



Shaftesbury PLC

# Results Presentation

Six months ended 31 March 2011

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# Shaftesbury's strategy

Our strategy is to focus our investment exclusively in London's West End with the objective of delivering growing and sustainable net rental income over the long term, which will underpin growth in our distributions to shareholders and growth in the value of our property assets.

Today our wholly owned holdings in the West End comprise more than 11 acres of freeholds across over 500 buildings extending to over 1.5 million sq.ft. This includes 478,000 sq. ft. of restaurants, bars and leisure space, 397,000 sq. ft. of retail accommodation, 421,000 sq. ft. of offices and 367 apartments over 251,000 sq. ft. The Longmartin Joint Venture, in which we have a 50% interest, owns a 1.9 acre island site in Covent Garden of 215,000 sq. ft. of mixed use commercial space and 55,000 sq. ft. of residential accommodation.

We achieve growth through investing:

- Solely in a location where demand and rents have demonstrated great resilience over many years;
- In local areas and properties within the West End which have, or have potential for, predominantly retail and leisure uses;
- With the objective of creating significantly higher income through change of use and refurbishment, often starting with run down areas and under-managed or dilapidated buildings and where rental levels are initially modest;
- In buildings which offer the flexibility to provide a mix of commercial and residential uses and are less prone to obsolescence;
- To establish clusters of ownerships which allow us to create distinctive destinations, particularly through the management of tenant mix, bringing greater footfall and prosperity;
- Using our forensic knowledge of the areas in which we operate to adapt and manage our assets effectively and intensively;
- In the local environment and community to create safe and welcoming areas for our tenants, their customers and local residents.

# Results highlights

- EPRA adjusted profit before tax £14.0 million, compared with £11.1 million in the first half last year
- EPRA adjusted diluted net asset value £4.36 per share – increase over period of £0.22 per share (5.3%). Increase of £0.27 (6.6%) before dividends of 5.25p
- Interim dividend 5.50p per share (10% increase); total distribution £13.7 million

## Portfolio performance

- Capital value return: +3.2% over the period (IPD Monthly Index: Capital Growth: +1.1%); Group's portfolio less cyclical than wider market and continues to deliver long term out-performance
- Total return: +5.3% over the period (IPD Monthly Index: Total Return: +4.5%)
- Current passing income now £73.5 million, an increase of £5.2 million since 30.9.2010
- Portfolio ERV now £88.7 million (30.9.2010: £83.9 million); reversionary potential of £15.2 million (£10.7 million in the wholly owned Group and £4.5 million in the Longmartin Joint Venture)
- Like-for-like increase in rents receivable of 6% over period (wholly owned Group)
- Tenant demand for all uses remains healthy; West End less affected by UK consumer spending concerns
- Voids continue at historically low levels: 1.4% of wholly owned commercial ERV vacant and available at 31.3.2011
- Considerable activity across the portfolio:
  - St Martin's Courtyard now virtually fully let
  - Acquisitions of £42.0 million during period; further acquisitions being pursued
  - Further schemes throughout the portfolio being progressed

# Financial Review

# Income statement

	31.3.2011	31.3.2010	30.9.2010
	£m	£m	£m
Rents receivable (adjusted for lease incentives):			
Wholly owned Group	34.9	31.5	63.5
Group's share of Longmartin Joint Venture	<u>1.7</u>	<u>0.9</u>	<u>2.2</u>
<b>Total</b>	<b><u>36.6</u></b>	<b><u>32.4</u></b>	<b><u>65.7</u></b>
Property expenses (excluding recoverables):			
Property operating costs	1.8	1.9	3.7
Fees payable to managing agents	0.8	0.8	1.5
Letting, rent review and lease renewal costs	1.4	1.1	2.0
Village promotion costs	<u>0.5</u>	<u>0.5</u>	<u>0.9</u>
<b>Total</b>	<b><u>4.5</u></b>	<b><u>4.3</u></b>	<b><u>8.1</u></b>

Like-for-like rents receivable increased 6% compared with the six months to 31.3.2010

## Income statement (continued)

	31.3.2011 £m	31.3.2010 £m	30.9.2010 £m
Administration expenses	2.8	2.6	5.3
Provision for employee annual bonuses	0.5	0.5	1.2
Charge in respect of equity settled remuneration	0.8	0.5	1.7
<b>Total</b>	<b>4.1</b>	<b>3.6</b>	<b>8.2</b>
Finance costs	14.0	13.4	27.2
<b>EPRA adjusted profit before tax<sup>1</sup></b>	<b>14.0</b>	<b>11.1</b>	<b>22.3</b>
Investment property valuation surplus	49.6	111.3	183.6
Financial derivatives fair value surplus/(deficit)	37.4	-	(34.4)
<b>Taxation</b>			
Adjusted tax charge on EPRA adjusted profit before tax	0.1	0.1	0.1
<b>EPRA adjusted profit after tax<sup>1</sup></b>	<b>13.9</b>	<b>11.0</b>	<b>22.2</b>

