

# Year End Presentation

June 2007

# Preliminary Results 2007

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Overview

Philip Warner

Financials

Peter Collins

Property

Michael Stevens

# Financial Highlights

	2007	2006
Adjusted NAV		
After REIT charges & refinancing	<b>800p</b>	721p
Before REIT charges & refinancing	<b>846p</b>	721p
Recurring pre tax profit	<b>£18.1m</b>	£15.9m
Recurring earnings per share	<b>30.5p</b>	22.9p
Dividend*	<b>21.0p</b>	19.5p
Total return	<b>18.2%</b>	31.2%
Total return adjusted for one off item	<b>21.4%</b>	24.7%

**\* 36 years of successive dividend growth**

# Business Highlights

	<b>March 2007</b>	March 2006
Property under management	<b>£3.2bn</b>	£2.5bn
Commercial rent roll	<b>£175m</b>	£152m

Converted to a REIT on 1<sup>st</sup> April 2007

JSRE acquisition - £130m of property acquired

More than £100m increase in Greater London Offices

The growth of AIF & Apia funds to £1.8bn

# Business Overview

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## Property Investment and Other Income

Property £0.5bn

Fund Investment £0.1bn

Joint Ventures £0.15bn

## Managed Joint Ventures

Shopping centres £0.6bn

Distribution £0.3bn

Greater London offices £0.1bn

## Managed Funds

Ashtenne Industrial £1.3bn

Apia Regional Offices £0.5bn

**Development pipeline across portfolio 1.4m sq ft + 240 acres**

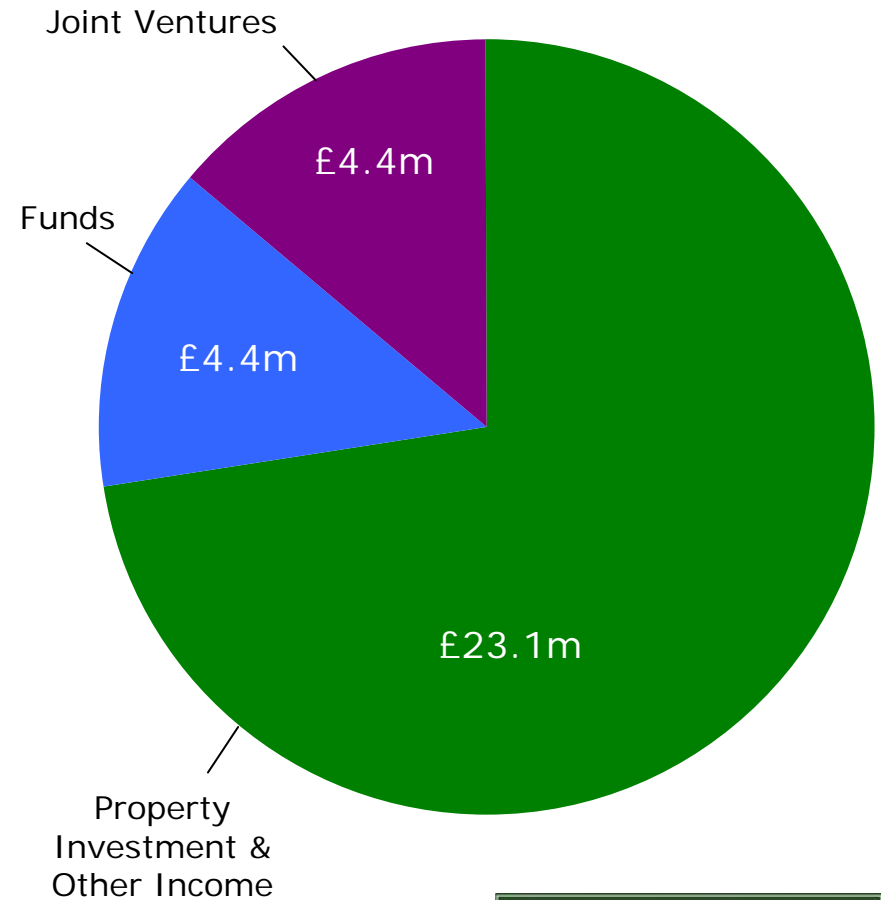
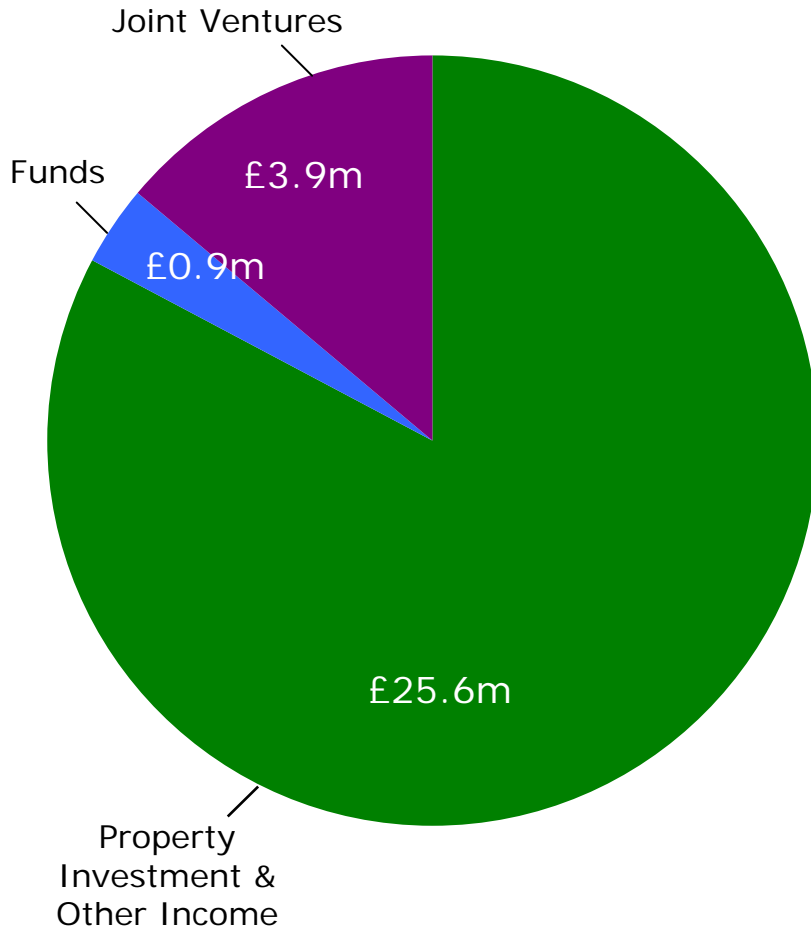
# Business Overview

