

Shaftesbury PLC

# Results Presentation

Six months ended 31 March 2010

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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 267,000 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 £3.83 per share – increase over the six months ended 31 March 2010 of £0.48 per share (+ 14.3%)
- Capital Value Return: +9.0% over the year (IPD Monthly Index: Capital Growth: +11.6%); Group's portfolio less cyclical than wider market and continues to deliver long term out-performance
- Total Return: +11.3% over the year (IPD Monthly Index: Total Return: +15.7%)
- Adjusted profit before tax £11.1 million, compared with £11.3 million last year
- Interim dividend 5.0p per share - total distribution £11.3 million (31.3.2009: 7.5p - total distribution £10.2 million)
- Current passing income now £64.2 million per annum, an increase of £0.8 million over the six months
- Portfolio ERV now £80.1 million (30.9.2009: £78.3 million); reversionary potential of £15.9 million (£10.7 million in the wholly owned group and £5.2 million in the Longmartin Joint Venture) an increase of £1.0 million (6.7%) over the period
- Tenant demand for all uses remains healthy
- Historically low levels of voids: 3.7% of wholly owned portfolio ERV at 31 March 2010 of which 1.2% ready to let and not already under offer
- Considerable activity across portfolio; St Martin's Courtyard scheme well advanced and commercial uses 60% let or pre-let at 31.3.2010
- Long-term existing bank facilities totalling £575 million with undrawn facilities of £182 million. Low margins and no maturities before April 2016

# Financial Review

# Income Statement

	<b>31.3.2010</b> £million	31.3.2009 £million	30.9.2009 £million
Rents receivable (adjusted for lease incentives)	<b>32.4</b>	30.4	61.7
Property expenses (excluding recoverables)	<b>4.3</b>	3.2	7.2
Administration expenses	<b>2.6</b>	2.6	5.0
Charge for employee bonuses	<b>0.5</b>	-	1.1
Charge in respect of equity settled remuneration	<b><u>0.5</u></b>	<u>0.2</u>	<u>0.7</u>
Total	<b><u>3.6</u></b>	<u>2.8</u>	<u>6.8</u>
Interest payable	<b>13.4</b>	13.2	26.6
Adjusted profit before tax <sup>1</sup>	<b>11.1</b>	11.3	21.3
Profit on disposal of investment properties	<b>0.4</b>	-	0.3
Investment property valuation surplus/(deficit)	<b>111.3</b>	(123.5)	(48.1)
Movement in financial derivatives fair value deficit	<b>-</b>	(47.6)	(31.6)

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

## Income Statement (continued)

	<b>31.3.2010</b> £million	31.3.2009 £million	30.9.2009 £million
<b>Taxation</b>			
Adjusted tax charge on adjusted profit	<b>0.1</b>	0.1	0.2
<b>Adjusted profit after tax<sup>1</sup></b>	<b>11.0</b>	11.2	21.1

- Longmartin remains fully taxable

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

# Dividends

	<b>31.3.2010</b> Pence	31.3.2009 Pence	30.9.2009 Pence
Interim dividend per share	<b>5.00</b>	*7.50	*7.50
Final dividend per share	-	-	4.75
Total dividends	<b>5.00</b>	7.50	12.25
Total distribution	<b>£11.3 million</b>	£10.2 million	£21.0 million

\* Based on pre-Rights Issue share capital



# Cash Flows

## Half year ended 31.3.2010

- Secured borrowings increased by £31.8 million to £454.0 million
- Two REIT conversion charge instalments paid: £3.7 million
- Cash expenditure on acquisitions £22.8 million, expenditure on refurbishments £11.2 million

# Finance

Bank finance providers	Lloyds Banking Group (Lloyds and BoS), Nationwide, Clydesdale, GE Real Estate Finance
Current committed facilities	£575 million (no change since 30.9.2009)
Committed undrawn facilities at 31.3.2010	£182 million
Average margin	80 bps – based on actual drawings
Weighted average facility maturity	7.1 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 23 years
Longmartin Joint Venture	No external debt
Weighted average interest rate (all debt as at 31.3.2010)	5.68%
Current marginal cost of additional debt	>1.5%