Longmartin remains fully taxable

<sup>1</sup>Adjusted as set out in Appendix 1

# Dividends

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	31.3.2011	31.3.2010	30.9.2010
Interim dividend per share	5.50p	5.00p	5.00p
Final dividend per share	-	-	5.25p
Total dividends per share (all PID)	5.50p	5.00p	10.25p
Total distribution	£13.7m	£11.4m	£22.2m

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Expect steady dividend growth fully covered by adjusted annual post tax profit as rental income continues to rise.

# Balance sheet

	31.3.2011	31.3.2010	30.9.2010
Investment properties – at valuation	<b>£1,582.2m</b>	£1,351.8m	£1,481.9m
Valuation surplus	<b>£49.6m</b>	£111.3m	£183.6m
Capital value return	<b>+3.2%</b>	+9.0%	+14.2%
Acquisitions exchanged or completed in period	<b>£42.0m</b>	£19.1m	£65.3m
Capital expenditure - Group	<b>£5.8m</b>	£3.5m	£9.7m
- Longmartin	<b>£2.0m</b>	£8.1m	£12.8m
EPRA adjusted diluted NAV per share <sup>1</sup>	<b>£4.36</b>	£3.83	£4.14
EPRA adjusted NAV Return	<b>+6.6%</b>	+15.8%	+26.5%

<sup>1</sup>Adjusted as set out in Appendix 2

# Finance

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Bank finance providers	Lloyds Banking Group, Nationwide, Clydesdale, GE Real Estate Finance
Current committed facilities	£575 million (no change since 30.9.2010)
Committed undrawn facilities	£169.8 million
Average margin	85bps – based on actual drawings
Weighted average facility maturity	6.8 years (earliest April 2016; latest March 2021)
Security structure	First charge on specific assets (LTV 66 ⅔%) All lenders (including Debenture trustee) have floating charge over all wholly owned Group assets Common covenants
Hedging currently in place	£360 million at 4.87% (excluding margin). Weighted average maturity of swaps 22 years
Longmartin Joint Venture	No external debt; assets not charged
Weighted average interest rate:	
Bank debt	5.25%
All debt (including Debenture)	5.82%
Current marginal cost of additional debt	Circa 1.75%

# Property Review

# Focused portfolio



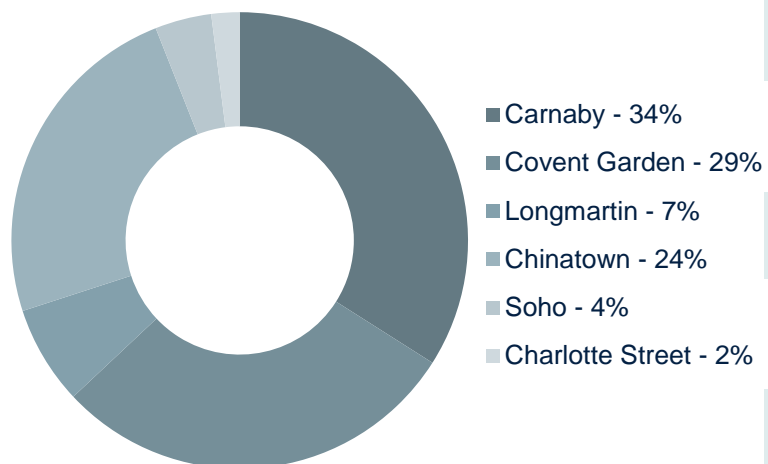
# Current trading

## Occupancy and Vacancies

- Strong demand across our villages for all uses
- Growth in rental values for all uses
- Exceptionally low commercial vacancies at 31.3.2011 of £1.0 million ERV (£0.8 million to let; £0.2 million under offer) – 1.4% of wholly owned ERV
- No wholly owned larger shops (ERV > £100k pa) vacant and ready to let
- Virtually no restaurant space to let (£0.1 million under offer, £0.2 million ready to let)
- Actively seeking opportunities to take back larger shops and any restaurant/leisure space with potential for improvement and rental growth
- Improvement in demand for offices continues
- Residential demand remains good: further conversions underway
- St Martin's Courtyard virtually fully let