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Pro forma revenue breakdown by business activity

2006

2007



# Finance Report

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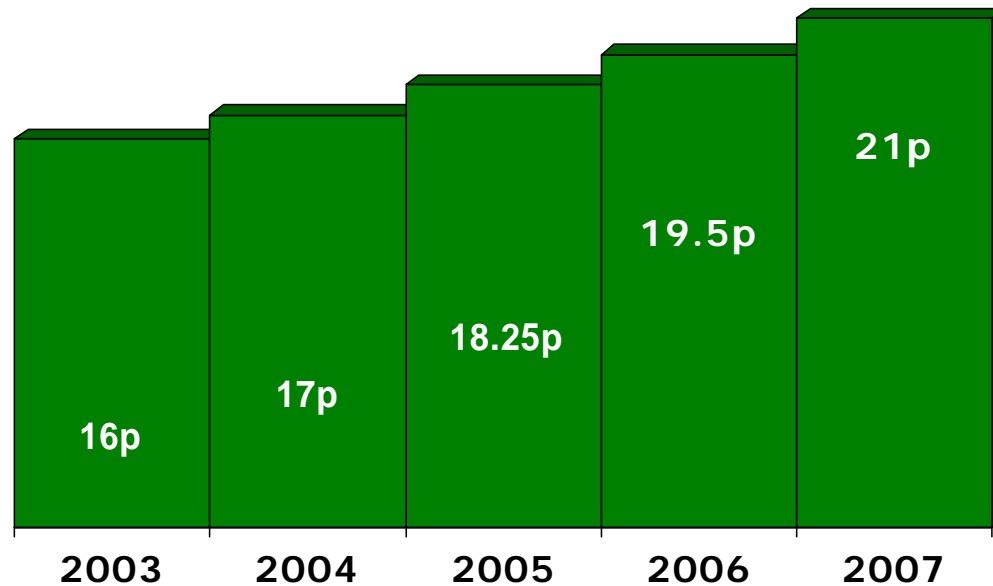
1. Return on Capital
2. Income Statement
3. Balance Sheet

# 1. Return on Capital

	2007 £m	2006 £m
Profit for the year	<b>69.4</b>	74.4
One off adjustments		
- Reversal of REIT	<b>(11.3)</b>	-
- Ashtenne	-	17.7
Deferred Tax	-	(8.0)
Fair value adjustment	<b>5.8</b>	0.9
Adjusted Total Return	<b><u>63.9</u></b>	<b><u>85.0</u></b>
Opening Shareholders' Funds	<b>350.6</b>	272.1
Adjusted Return on Shareholders' Funds	<b>18.2%</b>	31.2%
Adjusted Return before one off items	<b>21.4%</b>	24.7%

# Dividend Growth

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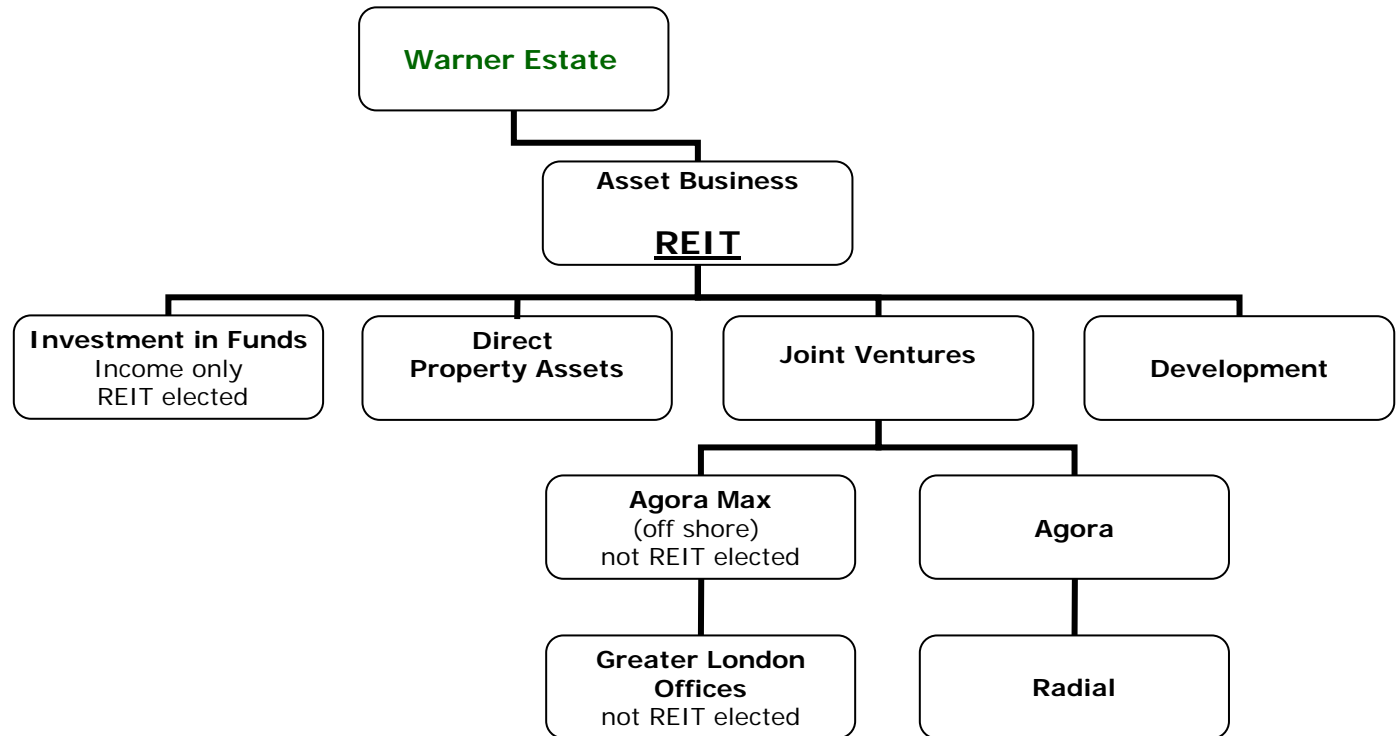
- 5 year compound growth rate of 7.6% pa
- 36 year of continuous dividend growth

