

Shaftesbury PLC

# Results Presentation

Year ended 30 September 2009

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## Shaftesbury's Strategy

Clear and focused strategy: to invest only in those districts within the West End of London which have an enduring demand from occupiers and popularity with their customers. London is the world's top city destination for overseas visitors.

The Group currently wholly owns a portfolio of over 450 mixed use buildings with an aggregate area of approximately 1.4 million sq. ft., on land extending to approximately 11 acres. Its Joint Venture with The Mercers' Company in Covent Garden owns 285,000 sq.ft. on an island site of almost 2 acres.

These investments are all close to and part of the World famous cluster of shops, restaurants, theatres, cinemas, galleries, museums and historic sites, which attract large numbers of visitors to London's West End. These districts all have excellent access to a wide choice of public transport both day and night.

We invest in locations close to streets traditionally regarded as prime with the aim of assembling clusters of buildings or villages where we see opportunities to create rental growth. This approach allows us to benefit from active estate management across our villages, including bold projects, changes of use and a close partnership with local authorities to improve and regenerate districts. We have a wide range of unit sizes and uses within our portfolio which provide us with great flexibility in adapting to changing conditions as well as in meeting the needs of tenants.

Implementation of this strategy demands an exceptionally detailed knowledge of our locations, individual properties and potential tenants. We derive considerable expertise and market advantage from working within a few minutes walk of all our investments. Also, we have acquired a specialised and very intricate blend of skills both to regenerate buildings and to create distinctive space with an emphasis on shops and restaurants, which in our villages have historically let well and suffered limited obsolescence.

## Results highlights

- Adjusted diluted net asset value £3.35 per share<sup>1</sup> – reduction over the year ended 30 September 2009 of £0.41 per share equivalent to 8.1%<sup>2</sup>
- Capital Value Return: -3.8% over the year (IPD Monthly Index: Capital Growth: -25.3%)
- Total Return: +0.5% over the year (IPD Monthly Index: Total Return: -19.2%)
- Values recovered in second half of year; revaluation surplus equivalent to 7.1% of 31 March 2009 value plus acquisitions and capital expenditure in the second half.
- Adjusted profit before tax £21.3 million<sup>3</sup>, up 39.2% against last year
- Total distribution this year increased by 41% to £21.0 million. Final dividend 4.75p per share to be paid as a PID (2008 final dividend 6.0p per share). Reduction in per share amount reflects increased number of shares in issue following the Rights Issue.
- Current passing income now £63.4 m, an increase of £3.0 million over the year
- Portfolio ERV now £78.3 million; (2008: £80.2 million) reversionary potential of £14.9 million (of which £5.2 million relates to Longmartin Joint Venture); reduction due to falling office rents
- Tenant demand for shops, restaurants and apartments remains healthy
- Active management of voids: 4.4% of wholly owned portfolio ERV at 30 September 2009 of which 1.1% ready to let and not already under offer.
- Considerable activity across portfolio; St. Martin's Courtyard scheme well advanced and confident that shops and restaurants will be let by the time the Courtyard opens in Summer 2010
- Long-term existing bank facilities totalling £575 million with undrawn facilities of £213.8 million. Low margins and no maturities before April 2016

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

<sup>2</sup> Comparative figures for 2008 adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009

<sup>3</sup> Adjusted as set out in Appendix 2

# Financial Review

# Income Statement

	<b>30.9.2009</b> <b>£million</b>	30.9.2008 £million
Rents receivable (adjusted for lease incentives)	<b>61.7</b>	57.8
Property expenses (excluding recoverables)	<b>7.2</b>	6.5
Interest payable	<b>26.6</b>	30.7
Adjusted profit before tax <sup>1</sup>	<b>21.3</b>	15.3
Profit on disposal of investment properties	<b>0.3</b>	0.3
Investment property valuation deficit	<b>(48.1)</b>	(222.6)
Financial derivatives fair value deficit	<b>(31.6)</b>	(13.9)

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

## Income Statement (continued)

	30.9.2009 £million	30.9.2008 £million
<b>Taxation</b>		
Adjusted tax charge on adjusted profit	0.2	0.4
<b>Adjusted profit after tax<sup>1</sup></b>	<b>21.1</b>	<b>14.9</b>

- Longmartin remains outside of the REIT group and is fully taxable

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

## Dividends

	<b>30.9.2009</b> <b>Pence</b>	<b>30.9.2008</b> <b>Pence</b>
Interim dividend per share	<b>7.50</b>	5.00
Final dividend per share (2009 – payable on enlarged share capital)	<b>4.75</b>	6.00
Total dividends	<b>12.25</b>	11.00
Total Distribution	<b>£21.0 million</b>	£14.9 million

