Shaftesbury PLC

interim report 2006


MINI MARKET
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DESIGNER
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Financial highlights

		31.3.2006	31.3.2005	30.9.2005
Net property income	£'000	**23,459**	21,447	43,401
Adjusted profit before tax*	£'000	**7,934**	7,901	14,250
Adjusted profit after tax*	£'000	**5,831**	5,344	10,130
Profit after tax	£'000	**6,819**	5,934	98,777
Diluted earnings per share	Pence	**5.14**	4.48	74.62
Interim dividend per share	Pence	**1.92**	1.70	1.70
Final dividend per share	Pence	**-**	-	3.30
Property assets at book value	£'000	**1,041,282****	826,389**	987,516
Adjusted net assets per share***	£'000	**607,414****	468,753**	603,642
Adjusted diluted net assets per share***	Pence	**455****	354**	455
Shareholders' funds	£'000	**477,197****	382,059**	473,161
Diluted net asset value per share	Pence	**358****	289**	357

* Adjusted to exclude property and financial instruments fair valuation movements, gain on sale of investment properties, exceptional costs and loss on purchase of debenture stock (see note 13)
** Based on Market Value at the previous year end
*** Adjusted to exclude fair valuation of financial instruments and deferred tax in respect of investment property revaluations and financial instrument fair values (see note 21)

Financial calendar

Results	
Interim results announced	25 May 2006
Interim report posted to shareholders and debenture stockholders	9 June 2006
2006 Annual results announced	December 2006

Dividends and interest	
Declared interim dividend:	
Ex dividend	7 June 2006
Record date	9 June 2006
Payment date	30 June 2006
Debenture stock interest payment date	30 September 2006


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A LOVELY CUP OF TEA AND
YOU LOOK VERY GOO
OH MY GOD
XFOLIATE
ULL YOUR TOGS ON.
BE Calm
BREATHE SLOWLY.
IN YOUR SURROUNDINGS: THEY ARE BRI
A FIRM GRIP
SHOOT FR


Beyond
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ABC!

Our results for the six months ended 31 March 2006 reflect further growth in rental income and underlying profits as well as considerable activity within our portfolio. We have completed important strategic acquisitions in Covent Garden, including our Longmartin joint venture and, with the sale of National Magazine House, continued our strategy of reducing the office element of our portfolio.

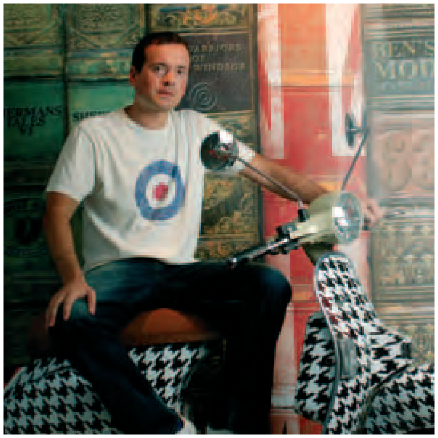
Results

These are our first results reported under International Financial Reporting Standards. These new accounting rules require a number of changes to the format and presentation of our results but have no impact on our business strategy or its cash flows. In the interests of clarity we refer below to our adjusted results, which exclude movements in the valuation of property assets and financial instruments, gains on disposals of properties and exceptional costs, in order to give a better indication of the underlying profitability of the Group. A detailed reconciliation of the adjusted figures and the overall effects of adopting the new accounting standards are provided in the notes to the Interim Results.

	Six months ended		Year ended
	31.3.2006	31.3.2005	30.9.2005
	£'000	£'000	£'000
Adjusted profit before tax	**7,934**	7,901	14,250
Exceptional administration costs	**-**	(292)	(297)
Profit on disposal of investment properties	**683**	93	4,220
Surplus arising on revaluation of investment properties	**-**	-	136,887
Valuation movement in respect of lease incentives recognised in the period	**(569)**	(40)	(6,883)
Movement in fair value of financial instruments	**709**	1,590	(4,171)
Loss on purchase of debenture stock	**-**	(531)	(3,655)
Profit before tax reported in the Income Statement	**8,757**	8,721	140,351

	Six months ended		Year ended
	31.3.2006	31.3.2005	30.9.2005
	£'000	£'000	£'000
Adjusted taxation charge on the adjusted profit before tax	**2,103**	2,557	4,120
Current tax in respect of:			
Exceptional administration costs	**-**	(88)	(89)
Loss on purchase of debenture stock	**-**	(159)	(1,097)
Deferred tax in respect of:			
Property disposals	**(428)**	-	850
Revaluation of investment properties	**-**	-	39,000
Movements in fair value of financial instruments	**263**	477	(1,210)
Taxation charge reported in the Income Statement	**1,938**	2,787	41,574
Profit after tax:			
Adjusted	**5,831**	5,344	10,130
Reported in the Income Statement	**6,819**	5,934	98,777

