464)	142	(314,895)

Directors, Officers and Advisers

Directors

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

Secretary and Registered Office

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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 LLP

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

Information on tenants and events in Carnaby.

Covent Garden: www.sevendials.net

Information on tenants and events in Seven Dials.