# Total Shareholder Return Index against FTSE Real Estate

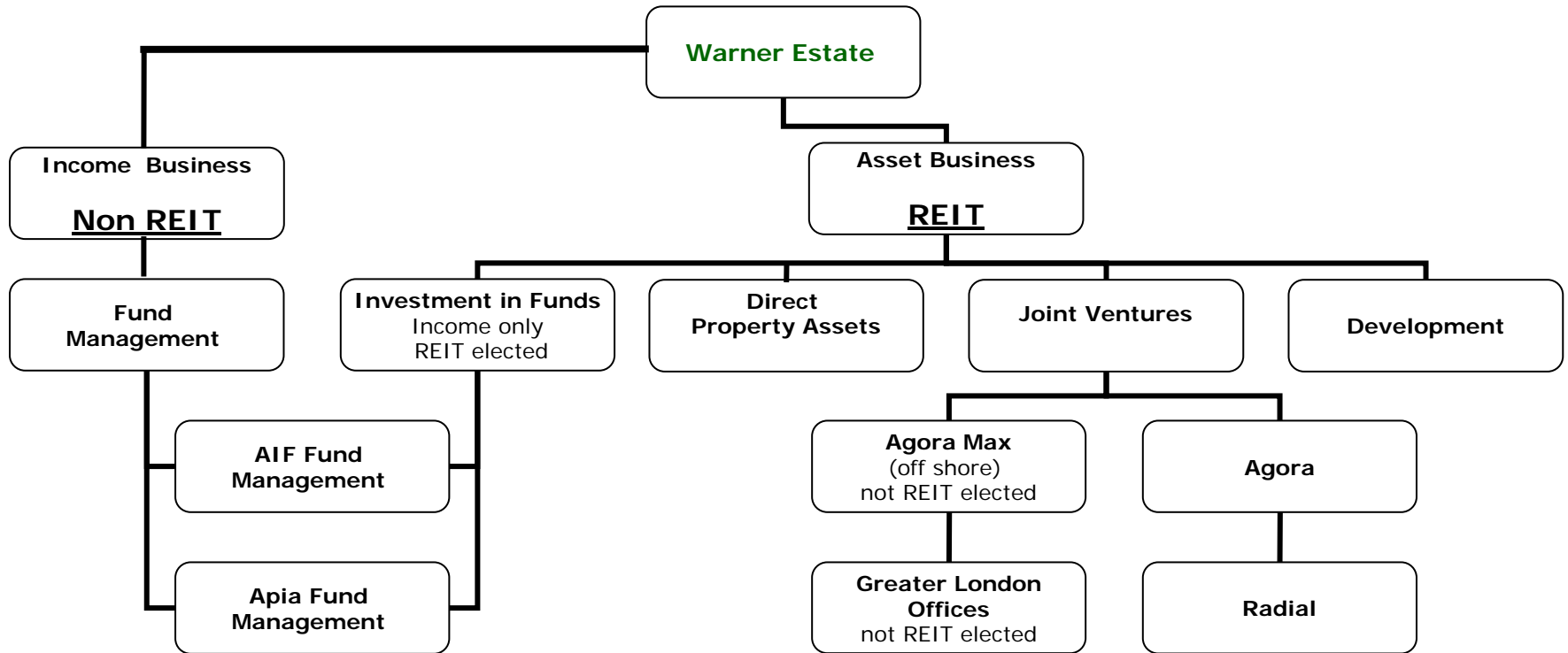


# Business Structure

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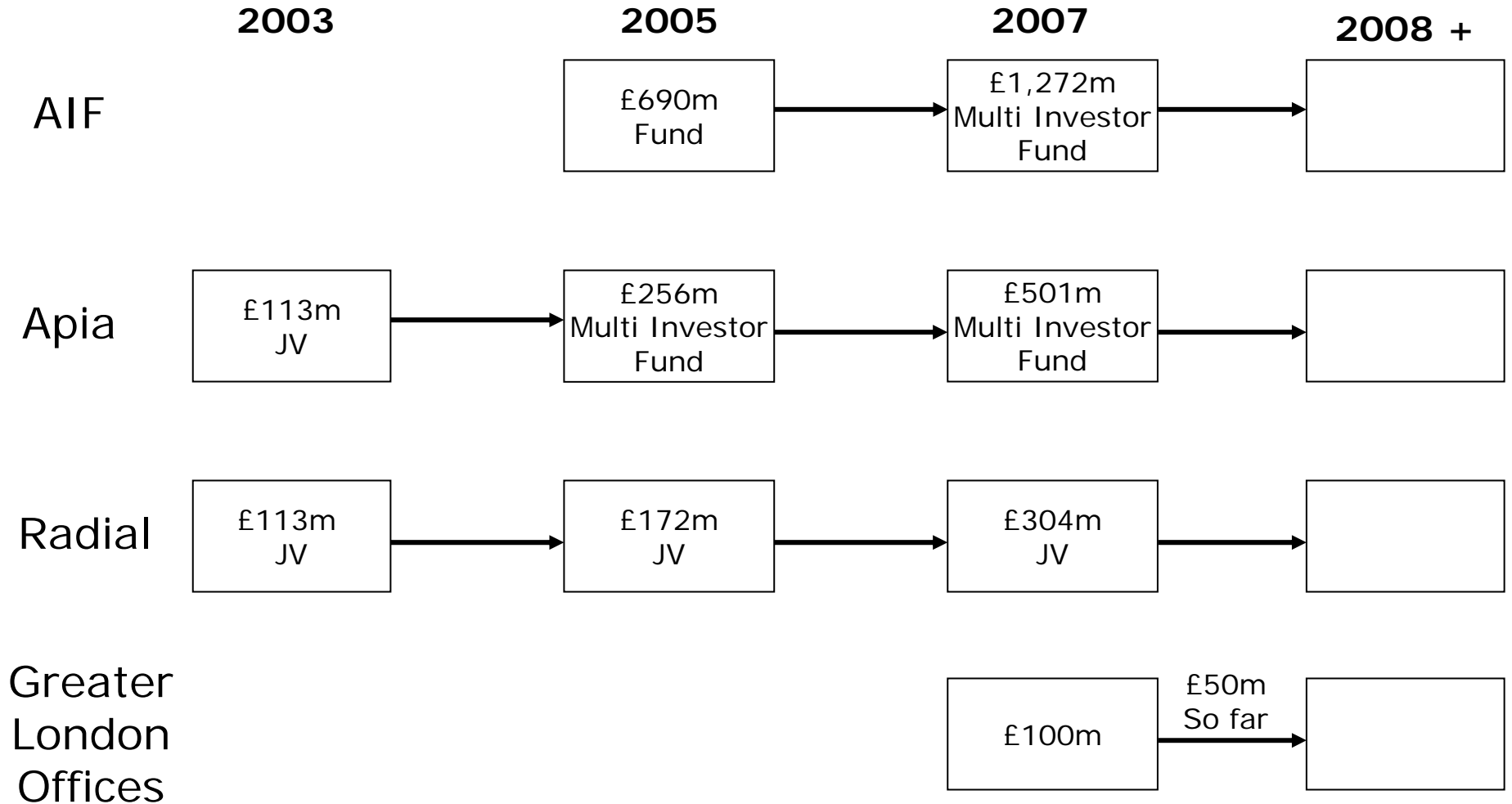
# Business Structure



# Value of Warner Estate

	£m	Pence per Share
Adjusted NAV	447	800
Less goodwill	(11)	(20)
Assets at 31 <sup>st</sup> March 2007	<u>436</u>	<u>780</u>
Present value of		
- Fund Management business		
- Development pipeline	<u>          </u>	<u>          </u>
Company Value	<u><u>          </u></u>	<u><u>          </u></u>

# The Potential



# Corporate Acquisitions

	Acquired	Goodwill £m
Ashtenne Holdings Plc	May 2005	£11m
JS Real Estate Plc	March 2007	£0.1m

Ability to exploit corporate opportunities

## 2. Income Statement

	2007 £m	2006 £m
Recurring profit before Tax	18.1	15.9
Non recurring (losses)/profits	(6.5)	12.2
Revaluation Uplift	52.7	71.0
Tax	5.1	(24.6)
	<u>69.4</u>	<u>74.5</u>

Net REIT impact in 2007 + £11.3m (see appendix)

# Recurring Profit before Tax

	2007 £m	2006 £m
Property Investment & other Income	23.1	25.6
Funds*	4.4	0.9
Joint Ventures	4.4	3.9
Head Office Costs**	(1.6)	(2.1)
Interest	(12.2)	(12.4)
	<u>18.1</u>	<u>15.9</u>
Performance fees		
- Funds	1.8	1.3
- Joint Ventures	3.3	1.0

\* This includes £0.8m which in the 2006 accounts was shown as joint venture income but related to our 50% share of AIF fees received through a joint venture to December 2005

\*\* The rechargeable Head Office costs for 2006 have been reapportioned on a best estimate basis.

# Funds

	2007	2006	%
	£m	Annualised**	Change