- 2009 Final dividend approximately equates to 7.9p on the pre-Rights Issue share capital
- Longmartin income/interest deficit excluded from PID calculation

# Balance Sheet

	<b>30.9.2009</b>	30.9.2008
Investment properties – at valuation	<b>£1,210.0 m</b>	£1,207.7 m
Valuation deficit	<b>£48.1 m</b>	£222.6 m
Capital Value Return	<b>(3.8)%</b>	(15.6)%
Acquisitions	<b>£29.8 m</b>	£24.4 m
Capital expenditure – Group	<b>£10.3 m</b>	£10.5 m
Longmartin Joint Venture	<b>£10.3 m</b>	£5.1 m
Adjusted diluted NAV per share <sup>1,2</sup>	<b>£3.35</b>	£3.76
NAV Return (adjusted for dividends paid)	<b>(8.1)%</b>	(23.7)%

1 Adjusted as set out in Appendix 1

2 Comparative figures for 2008 adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009

# Cash Flows

## Year ended 30 September 2009

- Debenture and bank borrowings reduced by £95.2 million over the year to £422.2 million
- Rights Issue net proceeds £149.1 million received July 2009
- REIT conversion charge instalments paid: £7.2 million
- Net expenditure on acquisitions £24.7 million; expenditure on refurbishments £21.3 million

## Expenditure commitments over next three years

- Remainder of REIT conversion charge - £11.1 million (by January 2011)
- Longmartin capital expenditure - £15.0 million (by September 2010)
- Regular (average) annual Group capital expenditure – say £10.0 million per annum (excluding acquisitions)

## Finance

Bank finance providers	Lloyds Banking Group (Lloyds and HBoS), Nationwide, Clydesdale, GE Real Estate Finance
Current committed facilities	£575 million
Changes since 30 September 2008	Net £50 million added
Committed undrawn facilities	£213.8 million
Average margin	71 bps (30.9.2008: 67 bps) – based on actual drawings (81 bps if all facilities fully drawn)
Weighted average facility maturity	7.6 years (earliest April 2016; latest March 2021)
Security structure	First charge on specific assets (LTV 66 $\frac{2}{3}$ %) All lenders (including Debenture trustee) have floating charge over all wholly owned Group assets Common covenants
Hedging currently in place	£360 million at 4.71% (excluding margin) rising to 4.87% in December 2009. All bank debt virtually fully hedged following Rights Issue. Weighted average maturity of swaps 23.4 years
Longmartin Joint Venture	No external debt
Weighted average interest rate (all debt as at 30.9.2009)	5.78%
Current marginal cost of additional debt	>1.5%

# Covenants and headroom

## Covenant summary

Loan to value	66 ⅔% on first charged assets within each secured facility (Group LTV at 30.9.2009: 35%)
Income	Group net rental income to cover Group net interest by 150% (year ended 30.9.2009: 206%)
Borrowings	Borrowings not to exceed 175% of shareholders' funds (30.9.2009: 55%)
Position once limits reached	Banks still have 50% more income than is needed to service Group debt Banks still have charge over assets with 50% more value than Group debt