# Covenants and headroom

## Covenant summary

**Income**            Group net rental income to cover Group net interest by 150% (six months ended 31.3.2010: 210%)

**Loan to value**    66 ⅔% on first charged assets within each secured facility (Group LTV at 31.3.2010: 31%)

**Borrowings**      Borrowings not to exceed 175% of shareholders' funds (31.3.2010: 52%)

**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

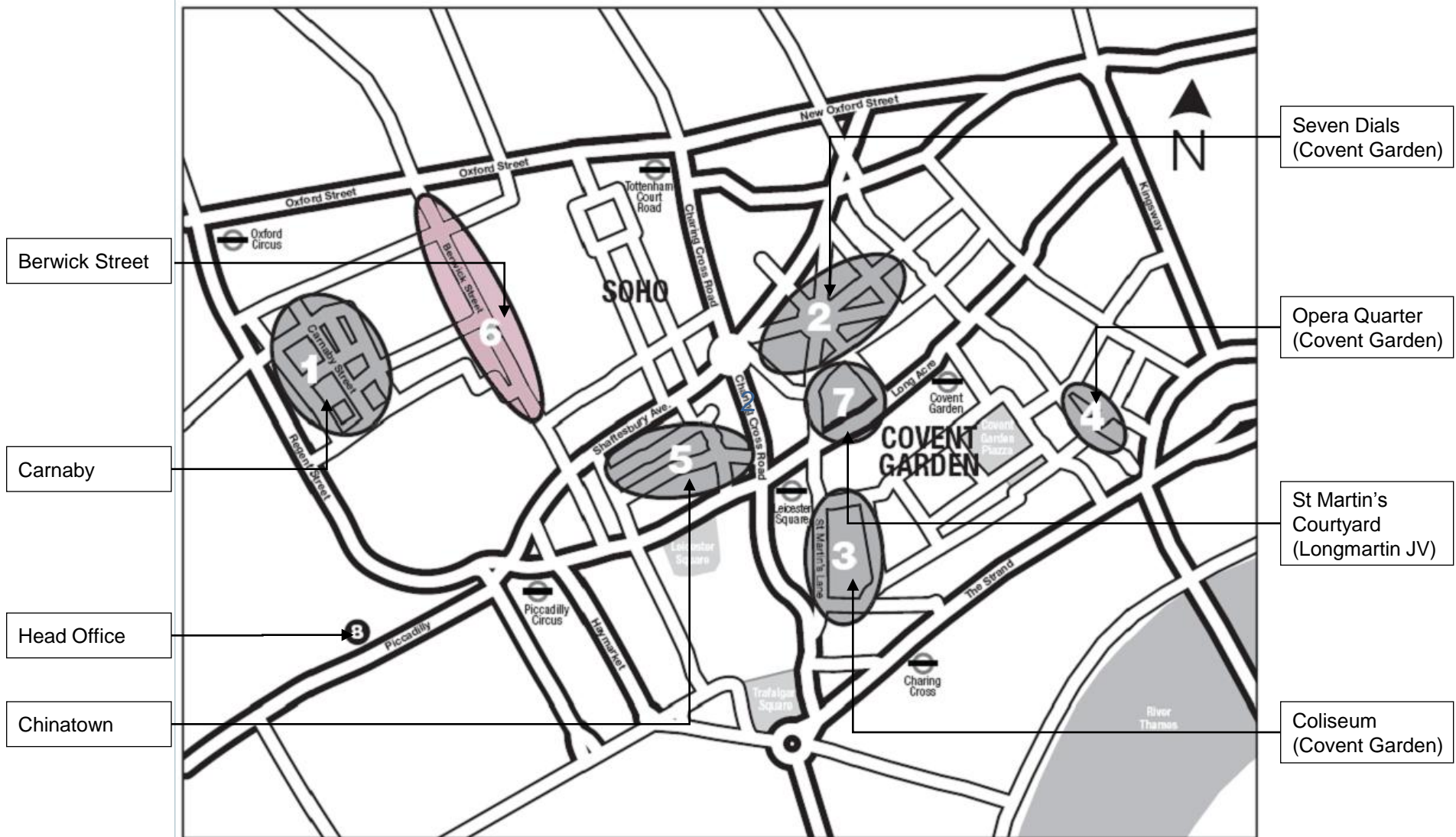
## Headroom

Headroom as at 31 March 2010

	Limit	As at 31.3.2010	Devaluation margin
ICR	>150%	210%	29%
LTV	<66⅔%	31%	45%
Gearing	<175%	52%	45%

# Property Review

# Focused portfolio



# Current trading

## Occupancy and Vacancies

- Healthy demand across our villages for all uses.
  - Overall occupancy levels and demand remain firm and have been consistent since 2005
  - Improved demand for offices. Smaller and poorer space frequently converted to other uses (principally apartments)
- ERV of wholly owned voids £2.7 million (3.7% of total ERV) at 31 March 2010, of which £0.9 million was ready to let and not already under offer.
- No wholly owned restaurants or catering space available to let
- Residential vacancies nominal (1%); 30 new apartments being converted
- Over 60% of St Martin's Courtyard let in advance of completion this autumn. Courtyard shops now being marketed – strong interest from variety of potential tenants.