		£m	
Fees	<b>11.3</b>	8.0	+41%
Costs	<b>(6.8)</b>	(5.2)	
Head Office recharge	<b>(1.9)</b>	(1.9)	
	<b>2.6</b>	0.9	+188%
Performance fees	<b>1.8</b>	1.3	
	<b>4.4</b>	2.2	+100%
Notional tax charge at 30%	<b>(1.3)</b>	(0.7)	
	<b>3.1</b>	1.5	
Operating Margin* - AIF	<b>39%</b>	32%	
- Apia	<b>49%</b>	48%	

\* Before performance fees and Head Office recharge

\*\* The Appendix contains actual as opposed to annualised results for 2006

# Performance Fees

	2007 £m	2006 £m
AIF	-	1.3
Apia	1.8	-
Joint Ventures	6.7	1.9
Share of fee paid by Joint Ventures	(3.4)	(0.9)
	3.3	1.0
Total	<u>5.1</u>	<u>2.3</u>

# Non Recurring (Losses)/Profit

	2007 £m	2006 £m
Profit on sale of properties & investments	3.1	10.9
Profit on sale of trading properties	1.1	7.0
REIT reorganisation costs*	(10.3)	-
Other non recurring net costs	(0.4)	(5.7)
	<u>(6.5)</u>	<u>12.2</u>

\* This includes £8.7m of debt reorganisation and £1.6m of corporate structure reorganisation

# Revaluations

	2007	2006
	£m	£m
Property	28.9	56.0
Investments in Funds		
-AIF	6.0	4.7
-Apia	10.9	11.1
Other Investments	(2.8)	1.2
Swaps & Caps Marked to Market	9.7	(2.0)
	<u>52.7</u>	<u>71.0</u>

# Tax Charge

	2007 £m	2006 £m
Current Year Tax	(4.6)	(15.7)
Deferred Tax*	(10.1)	(8.9)
REIT Charge	(13.7)	-
REIT Release – including Agora & Radial	33.5	-
	<u>5.1</u>	<u>(24.6)</u>
Current Year %	13%	24%

\* The deferred tax charge in the year represents the notional tax arising on the uplift in assets not covered by the REIT being the investments in AIF & Apia and the assets in Agora Max and Greater London Offices Joint Ventures.

