

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
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	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
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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.