# Increase in capital values

Portfolio percentage by capital value



## Capital value return

	31.3.2011	30.9.2010
<b>Carnaby</b> Substantial current and prospective development of larger shops and restaurants	3.7%	12.7%
<b>Covent Garden</b> Greatest mix of uses; more shops than Carnaby; more restaurants than Chinatown	3.8%	13.0%
<b>Longmartin – Group’s share</b> Includes new mixed use Courtyard; virtually fully let on completion	4.0%	39.5%
<b>Chinatown</b> Most central village; longest leases; vacancies rare; little transaction evidence in period	2.0%	13.0%
<b>Soho</b> New district including Berwick Street, which has potential as a local high street - low rents are an opportunity	3.3%	17.0%
<b>Charlotte Street</b> Established restaurant area adjacent to major development activity	2.7%	11.0%
<b>Overall capital value return</b>	<b>3.2%</b>	<b>14.2%</b>

# Initial and equivalent yields at 31 March 2011

	Carnaby	Covent Garden	Chinatown	Wholly Owned Portfolio
Overall Equivalent Yield	% 5.39	% 4.90	% 4.86	% 5.07
Movement since 30.9.2010	0.02	(0.08)	(0.03)	(0.03)
Overall Initial Yield*	4.74	4.50	4.63	4.61
Movement since 30.9.2010	0.05	(0.13)	(0.05)	(0.01)

\*Ignores contractual rent free periods

# Analysis of wholly owned vacant commercial space at 31 March 2011

	Shops	Restaurants and leisure	Offices	Total	Percentage of total commercial ERV
<b>Held for or under refurbishment</b>					
Estimated rental value - £m	1.2	-	0.7	<b>1.9</b>	2.6%
Area - '000 sq. ft.	17	-	15	<b>32</b>	
Number of units	9	-	7		
<b>Available</b>					
Estimated rental value - £m					
Ready to let	0.3	0.2	0.3	<b>0.8</b>	1.1%
Under offer	0.1	0.1	-	<b>0.2</b>	0.3%
	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u><b>1.0</b></u>	1.4%
Area - '000 sq. ft.	7	5	8	<b>20</b>	
Number of units	8	3	9		

## Carnaby – 34% of our portfolio

- Six month period of very low level of vacancies so few open market lettings
- Good demand for shops and restaurants continues – national and international brands
- Maintaining retail mix strategy
- 36/39 Carnaby Street retail and office development progressing well
- Office demand good – rents beginning to increase and incentives decrease
- Resurfacing and pedestrianisation of Kingly Street has been catalyst for improvements in demand, tenant mix and rents
- Progressing further schemes on Kingly Street to improve accommodation
- Pre-application discussions with Westminster City Council for a new development at 22/25 Kingly Street and 14/18 Foubert's Place, to create a mix of retail, restaurant, offices and residential accommodation
- Proposals for upgrading works across the whole of Ganton Street

# Covent Garden (wholly owned) - 29% of our portfolio

## Includes Seven Dials, Coliseum and Opera Quarter

- Good demand for all uses with exceptionally strong demand for restaurants
- £21 million of acquisitions in period (four shops, three restaurants and two office buildings)
- Over 40% of our apartments are in Covent Garden – further residential conversions planned
- Discussing further street improvements with London Borough of Camden and Westminster City Council

## Chinatown – 24% of our portfolio

- Continues to be virtually fully let
- Three restaurants purchased during the period including one vacant restaurant in Lisle Street
- The area is changing and improving:
  - 'W' Hotel on Leicester Square now open
  - St. John Hotel in Leicester Street now open
  - Major public realm improvements to Leicester Square being extended to Lisle Street and Leicester Street

## Soho – 4% of our portfolio

- Total investment now £63 million – 29 shops and restaurants
- Includes Berwick Street and adjacent streets
- £8.2 million of acquisitions in period
- In discussions with Westminster City Council (Kemp House)
- Subject to further acquisitions, potential for public realm improvements
- 5-10 year plan

# Longmartin – 7% of our portfolio

## (50% Joint Venture with The Mercers' Company)

- St Martin's Courtyard now completed and virtually fully let
- As at 31.3.2011 four small shops and five apartments to let (total ERV - £0.7 million)
- Provides a new retail and restaurant mix to complement our Covent Garden strategy
- Principal offices now let (Robert Walters plc, PZ Cussons Plc and Apple)
- When fully occupied at the end of the summer, there will be over 850 people working or living in the Courtyard
- Further 10,000 sq.ft. of un-modernised offices now being refurbished
- Active PR and marketing campaign to promote the Courtyard
- Expect to see good rental growth as this new location becomes established