# 3. Balance Sheet March 2007

	Business Value £m	Warner Estate Share £m	Statutory £m
Property Assets	3,221	1,177	461
Goodwill	11	11	11
Investment in Funds'	-	-	120
Investment in Joint Venture	-	-	152
Working Capital etc	(93)	(31)	-
Debt	(1,673)	(710)	(297)
Adjusted net assets	<u>1,466</u>	<u>447</u>	<u>447</u>
Warner Estate Shareholder	447	447	447
Fund Investors	867	-	-
Joint Venture Investors	152	-	-
Total Equity	<u>1,466</u>	<u>447</u>	<u>447</u>
Loan to Property Value	52%	60%	60%
Gearing	114%	157%	66%

# Property under Management

	Opening Value £m	Additions & (Disposals) £m	Acquisition of JSRE £m	Revaluation £m	Closing Value £m
<b>Wholly Owned (REIT Elected)</b>	<b>355</b>	<b>(35)</b>	<b>130</b>	<b>11</b>	<b>461</b>
Joint Ventures					
- REIT Elected	417	121	n/a	22	560
- Other	312	101	n/a	14	427
	729	222	n/a	36	987
<b>Warner Estate Share</b>	<b>364</b>	<b>111</b>	<b>-</b>	<b>18</b>	<b>493</b>
Funds					
- AIF	986	197	n/a	89	1,272
- Apia	417	44	n/a	40	501
	1,403	241	n/a	129	1,773
<b>Warner Estate Share Rebase</b>	<b>190 (9)</b> }	<b>25</b>	<b>n/a</b>	<b>17</b>	<b>223</b>
<b>Total Warner Estate Share</b>	<b>900</b>	<b>101</b>	<b>130</b>	<b>46</b>	<b>1,177</b>

# Debt Profile

	On Balance Sheet £m	Share of Joint Ventures £m	Share of Funds £m	Warner Estate Share £m
Short term debt				
- Bank	(9)	60	(5)	46
- Loan Notes	20	n/a	n/a	20
Long term debt	<u>286</u>	<u>262</u>	<u>96</u>	<u>644</u>
	<u>297</u>	<u>322</u>	<u>91</u>	<u>710</u>
Gearing	66%			158%

# Hedging Activity in 2007

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## Group

£150m 5 year 6.25% cap purchased February 2007 for £0.8m, effective from end June 2007

£50m of 25 year callable swaps with two yearly breaks taken out at a blended rate of 4.25% half effective March 2007 half March 2008

## Joint Ventures:

Greater London Offices: £72m 17 year callable swap with five year breaks taken out in September 2006 at 4.49%

# Treasury: Significant Events

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£66m of high coupon fixed rate debt repaid at a break cost of £8.7m

£125m of additional revolving borrowing facilities put in place at 60bps margin

£90m debt line arranged at 60bps margin to part fund JS Real Estate acquisition

Overall impact - £1.5m pa saving in the interest margin the Group pays on its debt at current borrowing levels

# Property Review

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1. Highlights
2. Funds
3. JVs
4. Wholly Owned
5. Development

# Property Highlights

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## Assets Under Management

31 March 2007	Movement	Increase
£3.22bn	+ £0.7bn	+ 29.5%

## Property Return

Aggregate portfolio	IPD Universe
22.6% (geared)	15.8%
14.5% (ungeared)	13.7% (excl Central London)

# Property Portfolio

	No. of properties	Value £m	Income £m	ERV £m	Net Initial yield
<b>Funds</b>					
- Ashtenne Industrial	434	1,272	71	94	5.25%
- Apia Regional Office	22	501	28	33	5.21%
<b>JV's</b>					
- Agora Max Shopping Centres	2	328	17	23	4.81%
- Agora Shopping Centres	4	256	12	15	4.60%
- Radial Distribution	14	304	18	18	5.70%
- Greater London Offices	2	99	5	6	4.73%
<b>Wholly Owned</b>	84	461	24	28	5.13%
<b>Total</b>	562	3,221	175	217	5.14%