Chairman's statement



The adjusted profit before tax for the six months ended 31 March 2006 amounted to £7.9 million, which compares with an adjusted profit for the same period last year of £7.9 million. The results for the first half this year include a provision for National Insurance of £0.7 million (2005 - £0.1 million) in respect of the vesting of performance-related share options granted over 1,512,000 Ordinary shares and the increase in the Company's share price from £3.80 to £5.27 during the period, and provision in respect of options expected to vest in the future.

Provision for current and deferred taxation on the adjusted profit for the period amounted to £2.1 million (2005 - £2.6 million). The tax charge for the period has benefited from the release of deferred tax following the sale of National Magazine House of £0.4 million.

Adjusted profit after tax amounted to £5.8 million (2005 - £5.3 million). The profit after tax reported in the Income Statement for the period amounted to £6.8 million (2005 - £5.9 million).

Your Directors have declared an interim dividend of 1.92 pence per Ordinary share (2005 – 1.70 pence), an increase of 12.9%. The interim dividend, which under IFRS will be recorded as a distribution in the second half, will be paid on 30 June 2006 to shareholders on the register on 9 June 2006.

As in previous years, no interim portfolio valuation has been carried out. In the first half we have continued to achieve rents at or in excess of estimated rental values assumed in the September 2005 external valuation. Market commentary suggests that property yields and values have continued to improve over the period although it is impossible to predict their direction in the coming months.

Strategy

Shaftesbury's strategy is very focused and geographically specific. We have concentrated on those areas at the heart of London's cosmopolitan West End which combine centuries of tradition with a contemporary mix of creativity, wealth and vitality. Applying this strategy over the past 15 years we have assembled a unique West End estate.

Our estate includes the distinctive village districts of Carnaby, Chinatown, and Covent Garden. Within Covent Garden we have holdings in Seven Dials, our new joint venture Island Site nearby, as well as two blocks which front Wellington Street, close to the Royal Opera House.

Our villages are home to a broad range of uses with an emphasis on shops and restaurants. We are careful to ensure that each location maintains its own individual identity. The long term prosperity of these districts is underwritten by their close proximity to the unrivalled cluster of theatres, cinemas, museums, galleries and historic sites which is unique to the West End and makes London a World famous capital and the top city destination for overseas visitors.

The concentration of our portfolio enables us to work in close co-operation with Westminster City Council, Camden Council and local community groups to facilitate much needed environmental improvements through investment in paving, lighting and street initiatives within our estate. Street improvements are now underway in each of our villages and other schemes are under discussion.

Portfolio activity

This has been an active six months during which we have invested £89 million in property acquisitions, of which £76.4 million has been within Covent Garden. In November 2005 we sold National Magazine House, a single let freehold office building of 55,000 sq. ft. with 11 flats above, for £45 million, retaining a 999 year lease of the shops below. These transactions further our long term strategy of increasing retail, restaurant and leisure uses within our portfolio and reducing exposure to offices, which we consider over time are more prone to obsolence and volatility in rents and capital values. An analysis of our portfolio at 31 March 2006 is set out on page 10.

In the six months to 31 March 2006 we let £2.2 million of commercial space. At that date the total estimated rental value of our vacant commercial property was £3.2 million per annum, of which approximately one third was ready to let, one third under offer and one third under refurbishment.

Since October 2005, demand to rent our shops has been strong and consequently we expect rental growth for our shops, evident in the first half, to continue. At 31 March 2006, out of a total of 285 units, we had eighteen shops vacant and ready to let, of which eight were under offer. A further eleven are under reconstruction. In our villages, we continue to see a trend both for independent fashion brands to open a first 'stand alone' unit and for major retailers to launch new concepts, which are often close to their flagship stores. For example, at 31 March 2006, of our 129 shops in Carnaby, 73 were the only stores of their kind or were unique to London.

At 31 March 2006, all but two of our 152 restaurants were let. Improving visitor numbers and the increasing popularity of eating out in the West End is encouraging experienced operators to launch new ventures with interesting and innovative concepts.

All of our recently refurbished and vacant offices are small suites (mostly between 500 and 1,000 sq. ft.) and are located above our shops and restaurants. Whilst demand for office accommodation of this size is improving, supply remains plentiful and, with shorter leases, the level of occupancy is more volatile. Most of our vacant offices are in Carnaby but there continues to be a steady demand from retailers and restaurateurs for administrative space to support their nearby trading operations, as well as demand from media businesses, which are traditionally located in the area.

