

A woman with short dark hair, wearing sunglasses and a dark jacket, is looking out of a car window. The background shows a city street with buildings and a red fire truck. The image has a blue tint and is used as a background for the report cover.

Shaftesbury PLC

Interim Report 2004

Contents

Financial Highlights	01
Financial Calendar	01
Chairman's Statement	03
Unaudited Group Profit and Loss Account	06
Abridged Unaudited Group Balance Sheet	07
Abridged Unaudited Group Cash Flow Statement	08
Notes to the Interim Results	09
Directors, Officers and Advisors	12

Financial highlights | 2004

		Six months ended		Year ended
		31.3.2004	31.3.2003	30.9.2003
Net property revenue	£'000	19,618	17,984	36,843
Profit before taxation	£'000	7,550	6,388	12,44
Profit after taxation	£'000	5,225	4,338	8,238
Basic earnings per share before taxation	pence	5.73	4.85	9.37
Basic earnings per share after taxation	pence	3.96	3.29	6.26
Interim dividend per share	pence	1.513	1.375	1.375
Final dividend per share	pence	-	-	2.54
Property assets at book value	£'000	732,170*	713,058*	728,143
Shareholders' funds	£'000	388,507*	378,113*	386,420
Basic net asset value per share	pence	294*	287*	293

* Based on market value of investment properties at the previous year end - see Note 1.

Financial calendar

Results

Interim results announced	19th May 2004
Interim report posted to shareholders and debenture stockholders	28th May 2004
2004 Annual results announced	December 2004

Dividends and interest

Declared interim dividend:	
Ex-dividend	2nd June 2004
Record date	4th June 2004
Payment date	25th June 2004
Debenture stock interest payment date	30th September 2004

I am pleased to report a profit on ordinary activities before taxation for the six months ended 31st March 2004 of £7.55 million, an 18% increase on the profit of £6.39 million reported for the same period last year.

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After provision for taxation of £2.32 million (2003 - £2.05 million), our profit after tax amounted to £5.23 million (2003 - £4.34 million). Your directors have declared an interim dividend of 1.513 pence per share compared with 1.375 pence last year. This 10% increase in the interim dividend reflects both our growing revenue and confidence in your Company's future prospects. The dividend will be paid on 25th June 2004 to shareholders on the register at 4th June 2004.

This first half of the year has seen a welcome return to more settled conditions in the West End. There has been a noticeable recovery in business confidence and visitor numbers.

The essence of Shaftesbury's strategy is to invest only in the most vibrant districts within London's West End, which retain an enduring popularity for Londoners and visitors from home and overseas and have excellent access to a wide choice of public transport. Our principal villages of Carnaby, Covent Garden and Chinatown are three such districts. Rental levels in our locations are below those of neighbouring prime streets, offering us significant opportunities to unlock potential and generate higher rental income and capital growth.

We have acquired an exceptionally detailed local knowledge both of properties and potential tenants in our chosen locations. With our specialist skills, we regenerate buildings to create distinctive space with the greatest flexibility of uses. From our long experience of working in these areas, we know our predominately retail and restaurant buildings let well and have limited obsolescence.

Since 1st October 2003, we have let commercial space with a rental value of £4.5 million per annum. We are continuing to achieve good lettings of shops at rents higher than anticipated at the last year end. Enquiries for our recently completed offices have been encouraging, and we expect an improving rate of lettings during the second half of the year.

We have an active programme of refurbishments and improvements. Currently commercial projects completed and available to let have an estimated rental value of £1.6 million per annum (12 shops and restaurants - £0.6 million per annum; 27,000 sq.ft. of offices - £1.0 million per annum). Projects currently being planned or in progress have a current estimated rental value of £1.5 million per annum (shops and restaurants £0.8 million per annum; 33,000 sq.ft. offices - £0.7 million per annum).

Carnaby

Carnaby now represents 42% by value of our property assets.

It includes 166 shops and restaurants and 55% (approximately 250,000 sq.ft.) of our offices. With the completion and letting of Kingly Court and our latest projects to extend and improve seven shops on the east side of Carnaby Street, the village now has a distinctive retail style. With an extensive choice of shops, Carnaby has established a reputation with both our retail tenants and their customers as a leading location for sports and leisure fashion wear.

We expect Carnaby will also benefit from The Crown Estate's comprehensive programme to upgrade its adjoining Regent Street estate between Piccadilly Circus and Oxford Circus.