## Estimated Rental Value

- Portfolio ERV £80.1 million at 31 March 2010 compared with current gross income £64.2 million. Revisionary potential £15.9 million (30 September 2009; £14.9 million) : 25% above current contracted rents
- Growth in ERVs of all uses

# Increase in capital values

	Portfolio Percentage By Capital Value	Capital Value Return	
		Six months ended 31 March 2010	Year ended 30 September 2009
<b>Carnaby</b> Substantial but un-contracted reversions and comparatively high office content	36%	7.7%	-3.4%
<b>Covent Garden</b> Village with greatest mix of uses	27%	9.1%	-2.3%
<b>Chinatown</b> Long leases on restaurants – 59% of income; only 7% offices	26%	8.3%	-1.6%
<b>Berwick Street</b> Improvements to recent unmodernised acquisitions	3%	7.7%	-10.8%
<b>Charlotte Street</b> Further acquisitions	2%	6.3%	-4.4%
<b>Longmartin – Group’s share</b> Letting and pre-letting of speculative development	6%	21.3%	-18.4%
<b>Overall Capital Value Return</b>		9.0%	-3.8%

Note: Valuers’ statement at year end on unique characteristics of portfolio which may not be fully reflected in valuation

# Initial and equivalent yields at 31 March 2010

	<b>Carnaby</b>	<b>Covent Garden</b>	<b>Chinatown</b>	<b>Wholly Owned Portfolio</b>
Overall Equivalent Yield	5.33%	5.14%	5.07%	5.20%
<i>Change since 30.9.2008</i>	<i>-0.40%</i>	<i>-0.46%</i>	<i>-0.39%</i>	<i>-0.42%</i>
Overall Initial Yield*	4.75%	4.79%	4.89%	4.79%
<i>Change since 30.9.2009</i>	<i>-0.17%</i>	<i>-0.50%</i>	<i>-0.13%</i>	<i>-0.26%</i>