Our residential accommodation continues to let well and already this year we have seen a resumption of rental growth. We expect our residential portfolio to increase each year mainly through the conversion of smaller offices.

Carnaby

Carnaby represents 40% of our property assets and includes almost 45% of our shops and 57% of our offices.

Our reconstruction project at the corner of Carnaby Street and Broadwick Street is almost complete. One of the two large shops has been let and we have interest in the other retail unit and in the 8,000 sq. ft. of offices above. In the Autumn we will start the next phase in Broadwick Street which includes extensions to five shops, as well as street improvements.

Kingly Court, our galleried shopping courtyard between Carnaby Street and Kingly Street, is a well established location for small new venture shops and independent designers. With all existing units let, we are reconfiguring parts of the ground floor to create five additional small shops. We now have a removable roof for the courtyard which will increase the number of events we are able to hold throughout the year.

Covent Garden

Our holdings in Covent Garden represent 33% of our assets and include our Longmartin joint venture with The Mercers' Company, a portfolio around Wellington Street (our Opera Quarter) as well as Seven Dials.

The Longmartin joint venture, concluded in December 2005, has created an island site of almost two acres which fronts Long Acre, Upper St. Martin's Lane, Shelton Street, and Mercer Street. Of the 250,000 sq. ft. of existing space, 65% is currently un-modernised offices and garaging on five floors, with only 20% shops and restaurants and 15% residential. We expect to extend frontages and to rebalance uses by opening additional access into the site where we will form a new central courtyard. We already have two planning consents but will crystallise our ideas both as to timing and phasing of our overall scheme before we make further planning applications or commence any works. We envisage that this project will also benefit neighbouring areas where both we and The Mercers' Company have further substantial property interests.

Westminster City Council is advancing plans for environmental improvements to the adjacent streets, junctions, and public areas.

At Seven Dials our tenants have welcomed the enhancement to the local environment which includes the upgrading of Monmouth Street, where works are almost finished. We currently have only four shops to let, of which two are under offer. All of our restaurants are let.

Our freeholds at the corner of Cranbourn Street and St Martin's Lane, purchased in July 2005, currently include two shops, four restaurants and 18,000 sq. ft. of offices. We expect to start phased works of improvement later this year including conversion of some offices to residential use.

In December 2005 we purchased 26 freeholds fronting Wellington, Tavistock, Catherine, and Russell Streets, which together with our existing holdings make up our Opera Quarter. It is located close to the Royal Opera House and is very close to five other theatres. Our holdings extend to 58,000 sq. ft. and presently include seventeen restaurants and cafes, fourteen shops with 22,000 sq. ft. of offices above, of which 15,000 sq. ft. is vacant. Much of this vacant space is un-modernised. We are securing possession of more areas while we carry out detailed research on each building. This will assist us as we begin a phased programme of reconfiguration and renovation later this year.

Chinatown

Chinatown represents 25% of our assets and includes 36% of our restaurants, all of which are let.

Construction of the new shopping courtyard at Horse and Dolphin Yard is progressing well and the first access into the Yard via shops in Shaftesbury Avenue is now in place. We have pre-let two of the three retail units in the first phase.

Following completion of infrastructure works, Westminster City Council is now starting the resurfacing of Gerrard Street and adjoining streets in Chinatown, as well as providing new street lighting. Completion of works in Gerrard Street is anticipated by December 2006.

Finance

As a result of the substantial net additions to our portfolio during the six months ended 31 March 2006, bank borrowings rose from £258.3 million to £289.3 million over the period. We have arranged additional facilities of £50 million during the first half with existing lenders to give total committed facilities of £350 million. In addition we have extended a facility due to expire in October 2008 to April 2016, with a reduction in the interest margin we pay. The weighted average maturity of our bank debt is now 8.1 years and, at 31 March 2006, the weighted average cost of our borrowings (including margin) was 6.39%.

Real Estate Investment Trusts (REITs)

The Government has now published draft legislation to govern the operation of REITs in the UK although, at the present time, detailed regulations and operational guidance notes have not yet been made available. If the draft legislation is enacted in its current form, the proposed structure of REITs could offer significant long term benefits to the Group and its shareholders were it to convert to REIT tax status. The Board is currently discussing the practical aspects of conversion with its tax and corporate advisors and expects to reach a decision later this year once the legislation, regulations and guidance notes have been finalised.

Outlook

We have made significant progress in securing new investments in Covent Garden which offer exceptional opportunities for reconstruction and refurbishment.