Recently, we have started to extend and improve a further seven shops at prominent corners in Carnaby Street. Current interest suggests that by completion of works this autumn they will let quickly and at improved rental levels.

Offices in Carnaby continue to attract fashion-related retailers and businesses and rents have now stabilised. Currently we have 15,000 sq.ft. of offices ready to let and a further 16,000 sq.ft. due to be refurbished.

Chairman's statement | continued

Our large wholly-owned portfolio provides us with continuing opportunities to exploit the flexibility and potential of the many properties within our villages

Covent Garden

Covent Garden represents 30% of our property assets and now includes 131 shops and restaurants, 30% of our offices and 40% of our residential uses. During this period we have bought five more shops and restaurants.

We have extended and let the three corner shops at Thomas Neals prior to completion of our current building project to improve both access to and visibility of the Centre. We expect that these three new shops together with two other large units recently pre-let in Shorts Gardens and Earlham Street will all be fitted out and trading by this autumn.

We are giving priority to unlocking the full potential of our group of freeholds including and adjoining Wellington House, which extend to about two-thirds of an acre immediately south of Seven Dials towards Long Acre. We are seeking planning permissions for mixed uses with an emphasis on shopping and leisure in place of predominantly existing offices and car parking.

Chinatown

This village represents 26% of our assets and includes 55 of our 127 restaurants.

Business confidence has now returned after the depressed conditions of the previous 18 months brought about by the confluence of unrelated external events.

Consequently, as expected, we have now let, on good terms, all three restaurants, which were vacant at last year end, including our recently improved building at the corner of Shaftesbury Avenue and Wardour Street. We have secured vacant possession of two large restaurant buildings and improvements are now under way. Current enquiries suggest that they will let readily on completion of our works later this year.

Prospects

As we anticipated in last year's report, we are now generating accelerating growth in rental income from our predominantly retail, restaurant and leisure investments in London's West End, which we believe will continue to deliver resilient returns.

We remain alert for acquisition opportunities although so far this year the supply of investments being offered for sale in our locations has been restricted. There is evidence that strong investment demand coupled with this limited supply is increasing property values in the West End.

Our large wholly-owned portfolio provides us with continuing opportunities to exploit the flexibility and potential of the many properties within our villages. We believe our highly concentrated cluster of investments and our exceptional local knowledge will, as demonstrated in this half year, deliver increasing income which should lead to a sustained growth in the value of our portfolio.

Peter L Levy

Chairman

19th May 2004

Unaudited group profit and loss account |

for the six months ended 31st March 2004

	Note	Six months ended		Year ended
		31.3.2004	31.3.2003	30.9.2003
		£'000	£'000	£'000
Turnover*	1	23,823	22,576	44,387
Rents payable		(16)	(16)	(181)
Other property charges*	1	(4,189)	(4,576)	(7,363)
Net Property Revenue		19,618	17,984	36,843
Administrative expenses		(1,720)	(1,603)	(4,010)
Operating Profit		17,898	16,381	32,833
Surplus on disposal of investment properties	2	-	17	40
Profit Before Interest and Taxation		17,898	16,398	32,873
Net interest payable		(10,348)	(10,010)	(20,529)
Profit on Ordinary Activities Before Taxation		7,550	6,388	12,344
Taxation	3	(2,325)	(2,050)	(4,106)
Profit on Ordinary Activities After Taxation		5,225	4,338	8,238
Dividends	4	(1,996)	(1,808)	(5,147)
Retained Profit for the Period	11	3,229	2,530	3,091
Earnings Per Ordinary Share	5			
Before taxation				
– basic		5.73p	4.85p	9.37p
– diluted		5.72p	4.85p	9.36p
After taxation				
– basic		3.96p	3.29p	6.26p
– diluted		3.96p	3.29p	6.25p

* As restated in accordance with Note 1.

All operations relate to continuing activities.