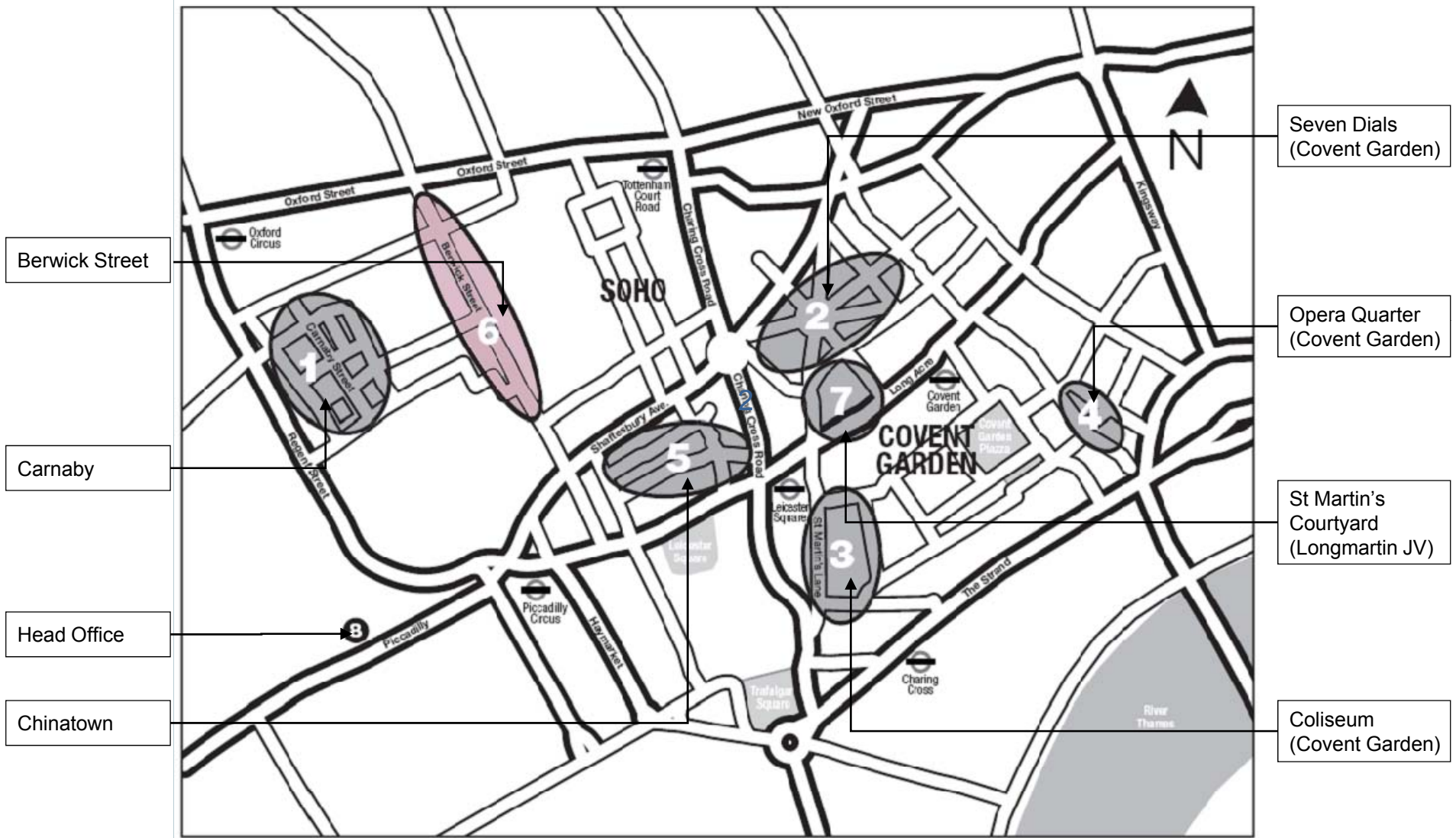
## Headroom

Headroom as at 30 September 2009

	Limit	As at 30.9.09	Devaluation margin
LTV	<66 ⅔%	35%	43%
ICR	>150%	206%	27%
Gearing	<175%	55%	43%

# Property Review

# Focused portfolio



Shaftesbury PLC

# Current trading

## Occupancy

- Resilient tenant demand in London's West End
  - Overall occupancy levels and demand remain firm and have been consistent since 2005
  - Reduced demand for offices partially offset by alternative uses
- ERV of voids £3.2 million, 4.4% of total ERV at 30 September 2009 (£2.6 million at 25 November 2009)
- Rents receivable from properties increased 6.7% to £61.7 million (like-for-like increase in rents invoiced 3.9%)

## Estimated Rental Value

- Wholly owned property portfolio ERV £71.9 million at 30 September 2009 compared with current gross rents of £62.2 million at 30 September 2009. Reversionary potential £9.7 million (2008: £13.9 million)
- ERVs of shops and restaurants have remained firm throughout the downturn; some streets showing ERV growth

## Decline in capital values

	Portfolio Percentage By Capital Value	Capital Value Return	
		Year ended 30 September 2009	Year ended 30 September 2008
<b>Carnaby</b> Substantial but un-contracted reversions and comparatively high office content	37%	-3.4%	-17%
<b>Covent Garden</b> Village with greatest mix of uses	27%	-2.3%	-16%
<b>Chinatown</b> Long leases on restaurants – 59% of income; only 7% offices	26%	-1.6%	-11%
<b>Berwick Street</b> New area; 46% offices; run down condition	3%	-10.8%	-
<b>Charlotte Street</b>	2%	-4.4%	16%
<b>Longmartin – Group's share</b> Speculative development	5%	-18.4%	-21%
<b>Capital Value Return</b>		-3.8%	-15.6%