The higher level of refurbishment activity which will flow from these new projects, together with our existing schemes, will inevitably increase the level of vacancies. Although this may moderate the growth in our profits in the short term, we are confident that our new schemes, together with continuing tenant demand throughout our villages, will lead to sustained growth in income and capital values over time.

P John Manser
Chairman
25 May 2006

Portfolio Analysis at 31 March 2006

		Carnaby	Covent Garden	Chinatown	Charlotte Street	Wholly owned portfolio	Longmartin (50% owned)
Book value		£408.3m	£286.3m	£261.1m	£22.9m	£978.6m	*£62.7m
% of total book value		40%	27%	25%	2%	94%	6%
Shops	Number	129	101	53	2	285	7
	Area – sq.ft.	185,000	134,000	49,000	4,000	372,000	13,000
Restaurants and leisure	Number	37	52	55	8	152	6
	Area – sq.ft.	79,000	126,000	162,000	21,000	388,000	35,000
Offices	Area – sq.ft.	237,000	116,000	47,000	15,000	415,000	**161,000
Residential	Number	46	88	64	18	216	43
	Area – sq.ft.	35,000	62,000	43,000	10,000	150,000	39,000
Total area – sq.ft						**1,325,000**	**248,000**

* Shaftesbury Group's share
** Includes 35,000 sq.ft. of garaging

Vacant commercial space at 31 March 2006 and letting activity (Wholly owned portfolio)

Estimated rental value	Shops £'000	Restaurants and leisure £'000	Offices £'000
Under refurbishment	236	98	649
Ready to let	562	42	606
Under offer	902	-	112
Total	**1,700**	**140**	**1,367**
Area – sq.ft.	29,000	4,000	49,000
Rents secured on properties let during the six months ended 31.3.2006	**768**	**747**	**724**

Unaudited consolidated income statement

for the six months ended 31 March 2006

	Note	Six months ended **31.3.2006** **£'000**	Six months ended 31.3.2005 £'000	Year ended 30.9.2005 £'000
Continuing operations				
Revenue from properties	*3*	**29,999**	26,541	52,799
Property charges	*4*	**(6,540)**	(5,094)	(9,398)
Net property income		**23,459**	21,447	43,401
Administration expenses	*5*	**(3,111)**	(2,087)	(5,507)
Exceptional administration expenses	*6*	-	(292)	(297)
Total administration expenses		**(3,111)**	(2,379)	(5,804)
Operating profit before investment property disposals and valuation movements		**20,348**	19,068	37,597
Profit on disposal of investment properties	*7*	**683**	93	4,220
Investment property valuation movements	*8*	**(569)**	(40)	130,004
Operating profit		**20,462**	19,121	171,821
Interest receivable		**80**	17	52
Interest payable	*9*	**(12,494)**	(11,476)	(23,696)
Change in fair value of financial instruments		**709**	1,590	(4,171)
Loss on purchase of debenture stock	*10*	**-**	(531)	(3,655)
Profit before tax		**8,757**	8,721	140,351
Current tax	*11*	**(2,315)**	(2,000)	(1,700)
Deferred tax	*11*	**377**	(787)	(39,874)
Tax charge for the period		**(1,938)**	(2,787)	(41,574)
Profit for the period		**6,819**	5,934	98,777
Earnings per share:	*13*			
Basic		**5.15p**	4.49p	74.75p
Diluted		**5.14p**	4.48p	74.62p

Unaudited consolidated balance sheet

as at 31 March 2006

	Note	**31.3.2006 £'000**	31.3.2005 £'000	30.9.2005 £'000
Non-current assets				
Investment properties	*14*	**1,041,282**	826,389	987,516
Office assets and vehicles		**463**	281	364
		1,041,745	826,670	987,880
Current assets				
Trade and other receivables	*15*	**12,532**	13,740	27,067
Cash		**680**	–	–
Total assets		**1,054,957**	840,410	1,014,947
Current liabilities				
Trade and other payables	*16*	**23,403**	20,781	21,747
Non-current liabilities				
Borrowings	*17*	**420,981**	346,524	384,432
Financial instruments	*18*	**10,881**	6,134	11,758
Deferred tax	*19*	**122,495**	84,912	123,849
Total liabilities		**577,760**	458,351	541,786
Net assets		**477,197**	382,059	473,161
Equity				
Called up share capital	*20*	**33,108**	33,039	33,046
Retained earnings	*20*	**321,670**	228,597	319,202
Other reserves	*20*	**122,419**	120,423	120,913
Total equity		**477,197**	382,059	473,161
Net assets per share	*21*			
Basic		**£3.61**	£2.89	£3.58
Diluted		**£3.58**	£2.89	£3.57