Abridged unaudited group balance sheet |

as at 31st March 2004

	Note	31.3.2004 £'000	31.3.2003 £'000	30.9.2003 £'000
Fixed Assets				
Tangible assets				
Freehold investment properties	6	732,170	713,058	728,143
Premises, equipment and vehicles		247	297	262
		<hr/>	<hr/>	<hr/>
		732,417	713,355	728,405
Current Assets				
Debtors				
	7	9,536	8,441	8,806
Creditors falling due within one year				
	8	(21,778)	(25,519)	(24,901)
Net Current Liabilities				
		<hr/>	<hr/>	<hr/>
		(12,242)	(17,078)	(16,095)
Total Assets Less Current Liabilities				
		<hr/>	<hr/>	<hr/>
		720,175	696,277	712,310
Creditors falling due after more than one year				
	9	(327,518)	(314,895)	(322,065)
Provisions for liabilities and charges				
Deferred taxation				
	10	(4,150)	(3,269)	(3,825)
		<hr/>	<hr/>	<hr/>
		388,507	378,113	386,420
Share Capital and Reserves				
	11	<hr/>	<hr/>	<hr/>
		388,507	378,113	386,420

Abridged unaudited group cash flow statement |

for the six months ended 31st March 2004

	Note	Six months ended		Year ended
		31.3.2004 £'000	31.3.2003 £'000	30.9.2003 £'000
Net Cash Inflow from Operating Activities	12	18,372	18,925	33,371
Returns on Investments and Servicing of Finance				
Interest received		21	29	72
Interest paid		(11,291)	(10,497)	(21,075)
Net cash outflow		(11,270)	(10,468)	(21,003)
Taxation				
Corporation tax paid		(1,281)	(1,294)	(2,944)
Capital Expenditure and Financial Investment				
Acquisition of investment properties		(1,808)	(9,457)	(14,377)
Expenditure on investment properties		(6,650)	(9,322)	(17,115)
Sales of investment properties		-	1,236	6,156
Net purchase of premises, equipment and vehicles		(46)	(66)	(86)
Net cash outflow		(8,504)	(17,609)	(25,422)
Equity Dividends Paid		(3,340)	(3,038)	(4,845)
Cash Outflow before use of Cash Resources and Financing		(6,023)	(13,484)	(20,843)
Financing				
Net proceeds of shares issued for cash		434	20	68
Net proceeds from drawdown of secured long term bank loan		4,941	24,879	24,880
Drawdown/(repayment) of secured medium term bank loans		648	(11,415)	(4,105)
Movement in Cash Balances		-	-	-

Notes to the interim results |

1 Basis of Accounting

The Company has adopted the guidance set out in Application Note G to FRS 5 (“Reporting the Substance of Transactions”) issued by the Accounting Standards Board in November 2003. Income arising from the recovery of expenses incurred on behalf of tenants, principally service charges and insurance, are now reported as part of the Company’s turnover in accordance with this new guidance. Previously these recoverable amounts were included within property charges as a credit against expenditure incurred. This change in disclosure has no effect on reported net property revenue or profit on ordinary activities. The effect on reported turnover and other property expenses is as follows:

	Six months ended		Year ended
	31.3.2004	31.3.2003	30.9.2003
	£'000	£'000	£'000
Turnover			
Rents receivable – as previously reported	21,811	20,750	41,438
Recoverable property expenses	2,012	1,826	2,949
As restated	23,823	22,576	44,387
Other property charges			
Other property charges – as previously reported	2,177	2,750	4,414
Recoverable property expenses	2,012	1,826	2,949
As restated	4,189	4,576	7,363

In all other respects the unaudited interim financial statements have been prepared on a basis consistent with the statutory financial statements for the year ended 30th September 2003.

Investment properties are stated at their market value at 30th September 2003 together with the cost of expenditure incurred during the period less the cumulative amount of rents recognised in advance in accordance with UITF28. Investment properties acquired during the period are stated at cost.

The financial information for the periods ended 31st March 2004 and 2003 has not been audited or reviewed by the Company’s auditors. The financial information in respect of the year ended 30th September 2003 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 Properties

	Six months ended		Year ended
	31.3.2004	31.3.2003	30.9.2003
	£'000	£'000	£'000
Net proceeds of sales of properties	-	1,277	6,207
Book value at date of sale	-	(1,260)	(6,167)
	-	17	40

3 Taxation

UK Corporation tax on revenue profit at 30%	2,000	1,650	3,250
Deferred taxation:			
Provision in respect of timing differences	325	400	750
	2,325	2,050	4,000
(Over)/under provisions in prior years:			
Corporation tax	-	-	(100)
Deferred taxation	-	-	206
	2,325	2,050	4,106

Notes to the interim results | continued

4 Dividends

	Six months ended		Year ended
	31.3.2004	31.3.2003	30.9.2003
	£'000	£'000	£'000
Interim dividend of 1.513p (2003 – 1.375p) per share to be paid on 25th June 2004	1,996	1,808	1,807
Final dividend of 2.54p per share	-	-	3,340
	1,996	1,808	5,147