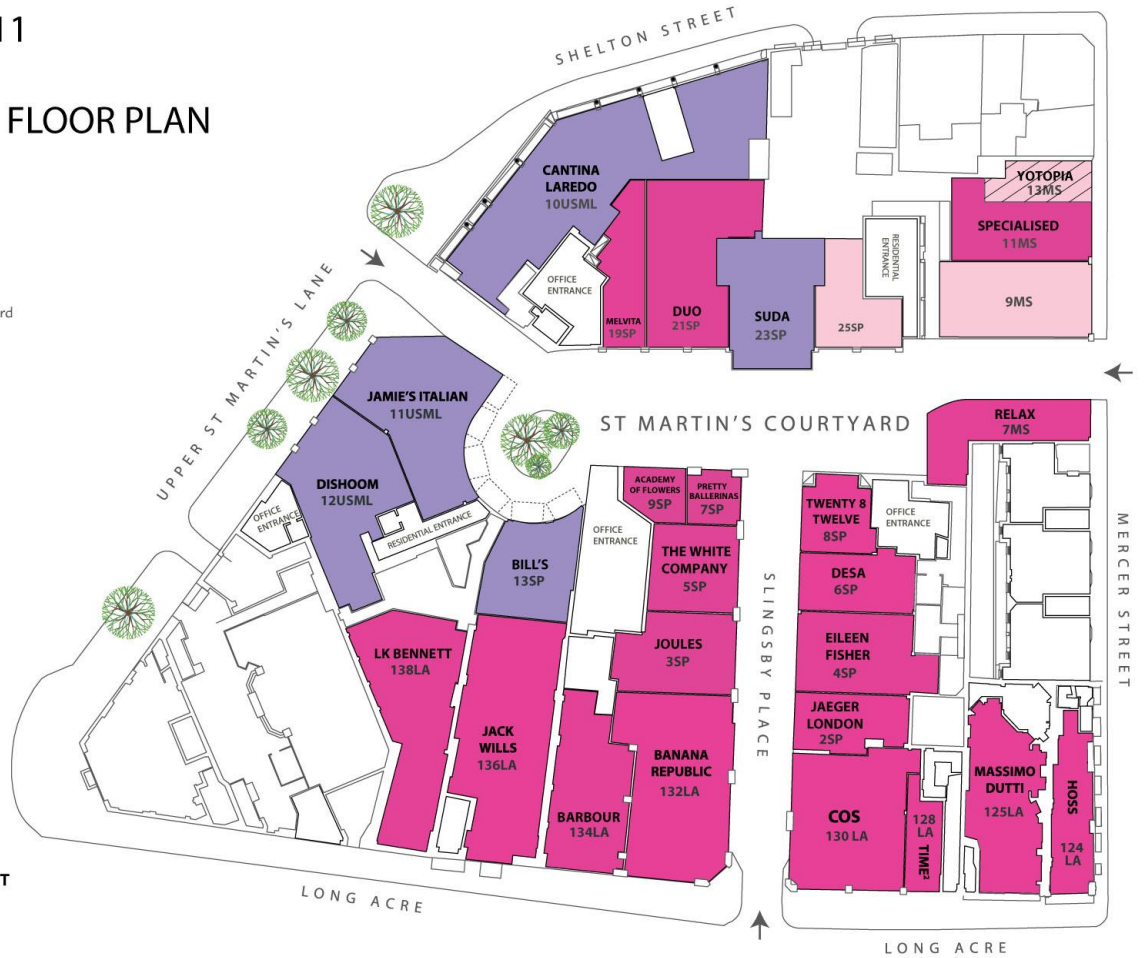
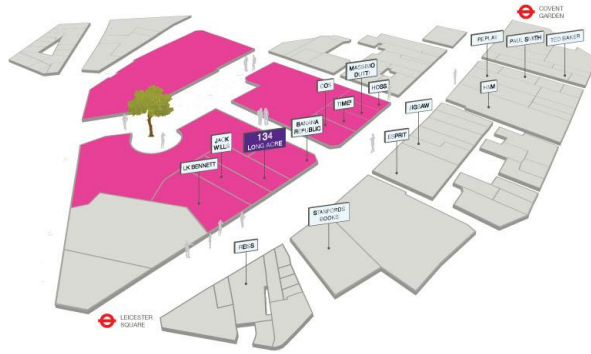
APRIL 2011