Unaudited consolidated cash flow statement

for the six months ended 31 March 2006

	Note	Six months ended **31.3.2006** **£'000**	31.3.2005 £'000	Year ended 30.9.2005 £'000
Operating activities				
Cash generated from operations	*22*	**21,341**	20,703	39,774
Interest received		**80**	17	52
Interest paid		**(13,101)**	(10,606)	(22,282)
Tax payments in respect of operating activities		**(695)**	(2,012)	(3,064)
Cash flows from operating activities		**7,625**	8,102	14,480
Investing activities				
Acquisition of investment properties		**(89,226)**	(4,783)	(37,530)
Capital expenditure on investment properties		**(4,763)**	(4,529)	(10,669)
Net proceeds from sale of investment properties		**60,236**	3,373	3,366
Net purchase of office assets and vehicles		**(173)**	(15)	(167)
Cash flows from investing activities		**(33,926)**	(5,954)	(45,000)
Financing activities				
Issue of shares		**419**	64	145
Purchase of debenture stock		**-**	(2,747)	(16,686)
Increase in borrowings		**31,091**	4,460	53,348
Bank loan arrangement costs		**(95)**	(102)	(226)
Payment of finance lease liabilities		**(83)**	-	-
Equity dividends paid		**(4,351)**	(3,823)	(6,061)
Cash flows from financing activities		**26,981**	(2,148)	30,520
Net change in cash		**680**	-	-

Notes to the interim results

for the six months ended 31 March 2006

1 Basis of preparation

The financial information contained in this report is not audited and does not comply with the meaning of statutory accounts as defined by section 240 of the Companies Act 1985. The comparative figures for the year ended 30 September 2005 are not the Company's statutory accounts for that year. Those statutory accounts, which were prepared under UK Generally Accepted Accounting Practice (UK GAAP), have been audited and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

EU law requires that the consolidated financial statements for the year ending 30 September 2006 and future years be prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. This interim financial information has been prepared on the basis of IFRS requirements that are expected to be effective for the year ending 30 September 2006. The accounting policies set out below, which have been used consistently in the preparation of this Interim Report, are expected to be applied when the first IFRS annual results are prepared in respect of the current year. As permitted, IAS 34 ('Interim Financial Reporting') has not been adopted.

An analysis of the impact of adoption of IFRS was provided with the 2005 Annual Report published in December 2005. Reconciliations between UK GAAP and IFRS of equity at 1 October 2004 and of profits and equity reported for the six months ended 31 March 2005 and the year ended 30 September 2005 are set out in notes 23 and 24 below. Although the format of the Cash Flow Statement prepared under IFRS differs from that prepared under UK GAAP, there are no material changes to previously reported cash flows.

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 the best information available at the time. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.

2 Accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting as modified by the annual revaluation of investment properties and the periodic valuation of derivative financial instruments. Accounting policies have been applied consistently.

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.

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.

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.

Notes to the interim results continued

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 revalued annually to reflect fair value either by external professional valuers on the basis of market value or by the Directors in the case of properties sold shortly after the year end. The amounts at which investment properties are stated at interim reporting dates are reviewed by the Directors to ensure that any diminutions in value are provided for.

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 financing rate.

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. All other property expenditure is written off in the Income Statement as incurred. No finance costs are capitalised.

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

Depreciation of other assets

Depreciation is provided on short leasehold office premises, equipment and motor vehicles to write their cost down to their estimated residual values over their estimated useful lives at the following rates:

Short leasehold office premises	- over the period of the lease on cost, assuming no residual value
Equipment	- 20%/25% per annum on cost
Motor vehicles	- 25% per annum on written down value

Revenue

Revenue includes rents due from tenants, recognition of lease incentives and recoverable expenses incurred on behalf of tenants. Value added tax is excluded from all amounts.

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.

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.

Financial instruments

Financial Instruments are recorded at fair value based on market prices, estimated future cash flows and forward interest rates. Movements in fair value, together with amounts payable or receivable under such arrangements, are recognised in the Income Statement as a finance cost.

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 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.

Deferred tax assets are recognised when recoverability is considered reasonably certain.

Share based payments

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.

Exceptional items

Exceptional items are those which derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or nature.