\*Ignores contractual rent free periods

# Analysis of wholly owned vacant commercial space at 31 March 2010

Estimated Rental Value	Shops £m		Restaurants and Leisure £m		Offices £m		Total £m	
	31.3.2010	30.9.2009	31.3.2010	30.9.2009	31.3.2010	30.9.2009	31.3.2010	30.9.2009
Under refurbishment	0.8	0.5	0.1	-	0.4	0.6	1.3	1.1
Ready to let	0.8	0.5	-	0.1	0.1	0.5	0.9	1.1
Under offer	0.1	0.6	0.3	0.2	0.1	0.2	0.5	1.0
<b>TOTAL</b>	<b>1.7</b>	<b>1.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>1.3</b>	<b>2.7</b>	<b>3.2</b>
Area - '000 sq. ft.	<b>30</b>	25	<b>10</b>	3	<b>24</b>	42	<b>64</b>	70
Number of units	<b>24</b>	21	<b>6</b>	2	<b>22</b>	38	-	-

Notes: 1. Total lettings for each commercial use have been similar for the past four years

2. Total ERV of wholly owned commercial voids at 31 March 2010 was £2.7 million (3.7% of ERV). Of this £0.9 million is ready to let and not under offer. (£0.8 million retail; £0.1 million offices)

3. 12,000 sq. ft of vacant commercial space ( 22% of vacant retail and office space) held for imminent development

4. At 31 March 2010, 30 residential units were under construction (ERV on completion £0.6 million)

## Tenant summary (excluding Joint Venture)

		Number	Average rent per tenancy
Number of tenancies	Commercial	838	£68,000 pa
	Residential	308	£18,000 pa
	Total	<u>1,146</u>	

### Largest 50 tenants

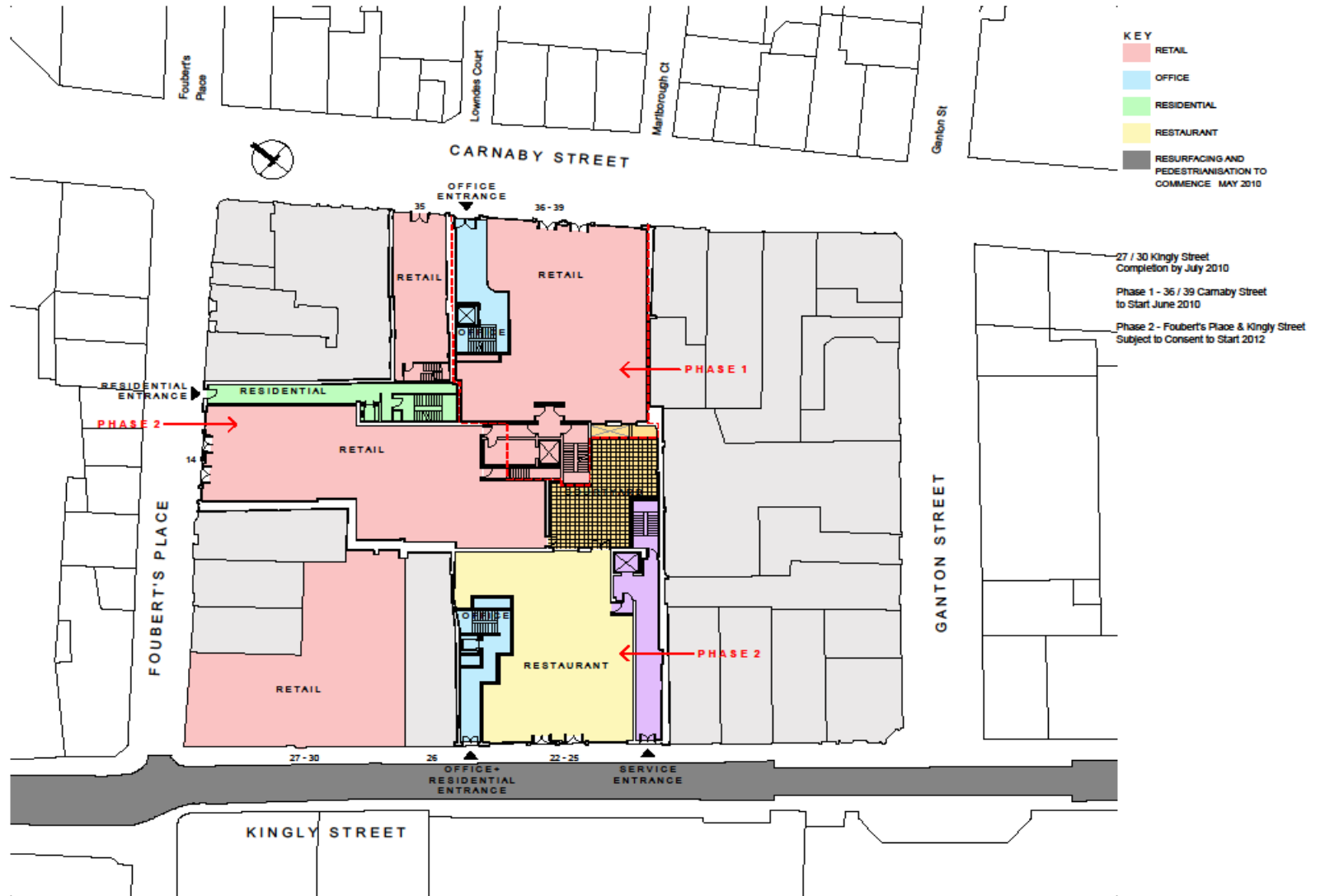
Rents from largest 50 tenants total £21.4 million equivalent to 34% of current passing income.