5 Earnings per Share

The calculations of earnings per Ordinary Share are based on profit on ordinary activities:

Before taxation	£'000	7,550	6,388	12,344
After taxation	£'000	5,225	4,338	8,238
Weighted average number of Ordinary shares in issue	'000	131,848	131,671	131,675
Diluted average number of Ordinary Shares	'000	132,076	131,745	131,879

6 Freehold Investment Properties

	£'000
At 1st October 2003 – book value	728,143
Acquisitions	1,808
Expenditure on investment properties	3,795
At 31st March 2004	733,746
Less: Rents recognised in advance in period in accordance with UITF 28	(1,576)
At 31st March 2004 – book value	732,170
Comprises:	
Properties at market value at 30th September 2003 plus additions and expenditure at cost	736,375
Less: Cumulative rents recognised in advance in accordance with UITF 28	(4,205)
	732,170

7 Debtors

	31.3.2004	31.3.2003	30.9.2003
	£'000	£'000	£'000
Amounts due from tenants	4,709	5,431	5,560
Rents not yet due recognised in advance in accordance with UITF28	4,205	2,376	2,629
Other debtors and prepayments	622	634	617
	9,536	8,441	8,806

8 Creditors Falling Due Within One Year

Rents invoiced in advance	8,858	8,810	8,372
Dividend payable	1,996	1,808	3,340
Corporation tax	2,371	1,802	1,652
Capital expenditure accruals	2,661	5,346	5,105
Other creditors and accruals	5,892	7,753	6,432
	21,778	25,519	24,901

Notes to the interim results | continued

9 Creditors Falling Due After More Than One Year

	Six months ended		Year ended
	31.3.2004	31.3.2003	30.9.2003
	£'000	£'000	£'000
8.5% First Mortgage Debenture Stock 2024	138,368	138,686	138,527
Secured long term bank loans	79,498	74,515	74,534
Secured medium term bank loans	109,652	101,694	109,004
	327,518	314,895	322,065

10 Deferred Taxation

At beginning of period	3,825	2,869	2,869
Provided in period	325	400	956
At end of period	4,150	3,269	3,825

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 2003	32,931	119,118	186,641	47,730	386,420
Ordinary shares issued during period	72	362	-	-	434
Adjustment in respect of income recognised during the period in accordance with UITF 28	-	-	(1,576)	-	(1,576)
Retained profit for the period	-	-	-	3,229	3,229
At 31st March 2004	33,003	119,480	185,065	50,959	388,507

During the period 288,242 Ordinary Shares of 25p each were issued fully paid at prices in the range £0.77 to £2.42 on the exercise of options granted under the Company's 1987 and 1997 Share Option Schemes.

12 Net Cash Flow from Operating Activities

	Six months ended		Year ended
	31.3.2004	31.3.2003	30.9.2003
	£'000	£'000	£'000
Net revenue from properties	19,618	17,984	36,843
Administrative expenses	(1,720)	(1,603)	(4,010)
Depreciation (adjusted for profit/losses on disposal)	61	55	110
(Increase)/decrease in debtors	(730)	1,646	1,281
Increase/(decrease) in creditors	1,143	843	(853)
	18,372	18,925	33,371

13 Analysis of Changes in Net Debt

	1.10.2003 £'000	Cash flows £'000	Non-cash items £'000	31.3.2004 £'000
8.5% Mortgage Debenture Stock 2024	(138,527)	-	159	(138,368)
Secured long term bank loan	(74,534)	(4,941)	(23)	(79,498)
Secured medium term bank loans	(109,004)	(648)	-	(109,652)
	(322,065)	(5,589)	136	(327,518)

Directors, officers and advisors |

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

Cazenove
Merrill Lynch International

Principal Bankers

Bradford & Bingley plc
Clydesdale Bank PLC
Lloyds TSB Bank Plc
Bank of Scotland

Debenture Stock Trustee

Prudential Trustee Company Limited

Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells
Eversheds LLP

Valuers

DTZ Debenham Tie Leung Limited

Web sites

Corporate: www.shaftesbury.co.uk

Includes Annual and Interim Reports library from 1998 and recent corporate announcements. News Alert Service allows users to receive Company announcements by e-mail.

Carnaby: www.carnaby.co.uk

Information on tenants and events in Carnaby.

Covent Garden: www.sevendials.co.uk

Information on tenants and events in Seven Dials.



www.shaftesbury.co.uk