	Six months ended		Year ended
3 Income from properties	**31.3.2006**	31.3.2005	30.9.2005
	£'000	£'000	£'000
Rents due from tenants	**25,303**	24,123	48,688
Recognition of lease incentives	**569**	40	173
Rents receivable	**25,872**	24,163	48,861
Recoverable property expenses	**4,127**	2,378	3,938
	29,999	26,541	52,799

4 Property charges			
Property outgoings	**2,413**	2,716	5,460
Recoverable property expenses	**4,127**	2,378	3,938
	6,540	5,094	9,398

5 Administration expenses			
Administration expenses include the following amounts respect of share based payments to Directors and staff:			
Charge for share based payments	**272**	219	485
Employers National Insurance in respect of share awards and share options vested or expected to vest	**698**	123	241
	970	342	726

Notes to the interim results continued

6 Exceptional administration expenses	Six months ended 31.3.2006 £'000	Six months ended 31.3.2005 £'000	Year ended 30.9.2005 £'000
Costs incurred in Group restructuring to create village subsidiaries	-	292	297

7 Profit on disposal of investment properties			
Net sale proceeds	**48,391**	3,373	15,290
Book value at date of sale	**(47,708)**	(3,280)	(11,070)
	683	93	4,220

8 Investment property valuation movements			
Surplus arising on revaluation of investment properties	**-**	-	130,177
Valuation movement in respect of lease incentives recognised in the period	**(569)**	(40)	(173)
Net revaluation movement recognised in the Income Statement	**(569)**	(40)	130,004

No revaluation of investment properties was carried out at either 31 March 2005 or 31 March 2006.

9 Interest payable			
Debenture stock interest and amortisation	**4,941**	5,518	10,629
Bank and other interest	**7,470**	5,958	13,067
Amount payable under finance leases	**83**	-	-
	12,494	11,476	23,696

10 Loss on purchase of debenture stock

Loss arising on the purchase and cancellation of 8.5% First Mortgage Debenture Stock 2024:

Nominal amount - £12.357 million	**-**	-	4,329
Nominal amount - £2.1 million	**-**	647	-
Unamortised net premium written off	**-**	(116)	(674)
	-	531	3,655

11 Taxation	Six months ended 31.3.2006 £'000	31.3.2005 £'000	Year ended 30.9.2005 £'000
Current tax			
UK Corporation tax at 30%	**2,315**	2,000	2,000
Adjustments in respect of prior years	**-**	-	(300)
	2,315	2,000	1,700
Deferred tax			
Revaluation of investment properties	**-**	-	39,000
Revaluation of financial instruments	**263**	477	(1,210)
Provision in respect of capital allowances	**196**	275	664
Released in respect of properties sold in period	**(428)**	-	850
Other timing differences	**(408)**	35	924
Adjustments in respect of prior years	**-**	-	(354)
	(377)	787	39,874
Tax charge for the period	**1,938**	2,787	41,574
Factors affecting the tax charge:			
Profit before tax	**8,757**	8,721	140,351
UK Corporation tax at 30%	**2,627**	2,616	42,105
Difference due to tax treatment of property disposals	**(633)**	(28)	(416)
Expenses and provisions not deductible for Corporation tax purposes and other timing differences	**(56)**	199	539
Adjustments in respect of prior periods	**-**	-	(654)
	1,938	2,787	41,574

12 Dividends paid			
Final dividend paid in respect of:			
Year ended 30 September 2004 at 2.90p per share	**-**	3,823	3,823
Year ended 30 September 2005 at 3.30p per share	**4,351**	-	-
Interim dividend paid in respect of:			
Six months ended 31 March 2005 at 1.70p per share	**-**	-	2,238
	4,351	3,823	6,061

An interim dividend in respect of the six months ended 31 March 2006 of 1.92p per Ordinary share amounting to £2,543,000 was declared by the Board on 25 May 2006. The interim dividend will be paid on 30 June 2006 to shareholders on the register at 9 June 2006 (ex-dividend 7 June 2006). The dividend will be accounted for as an appropriation of revenue reserves in the six months ending 30 September 2006.

Notes to the interim results continued

	Six months ended		Year ended
13 Earnings per share	**31.3.2006**	31.3.2005	30.9.2005
	£'000	£'000	£'000
Profit after tax used for calculation of basic earnings per share	**6,819**	5,934	98,777
Adjusted for:			
Exceptional administration expenses	**-**	292	297
Gain on sale of investment properties	**(683)**	(93)	(4,220)
Investment property valuation movements	**569**	40	(130,004)
Movement in fair value of financial instruments	**(709)**	(1,590)	4,171
Loss on purchase of debenture stock	**-**	531	3,655
Current tax in respect of:			
Exceptional administration expenses	**-**	(88)	(89)
Loss on purchase of debenture stock	**-**	(159)	(1,097)
Deferred tax in respect of:			
Investment property revaluation gains	**-**	-	39,000
Adjustment in respect of property disposals	**(428)**	-	850
Movement in the fair value of financial instruments	**263**	477	(1,210)
Profit after tax used for adjusted earnings per share	**5,831**	5,344	10,130
Weighted average number of shares in issue '000	**132,320**	132,130	132,152
Weighted average number of shares in issue for calculation of diluted earnings per share '000	**132,595**	132,332	132,367
Earnings per share (pence):			
Basic	**5.15**	4.49	74.75
Diluted	**5.14**	4.48	74.62
Adjusted basic	**4.41**	4.05	7.67
Adjusted diluted	**4.40**	4.04	7.65