# ST MARTIN'S COURTYARD

smartinscourtyard.co.uk

## GROUND FLOOR PLAN

- Key
- Retail signed
  - Retail in discussions
  - Restaurants signed
  - Under Offer
  - Entrance to courtyard



### RETAIL AGENTS

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### RESTAURANT AGENT

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# How we operate

- Small office of 19 administrators (17 staff plus 2 on site) located within 15 minutes walk of all assets; being “on the spot” every day, we can act very quickly
- Regular contact with tenants, local community and shareholders
- Day-to-day property management out-sourced to experienced managing agents
- Advice taken from a wide variety of specialists (planning, licensing, listing buildings, rating, project management)
- Close monitoring of assets, projects and risks (regular weekly, fortnightly and monthly meetings)
- Tight financial controls
- Integral to our strategy is to work with local community and to support a number of charities and initiatives associated with the arts, social issues and community projects.

# Risks

- Concentration of assets in a high profile location with large number of visitors
  - Personal safety, sustained terrorism and security alerts
  - Transport disruption/strikes
  - Food scares/health epidemics
- Economic conditions and financial pressures – impact on our tenants and their customers (but West End continues to be less exposed as this is an international location)

# Challenges

- Identifying new retail and restaurant concepts
- Acquiring more properties in a competitive market with limited supply
- Impact of planning and environmental regulations

# Prospects for Shaftesbury

- Benefits of global publicity for London (Royal Wedding; Olympics; Queen's Diamond Jubilee)
- Continuing strong demand for all uses in our locations
- Substantial committed and unutilised bank finance
- We expect to continue to outperform IPD indices and peers because:
  - Central London's prosperity contributes to success of tenants and demand for new units
  - Only invest in the busiest parts of London's West End
  - Long term rental growth potential of our shops and restaurant/leisure uses (71% of our ERV)
  - Low obsolescence
  - Experienced management with forensic local knowledge

# Appendices

1. EPRA adjusted profits and taxation
2. EPRA adjusted net assets

# Appendix 1

## EPRA adjusted profit and taxation

	Six months ended 31.3.2011			Six months ended 31.3.2010			Year ended 30.9.2010		
	EPRA adjusted profit before tax £m	Tax £m	EPRA adjusted profit after tax £m	EPRA adjusted profit before tax £m	Tax £m	EPRA adjusted profit after tax £m	EPRA adjusted profit before tax £m	Tax £m	EPRA adjusted Profit after tax £m
Reported in the Group Statement of Comprehensive Income	101.0	(0.9)	100.1	122.8	(0.1)	122.7	171.9	(4.8)	167.1
Profit on disposal of properties	-	-	-	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Fair value movements:									
Investment properties	(49.6)	-	(49.6)	(111.3)	-	(111.3)	(183.6)	-	(183.6)
Financial derivatives movement	(37.4)	-	(37.4)	-	-	-	34.4	-	34.4
REIT Conversion charge	-	-	-	-	-	-	-	0.6	0.6
Deferred tax arising on the revaluation of investment properties	-	0.7	0.7	-	-	-	-	4.0	4.0
Deferred tax in respect of capital allowances	-	0.1	0.1	-	-	-	-	0.1	0.1
<b>EPRA adjusted profit after taxation</b>	<b>14.0</b>	<b>(0.1)</b>	<b>13.9</b>	<b>11.1</b>	<b>(0.1)</b>	<b>11.0</b>	<b>22.3</b>	<b>(0.1)</b>	<b>22.2</b>

## Appendix 2

### EPRA adjusted net assets

	31.3.2011 £m	31.3.2010 £m	30.9.2010 £m
Net assets reported in the Group Balance Sheet	<b>1,052.1</b>	829.5	863.7
Adjusted for:			
Fair value adjustment in respect of financial derivatives	<b>43.1</b>	46.1	80.5
Deferred tax arising on the revaluation of investment properties	<b>4.6</b>	-	4.0
Deferred tax in respect of capital allowances	<b>0.4</b>	0.1	0.2
EPRA adjusted net assets	<b>1,100.2</b>	875.7	948.4
EPRA adjusted diluted net asset value per share	<b>£4.36</b>	£3.83	£4.14

## Disclaimer

This presentation contains forward looking statements. Although the Company believes that the estimates and assumptions on which such statements are based are reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Company's control. The Company does not make any representation or warranty that the results anticipated by such forward looking statements will be achieved and this presentation should not be relied upon as a guide to future performance