Note: Valuers' statement on unique characteristics of portfolio which may not be fully reflected in valuation

## Initial and equivalent yields at 30 September 2009 and changes in year

	<b>Carnaby</b>	<b>Covent Garden</b>	<b>Chinatown</b>	<b>Wholly Owned Portfolio</b>
Overall Equivalent Yield	5.73%	5.6%	5.46%	5.62%
<i>Change since 30.9.2008</i>	-0.12%	-0.03%	+0.08%	-0.03%
Overall Initial Yield	4.77%	5.19%	4.9%	4.92%
<i>Change since 30.9.2008</i>	+0.18%	+0.43%	+0.18%	+0.24%

## Wholly owned vacant commercial space at 30 September 2009 and 25 November 2009

At 30.9.2009	Shops	Restaurants	Offices	Total
Total	£1.6 m	£0.3 m	£1.3 m	£3.2 m
Number of units	21	2	38	-
Area sq.ft.	25,000	3,000	42,000	70,000

At 25.11.2009	Shops	Restaurants	Offices	Total
Total	£1.7 m	£0.1 m	£0.8 m	£2.6 m
Number of units	23	1	21	-
Area sq.ft.	27,000	1,000	24,000	52,000

Notes: 1. Annual lettings in total and for each commercial use have been similar for past 3 years

2. At 25.11.09 part of the (£0.5m) fall in office vacancies is the end result of change of use principally to residential use since year end

3. At 25.11.2009, 36 residential units under conversion (30.9.2009: 27)

4. At 25.11.2009 £0.9 million pa ready to let and not under offer (30.9.2009: £1.1 million pa)

## Tenant summary (excluding Joint Venture)

		Number	Average rent per tenancy
Number of tenancies	Commercial	800	£70,750 pa
	Residential	<u>310</u>	£18,000pa
	Total	<u>1,110</u>	

Total rents from largest 50 commercial tenants £21.1 million – 34% of current passing income.

Rents range from £1.2 million p.a. to £0.25 million p.a.

Comprising	Number	Total rent	
Retailers	26	£10.8 m (av. £415,000 pa)	51%
Restaurants	18	£7.5 m (av. £417,000 pa)	36%
Office Tenants	<u>06</u>	<u>£ 2.8 m</u> (av. £466,000 pa)	<u>13%</u>
	<u>50</u>	<u>£21.1 m</u>	<u>100%</u>

## Carnaby – 37% of our Portfolio

- 43% of our shops
- Top retail units (ITZA) c. £370 per sq.ft.
- Wide range of shop sizes and rentals across 12 streets gives great choice for retailers
- 13 of our 20 largest tenants are in Carnaby
- Internationally renowned reputation – a great place to be day and night
- Experimental concepts encouraged with flexible terms can lead to permanent representation
- Several new opportunities for regeneration in 2010/2011 in parts of Carnaby Street and Kingly Street
- 58% of Group's offices. Recent increase in office lettings and conversions to residential

## **Covent Garden (wholly owned) - 27% of our Portfolio**

### **Includes Seven Dials, Coliseum and Opera Quarter**

- Unique market atmosphere and heritage period buildings. Centre for opera and theatre
- Retail rental levels (ITZA) of our shops – Monmouth Street £187; Neal’s Yard £135; Neal Street £275/365 - all modest when compared with James Street (£600) and Long Acre (£450)
- All space virtually fully let
- Seven Dials – “secret village” – eclectic and alternative; will benefit further from nearby development
- Opera Quarter – 11 refurbishments since 2005. More planned in 2010
- Equal amounts of offices (15%) and residential (14%). A very popular place in which to live. More conversions are planned in 2010

## Chinatown – 26% of our Portfolio

- The most centrally located restaurant and leisure quarter for West End theatres and cinemas
- We encourage new businesses and concepts from China and East Asia. This increases choice and introduces new concepts and cultures
- Historically virtually fully let
- New acquisitions this year of properties owned for many years by vendors
- Priority in 2010 to persuade Westminster City Council to improve Wardour Street and also improve visibility from Leicester Square (Chinese Gate)

## Berwick Street Soho – 3% of our Portfolio

- Soho's local high street with a traditional street market – very central but has lacked investment for many years
- A priority area for Westminster City Council
- Intend to assemble ownership in and around Berwick Street over the long term
- Streets are congested and unimproved so rents are low