Largest 50 tenants range from £1.2 million to £0.25 million and comprise:

	Number	Total rent £m	%	Average rent £'000
Retailers	21	9.3	43	415
Restaurateurs	22	8.6	41	417
Office tenants	<u>7</u>	<u>3.5</u>	<u>16</u>	466
	<u>50</u>	<u>21.4</u>	<u>100</u>	

## Carnaby – 35% of our Portfolio

- 41% of our shops and two thirds of our larger shops
- Wide range of shop sizes and rentals across 12 streets gives great choice for retailers and opportunities for us to create distinctive areas (i.e. Newburgh Quarter, Kingly Court)
- Top retail units (ITZA) c. £380 per sq. ft. (30.9.2009: £370)
- Internationally renowned reputation – a great place to be day and night
- Experimental concepts encouraged with flexible terms can lead to permanent representation
- Resurfacing and pedestrianisation of Kingly Street by Westminster City Council has started
- Several new projects under way – 27/30 Kingly Street, 36/39 Carnaby Street. More planned especially in Foubert's Place and also in Kingly Street following pedestrianisation
- Offices – good demand



CARNABY STREET

GROUND FLOOR

4775  
 MAY 2010

Ref: 11/0710 Carnaby place@architecturaldesign - 10000  
 © Carnaby Street Ltd

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## 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, Neal’s Yard, Neal Street, - all modest when compared with James Street (£550) and Long Acre (£424)
- All space virtually fully let
- Restaurants – new concepts
- Seven Dials – “secret village” – eclectic and alternative; will benefit further from nearby developments to north and south
- Opera Quarter – Established as a sought after restaurant and leisure district adjacent to seven theatres and some large hotels
- Largest residential cluster (14%) in our portfolio. A very popular place in which to live. 17 of our 30 conversions to apartments are in Covent Garden. Capital values in Covent Garden are still relatively modest.

## Chinatown – 26% of our Portfolio

- The most centrally located restaurant and leisure quarter for West End theatres and cinemas
- Historically virtually fully let. Has shown consistent growth and outperformance for over 20 years. A Special Policy Area with its own Design Strategy – which helps us to initiate changes
- We encourage new businesses and concepts from China and East Asia. This increases choice and introduces new concepts and cultures
- Resurfacing of southern part of Wardour Street to be complete by July 2010 and is expected to lead to pedestrianisation. This is Chinatown's primary entrance
- Planning consent obtained for a new Chinese Gate on Wardour Street
- Leicester Square - major investment by Westminster City Council ahead of 2012