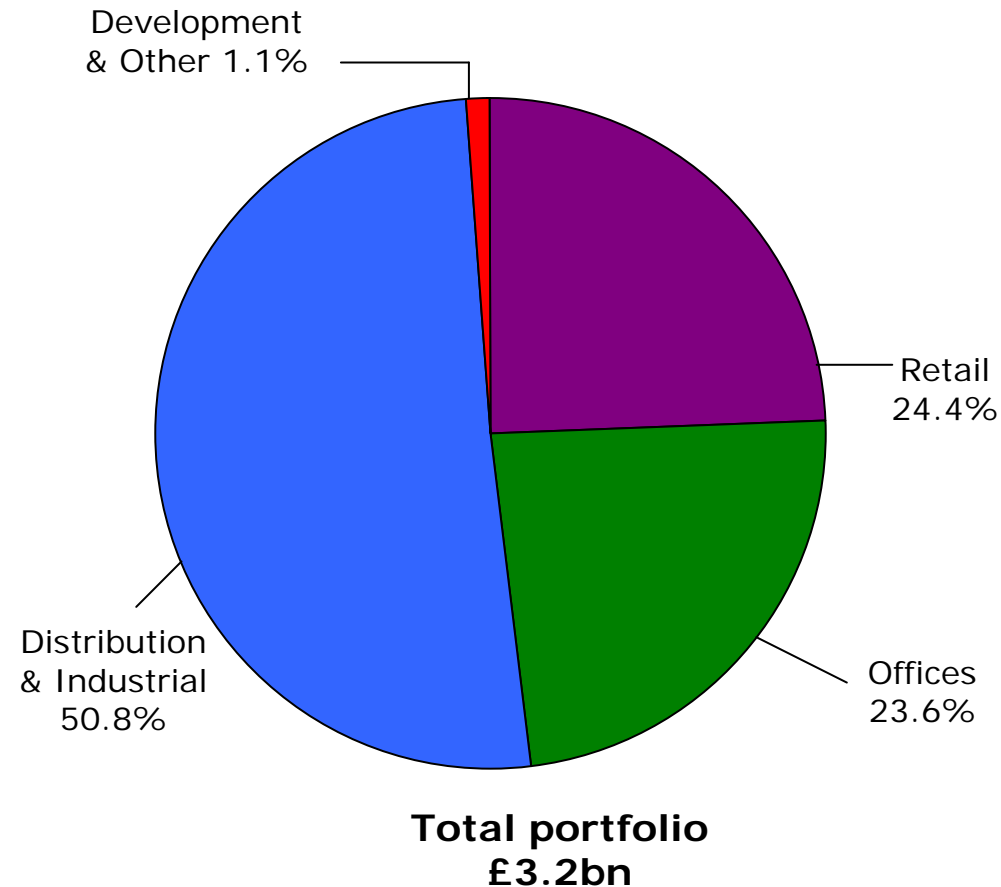
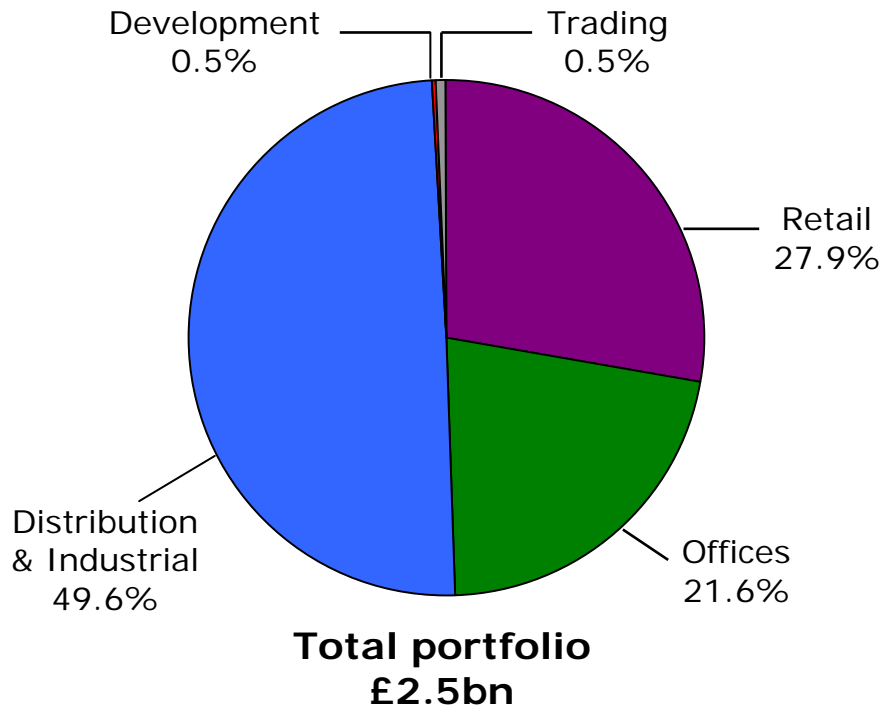
# Portfolio return analysis

Portfolio	Valuation Uplift (£m)	Yield shift (£m)	Management & rental growth (£m)	% split
AIF	98.5	80.8	17.7	82/18
Apia	44.8	40.3	4.5	90/10
Agora Max	6.6	5.6	1.0	85/15
Agora	3.6	3.1	0.5	85/15
Radial	7.1	6.4	0.7	90/10
Greater London Offices	0.4	0.4	-	-
Wholly Owned	11.2	6.8	4.4	61/39
<b>Total</b>	<b>172.2</b>	<b>143.3</b>	<b>28.8</b>	<b>81/19</b>