## Longmartin - 50% Joint Venture with The Mercers' Company

- Exciting mixed use St. Martin's Courtyard scheme well advanced and due for completion in phases from February to July 2010
- 50% of the 23 shops and 65% of the restaurants by rental value are either let or under offer
- Three individual high quality office buildings in a unique Courtyard setting
- Our share of potential income from St. Martin's Courtyard - £5.1 m (9% of Group's ERV)
- Adjacent properties should benefit from completion of Courtyard as well as from phased refurbishment

## How we operate

- Small office of 19 administrators (17 staff plus 2 on site) located within 10 minutes walk of all assets
- Day-to-day property management out-sourced to experienced managing agents
- Advice taken from a wide variety of specialists (planning, licensing, rating, project management)
- On-site every day. Always available at short notice to see shareholders, tenants and other stakeholders
- Close monitoring of assets, projects and risks (regular weekly, fortnightly and monthly meetings)
- Tight financial controls
- Four very experienced non-executive Directors
- Careful appraisal of opportunities and risks, then ability to act quickly

## Risks and challenges

- Personal safety, sustained terrorism and security alerts
- Transport disruption/strikes
- Food scares/health epidemics
- Economic downturn and financial pressures – impact on our tenants and their customers
- Rising yields lead to falling values
- Identifying new retail and restaurant concepts
- Longmartin development – a speculative scheme
- Impact of Planning and Environmental Regulations

# Prospects for Shaftesbury in 2010

Continuing strong demand for all uses in our locations

Increased supply of properties to buy in a competitive market

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
- Experienced management with detailed local knowledge
- Substantial committed and unutilised bank finance

# Appendices

1. Adjusted net assets
2. Adjusted profits and taxation
3. Overall portfolio statistics

## Appendix 1

### Adjusted net assets

	<b>30.9.2009</b> <b>£million</b>	30.9.2008 £million
Net assets reported in the Group Balance Sheet	<b>717.3</b>	642.3
Adjusted for:		
Fair value adjustment in respect of financial derivatives	<b>46.1</b>	14.6
Adjusted net assets	<b>763.4</b>	656.9
Adjusted diluted net asset value per share	<b>£3.35</b>	<sup>1</sup> £3.76

<sup>1</sup> Adjusted for the bonus element inherent in the Rights Issue approved by shareholders on 5 June 2009

## Appendix 2

### Adjusted profits and taxation

£ million	Year ended 30.9.2009			Year ended 30.9.2008		
	(Loss)/ profit before tax	Tax	(Loss) profit after tax	(Loss)/profit before tax	Tax Charge(credit)	(Loss)/profit after tax
Reported in the Income Statement	(58.1)	0.3	(58.4)	(220.9)	(4.8)	(216.1)
Profit on disposal of properties	(0.3)	-	(0.3)	(0.3)	-	(0.3)
Fair value movements:				222.6		
Investment properties	48.1	-	48.1	13.9	5.3	217.3
Financial derivatives	31.6	-	31.6	-	-	13.9
REIT Conversion charge				-	(0.1)	(0.1)
Deferred tax released on REIT conversion	-	(0.1)	0.1	15.3	-	-
Adjusted	<u>21.3</u>	<u>0.2</u>	<u>21.1</u>		<u>(0.4)</u>	<u>14.9</u>

## Asset portfolio – yields

(£million)	Carnaby	Covent Garden	Chinatown	Berwick Street	Charlotte Street	Wholly Owned Portfolio	Longmartin <sup>1,2</sup>	Total Portfolio
<b>Market value</b>	£442.8	£327.7	£319.5	£33.2	£23.0	1,146.2	£63.8	£1,210.0
<b>% of total market value</b>	37%	27%	26%	3%	2%	95%	5%	100%
<b>Current gross income</b>	£23.8	£18.7	£16.7	£1.7	£1.3	£62.2	£1.2	£63.4
<b>Estimated rental value</b>	28.8	£20.9	£18.6	£2.2	£1.4	£71.9	£6.4	£78.3
<b>Overall initial yield<sup>3</sup></b>	4.77%	5.19%	4.90%	4.37%	5.04%	4.92%	4.07% <sup>4</sup>	
<b>Overall equivalent yield</b>	5.73%	5.60%	5.46%	5.94%	5.44%	5.62%	5.70% <sup>4</sup>	

1 The statistics for the Longmartin Joint Venture include space under construction at St. Martin's Courtyard and adjoining properties

2 The Group's share

3 Calculation ignores contracted rent in respect of leases subject to rent free periods at the valuation date

4 Includes unmodernised property only

## 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