14 Investment properties

	Group
	£'000
At 1 October 2005 – book value	**987,516**
Acquisitions	**89,307**
Expenditure	**5,302**
Disposals	**(47,708)**
At 31 March 2006	**1,034,417**
Movement in lease incentives recognised in period	**1,288**
Head lease liability grossed up	**5,577**
At 31 March 2006 – book value	**1,041,282**

Investment properties were not subject to revaluation at 31 March 2006.

15 Trade and other receivables

	31.3.2006	31.3.2005	30.9.2005
	£'000	£'000	£'000
Amounts due from tenants	**6,349**	6,534	7,275
Lease incentives recognised in the Income Statement	**5,596**	6,750	6,883
Due in respect of property disposal	**-**	-	12,100
Other receivables and prepayments	**587**	456	809
	12,532	13,740	27,067

16 Trade and other payables

	31.3.2006	31.3.2005	30.9.2005
Rents invoiced in advance	**10,252**	10,060	10,368
Corporation tax payable	**2,776**	2,508	1,156
Trade payables in respect of capital expenditure	**477**	861	989
Other trade creditors and accruals	**9,898**	7,352	9,234
	23,403	20,781	21,747

17 Borrowings

	Nominal value £'000	**Unamortised premium and issue costs £'000**	**31.3.2006 £'000**	31.3.2005 £'000	30.9.2005 £'000
8.5% First Mortgage Debenture Stock 2024	**119,643**	**6,430**	**126,073**	137,052	126,153
Secured bank loans	**290,162**	**(831)**	**289,331**	209,472	258,279
Finance lease obligations	**5,577**	**-**	**5,577**	-	-
	415,382	**5,599**	**420,981**	346,524	384,432

Notes to the interim results continued

18 Financial instruments	31.3.2006 £'000	31.3.2005 £'000	30.9.2005 £'000
Fair value deficit relating to interest rate hedges	**10,881**	6,134	11,758

There have been no changes in interest rate hedging arrangements during the six months ended 31 March 2006.

The Company's 8.5% First Mortgage Debenture Stock is shown at amortised historical cost in the balance sheet. The fair value of this long term liability, based on market value at 31 March 2006, was £167,275,000, giving rise to a fair value deficit of £41,202,000 before any related tax relief that would arise if this deficit was crystallised.

19 Deferred tax

	31.3.2006 £'000	31.3.2005 £'000	30.9.2005 £'000
At beginning of period	**123,849**	84,311	84,311
Released on transfer of assets to joint venture	**(100)**	-	-
Recognised in Income Statement	**(377)**	787	39,874
Recognised in equity:			
Share based payments	**(877)**	(186)	(336)
At end of period	**122,495**	84,912	123,849
Comprising:			
Revaluation of investment properties	**122,600**	82,400	122,250
Fair value of financial instruments	**(3,264)**	(1,840)	(3,527)
Capital allowances	**4,882**	4,650	4,685
Other timing differences	**(1,723)**	(298)	441
	122,495	84,912	123,849

The deferred tax recognised in respect of gains on the revaluation of investment properties is calculated prior to deducting indexation relief and capital losses which would be available to reduce the chargeable gain which would arise in the event of disposals of investment properties at the values reflected in the financial statements. At 30 September 2005, the date of the last investment property revaluation, the contingent capital gains liability after allowing for indexation relief and capital losses was estimated at £91 million which compares with £122.25 million provided at that date in accordance with IFRS.