# Properties under Management

31 March 2006

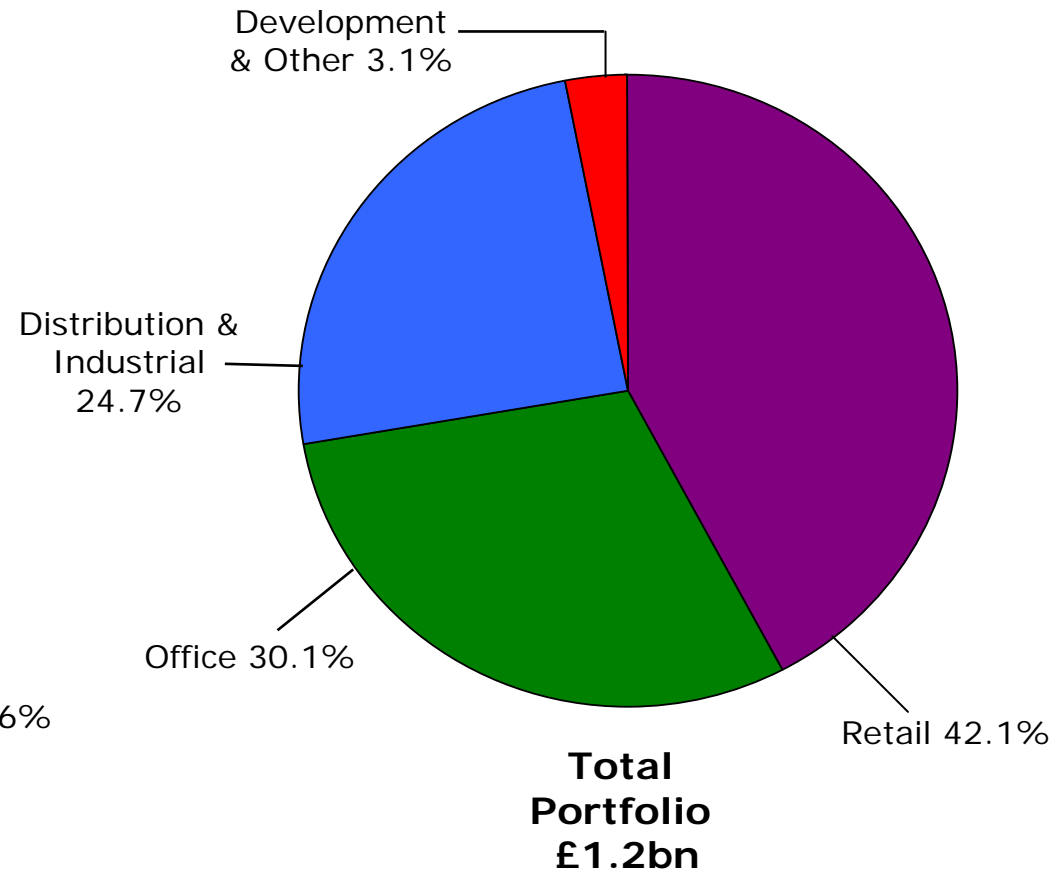
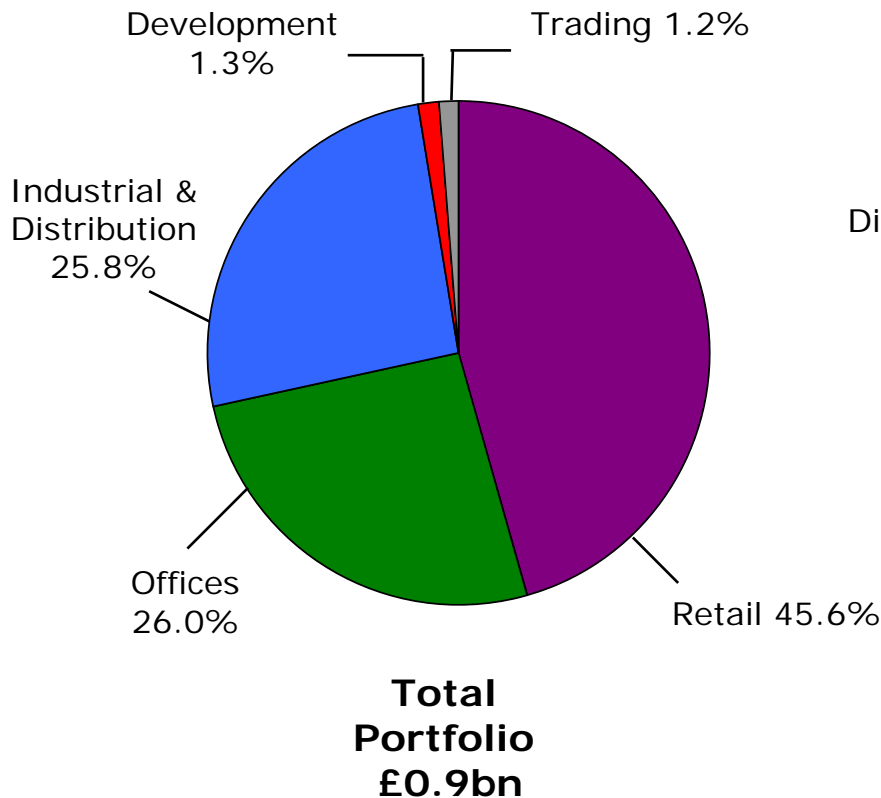
31 March 2007



# Warner Estate Equity Investment

31 March 2006

31 March 2007



# Property Review - Funds

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## AIF

- GAV increased by 29% (£284m) to £1.27bn
- £140m NWDA/Space Northwest purchase
- Regional office reorganisation continues
- 29% geared (18.4% ungeared) return (benchmark 17.7%)
- Average rent £3.82 per sq ft

## Apia

- GAV increased by 20% (£84m) to £501m
- 7 new investors introduced
- 31% geared (20.3% ungeared) return (benchmark 18.1%)
- Average rent £14.37 per sq ft

# Property Review - Joint Ventures

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## **Agora & Agora Max**

- Bolton - 100,000 sq ft underway
- Preston Fishergate - Phases 1 & 2 completed, fully let
- Middleton - Phase 1 completed, fully let
- Birkenhead - Phase 1 completed, 5 of 6 units let

## **Radial**

- GAV increased by 68% (£124m) to £304m
- 3.3m sq ft under management (22 sites)
- 34.0% total return (benchmark 15.5%)
- Expansion – Investor base & Europe

## **Greater London Offices**

- £98m Joint venture established with Barclays Capital
- Total Central London holding £185m
- Expansion – buying continues (including Wholly Owned)

# Property Review – Wholly Owned

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- JS Real Estate acquisition £130m
- Weighting in London and South East 80%
- Incubator for funds e.g. Greater London Office
- St. Johns Wood opportunities

# Development

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- 1.4m sq ft pipeline, plus 240 acres
- 650,000 sq ft currently on site
- Further 330,000 sq ft has planning permission
- Delivering 2007 to 2011
- Capex programme £350m +
- Bouverie Place Folkestone

# Value Creation

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- Yield compression all but finished
  - Asset management skills vital
  - Focus on development surpluses
  - Off market purchase continuation
- Two tier market emerging
  - Our shift towards prime
  - Premium on value adding potential

# Summary

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**R**EIT conversion

**E**arnings & dividend growth

**I**nvestment & development

**T**rack record

**S**et fair for the future

# Appendix

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# REIT Impact

	£m	£m
REIT conversion charge	(10.9)	
Deferred taxation released	22.3	
Impact on taxation charge in income statement	11.4	
Share of conversion charge payable by joint venture	(2.8)	
Share of joint venture's deferred taxation released	11.2	
Impact on share of joint ventures' post tax profits in income statement	8.4	
Net deferred taxation released on conversion to a REIT		19.8
Net cost of reorganisation	(8.7)	
Advisory fees on conversion to a REIT	(1.4)	
Liquidation fees	(0.2)	
Net cost of reorganisation of Group structure	(1.6)	
Performance fees receivable from joint ventures crystallised	6.7	
Share of performance fees payable by joint ventures	(3.4)	
Joint venture agreement	3.3	
Profits on appropriation of trading properties	0.3	
Taxation payable on appropriation of trading properties	(1.8)	
Appropriation of trading properties	(1.5)	
Net organisation costs on conversation to a REIT		(8.5)
<b>Net impact on the profit for the year</b>		<b>11.3</b>