## Berwick Street Soho – 3% of our Portfolio

- Soho's local high street with a traditional street market – very central but “run down” as it has lacked investment for many years
- Streets are congested and unimproved so rents are low
- A priority area for Westminster City Council
- Intend to assemble ownership in and around Berwick Street over the long term (5-10 years)

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

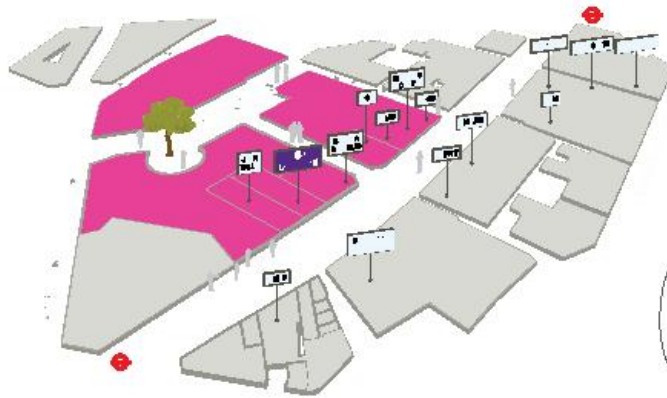
- Exciting mixed use St Martin's Courtyard scheme well advanced and due for completion by Autumn 2010
- Commercial element of scheme includes 22 shops (68,000 sq. ft.) five restaurants (29,000 sq. ft.) and 69,000 sq. ft. of offices in four buildings
- Over 60% of rental value of shops, restaurants and offices have been pre-let. Further letting on Long Acre since 31 March 2010
- Our share of potential income from St Martin's Courtyard - £5.1 million when fully let
- Lively interest in Courtyard units from a variety of businesses (fourteen shops and two restaurants)
- Adjacent properties should benefit from completion of Courtyard as well as from phased refurbishment

MAY 2010

## GROUND FLOOR PLAN

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

ST  
MARTIN'S  
COURTYARD  
stmartincourtyard.co.uk



# How we operate

- Small office of 18 administrators (16 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
- Six experienced non-executive Directors including two with extensive retail and fashion experience
- 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; 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 catering/leisure uses (72% of our ERV)
  - Experienced management with detailed local knowledge

# Appendices

1. Adjusted net assets
2. Adjusted profits and taxation

# Appendix 1

## Adjusted net assets

	<b>31.3.2010</b> <b>£ million</b>	31.3.2009 £ million	30.9.2009 £ million
Net assets reported in the Group Balance Sheet	<b>829.5</b>	474.6	717.3
Adjusted for:			
Fair value adjustment in respect of financial derivatives	<b>46.1</b>	62.1	46.1
Adjusted net assets	<b>875.6</b>	536.7	763.4
Adjusted diluted net asset value per share	<b>£3.83</b>	<sup>1</sup> £3.06	£3.35

<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	Six months ended 31.3.2010			Six months ended 31.3.2009			Year ended 30.9.2009		
	Adjusted (Loss)/profit before tax	Tax	Adjusted (Loss)/profit after tax	Adjusted (Loss)/Profit before tax	Tax	Adjusted (Loss)/Profit after tax	Adjusted (Loss)/Profit before tax	Tax	Adjusted (Loss)/Profit after tax
Reported in the Income Statement	122.8	0.1	122.7	(159.8)	0.1	(159.9)	(58.1)	0.3	(58.4)
Profit on disposal of properties	(0.4)	-	(0.4)	-	-	-	(0.3)	-	(0.3)
Fair value movements:									
Investment properties	(111.3)	-	(111.3)	123.5	-	123.5	48.1	-	48.1
Financial derivatives	-	-	-	47.6	-	47.6	31.6	-	31.6
REIT Conversion charge	-	-	-	-	-	-	-	(0.1)	(0.1)
	<u>11.1</u>	<u>0.1</u>	<u>11.0</u>	<u>11.3</u>	<u>0.1</u>	<u>11.2</u>	<u>21.3</u>	<u>0.2</u>	<u>21.1</u>

## Disclaimer

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