20 Equity

	Ordinary shares £'000	Share premium £'000	Share based payments £'000	Retained earnings £'000	**Total £'000**
At 1 October 2005	33,046	119,696	1,217	319,202	**473,161**
Shares issued on exercise of options	62	357	-	-	**419**
Fair value of share based payments	-	-	272	-	**272**
Deferred tax adjusted in equity	-	-	877	-	**877**
Profit for the period	-	-	-	6,819	**6,819**
Dividend paid during the period	-	-	-	(4,351)	**(4,351)**
At 31 March 2006	**33,108**	**120,053**	**2,366**	**321,670**	**477,197**
At 1 October 2004	33,022	119,575	396	226,486	379,479
Shares issued on exercise of options	17	47	-	-	64
Fair value of share based payments	-	-	219	-	219
Deferred tax adjusted in equity	-	-	186	-	186
Profit for the period	-	-	-	5,934	5,934
Dividend paid during the period	-	-	-	(3,823)	(3,823)
At 31 March 2005	33,039	119,622	801	228,597	382,059
At 1 October 2004	33,022	119,575	396	226,486	379,479
Shares issued on exercise of options	24	121	-	-	145
Fair value of share based payments	-	-	485	-	485
Deferred tax adjusted in equity	-	-	336	-	336
Profit for the period	-	-	-	98,777	98,777
Dividends paid during the year	-	-	-	(6,061)	(6,061)
At 30 September 2005	33,046	119,696	1,217	319,202	473,161

Notes to the interim results continued

21 Net assets per share	**31.3.2006 £'000**	31.3.2005 £'000	30.9.2005 £'000
Net assets used for calculation of basic net assets per share	**477,197**	382,059	473,161
Adjusted for:			
Cumulative fair value adjustment in respect of financial instruments	**10,881**	6,134	11,758
Cumulative deferred tax provided in respect of:			
Investment property revaluation gains	**122,600**	82,400	122,250
Financial instruments	**(3,264)**	(1,840)	(3,527)
Adjusted net assets	**607,414**	468,753	603,642
Ordinary shares in issue '000	**132,704**	132,155	132,185
Diluted Ordinary shares '000	**134,333**	132,610	132,830
Net assets per share:			
Basic	**£3.60**	£2.89	£3.58
Diluted	**£3.58**	£2.89	£3.57
Adjusted	**£4.58**	£3.54	£4.56
Adjusted diluted	**£4.55**	£3.54	£4.55

22 Cash flows from operating activities	Six months ended		Year ended
	31.3.2006 £'000	31.3.2005 £'000	30.9.2005 £'000
Operating activities			
Operating profit	**20,462**	19,121	171,821
Adjustment for non-cash items:			
Amortisation of lease incentives	**(569)**	(40)	(173)
Share option expense	**272**	219	485
Depreciation	**73**	48	99
Profit on sale of investment properties	**(683)**	(93)	(4,220)
Investment property valuation movements	**569**	40	(130,004)
Cash flows from operations before changes in working capital	**20,124**	19,295	38,008
Change in trade and other receivables	**1,151**	1,060	(34)
Change in trade and other payables	**66**	348	1,800
Cash flows from operating activities	**21,341**	20,703	39,774

23 Reconciliation of profit reported under UK GAAP to profit under IFRS	Six months ended 31.3.2005 £'000	Year ended 30.9.2005 £'000
Profit after tax for the period reported under UK GAAP	**4,980**	**11,818**
Revaluation surpluses reported in the Income Statement	(40)	130,004
Change in basis of recognition of lease incentives	385	673
Property marketing and letting expenses charged in the Income Statement	(199)	(487)
Share option expense	(219)	(485)
Adjustment to debenture stock amortisation	(69)	(132)
Restatement of loss arising on debenture stock purchase	18	109
Movement in fair value of financial instruments	1,590	(4,034)
Deferred tax adjustments:		
Contingent tax in respect of revaluation surpluses and property disposals	-	(39,850)
Change in basis of recognition of lease incentives	(116)	(202)
Fair value of financial instruments	(477)	1,210
Share option expense	66	146
Debenture stock amortisation	15	7
Profit for the period reported under IFRS	**5,934**	**98,777**

Detailed explanations of these adjustments, and those set out in note 24, were provided in the 2005 Annual Report.

24 Reconciliation of net assets reported under UK GAAP to net assets under IFRS	31.3.2005 £'000	30.9.2005 £'000	30.9.2004 £'000
Net assets reported under UK GAAP	**467,794**	**600,209**	**464,645**
Property marketing and letting expenses charged in the Income Statement	(199)	-	-
Dividend not declared at the balance sheet date	2,240	4,351	3,823
Adjustment to debenture stock amortisation	(1,200)	(1,172)	(1,149)
Recognition of fair value of financial instruments	(6,134)	(11,758)	(7,724)
Deferred tax adjustments arising from:			
Recognition of contingent tax on investment property revaluation surpluses	(82,400)	(122,250)	(82,400)
Change in basis of recognition of lease incentives	(632)	(718)	(516)
Fair value of financial instruments	1,840	3,527	2,317
Share option expense	390	620	138
Debenture stock amortisation	360	352	345
Net assets reported under IFRS	**382,059**	**473,161**	**379,479**

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