# Funds – Actual comparatives

	2007	2006** As reported	%
	£m	£m	Change
Fees	<b>11.3</b>	4.9	+131%
Costs	<b>(6.8)</b>	(3.3)	
Head Office recharge	<b>(1.9)</b>	(2.0)	
	<b>2.6</b>	(0.4)	
Performance fees	<b>1.8</b>	1.3	
	<b>4.4</b>	0.9	+388%
Notional tax charge at 30%	<b>(1.3)</b>	(0.3)	
	<b>3.1</b>	0.6	

\*Operating Margin - AIF **39%** Not comparable  
 - Apia **49%** Not comparable

\* Before performance fees and Head Office recharge

\*\* These are actual results for 06 including that reported through the joint venture line last year

# Property Portfolio

31 March 2007

Movement since  
31 March 2006

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## Funds

- Ashtenne Regional Fund	£1,272m	+£286m
- Apia Regional Offices Fund	£501m	+£84m

## Joint Ventures

- Agora Max Shopping Centres	£328m	+£16m
- Agora Shopping Centres	£256m	+£19m
- Radial	£304m	+£124m
- Greater London Offices	£99m	+£99m

## Wholly Owned

£461m +£106m

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<b>Total</b>	<b>£3,221m</b>	<b>+£734m</b>	<b>+29.5%</b>
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# Ashtenne Industrial Fund

**31 March 2007**

Movement since 31 March 2006

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Income	<b>£70.7m</b>	+£7.68m	+12.2%
ERV	<b>£93.6m</b>	+£16.74m	+21.8%
<b>Value</b>	<b>£1,271.9m</b>	<b>+£285.9m</b>	<b>+29.0%</b>
Yield (initial)	<b>5.25%</b>	78 basis point improvement	
Voids	<b>12.47%</b>	up from 11%	

# Apia Regional Office Fund

**31 March 2007**    movement since 31 March 2006

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Income	<b>£28.0m</b>	+£1.93m
ERV	<b>£32.5m</b>	+£3.59m
<b>Value</b>	<b>£501.1m</b>	<b>+£83.8m</b>
Yield (initial)	<b>5.21%</b>	64 basis point improvement
Voids	<b>7%</b>	up from 5%

# Agora Max Shopping Centres

**31 March 2007**    Movement since 31 March 2006

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Income	<b>£16.7m</b>	-£0.23m	-1.4%
ERV	<b>£23.1m</b>	+£0.24m	+1.0%
<b>Value</b>	<b>£327.6m</b>	<b>+£15.7m</b>	<b>+5.0%</b>
Yield (initial)	<b>4.81%</b>	29 basis point improvement	
Voids	<b>7%</b>	down from 8%	

# Agora Shopping Centres

	<b>31 March 2007</b>	Movement since 31 March 2006	
Income	<b>£12.1m</b>	-£0.85m	-6.6%
ERV	<b>£15.2m</b>	-£0.24m	-1.5%
<b>Value</b>	<b>£256.1m</b>	<b>+£19.4m</b>	<b>+8.2%</b>
Yield (initial)	<b>4.60%</b>	43 basis point improvement	
Voids	<b>7%</b>	up from 1%	

# Radial Distribution

	<b>31 March 2007</b>	Movement since 31 March 2006	
Income	<b>£18.3m</b>	+£6.80m	+59.1%
ERV	<b>£18.4m</b>	+£6.79m	+58.5%
<b>Value</b>	<b>£303.7m</b>	<b>+£123.7m</b>	<b>+68.7%</b>
Yield (initial)	<b>5.70%</b>	33 basis point improvement	
Voids	<b>0%</b>		

# Greater London Offices

**31 March 2007**

Since inception in September 2006

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Income	<b>£4.9m</b>	+£0.1m	1.9%
ERV	<b>£5.7m</b>	+£0.0m	0.0%
<b>Value</b>	<b>£98.9m</b>	<b>+£1.1m</b>	<b>+1.1%</b>
Yield (initial)	<b>4.73%</b>		
Voids	<b>8.4%</b>		

# Wholly Owned Property

	<b>31 March 2007</b>	Movement since 31 March 2006	
Income	<b>£24.5m</b>	+£3.29m	+15.5%
ERV	<b>£28.4m</b>	+3.89m	+15.9%
<b>Value</b>	<b>£461.3m</b>	<b>+£106.1m</b>	<b>+29.9%</b>
Yield (initial)	<b>5.13%</b>	55 basis point improvement	
Voids	<b>9%</b>	down from 11%	

# Development Pipeline

<b>Scheme</b>	<b>Business Unit</b>	<b>Size (sq ft)</b>
AIF – Development Land	AIF	190 acres
AIF – Chippenham	AIF	50 acre existing industrial site
Birkenhead – The Grange and Pyramids Shopping Centre	Agora Max	
Phase 2 – New retail unit	Agora Max	Phase 2 – 30,000 sq ft
Phase 3 – Café in Werbergh Square	Agora Max	Phase 3 – 3,000 sq ft
Phase 4 – Mall anchor scheme	Agora Max	Phase 4 – 50,000 sq ft
Birmingham – Pallasades Shopping Centre	Agora Max	
Ladywood House	Agora Max	90,000 sq ft
Network Rail	Agora Max	T.B.A.
Middleton – Middleton Shopping Centre	Agora	
Phase 2	Agora	17,500 sq ft
Bolton – Market Place	Agora	100,000 sq ft
Preston – Fishergate Shopping Centre	Agora	190,000 sq ft
Leicester – Antalis Extension	Radial	54,000 sq ft
Folkestone – Bouverie Place Shopping Centre	Wholly Owned	200,000 sq ft
Southend – The Royals Shopping Centre – Phase 1	Wholly Owned	38,000 sq ft (incl. existing)
Aylesbury – Hale Leys Shopping Centre – Phase 2	Wholly Owned	265,000 sq ft

**TOTALS**

**1.4m sq ft + 240 acres**