

# INTERIM RESULTS PRESENTATION

19 August 2003

## **AGENDA**

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**Financial and valuation review**

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**Operational review – income generation**  
**– vacancy levels**

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**Outlook**

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## FINANCIAL SUMMARY

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Net rental income £43.3m **+3.2%** like-for-like

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Investment profit £21.2m **-1.9%**

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Profit before tax £21.8m **+0.5%**

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Adjusted eps 7.4p **-2.6%**

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Interim dividend 3.95p **+2.6%**

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Adjusted NAV per share 318p **-2.2%**

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Portfolio valuation deficit £24.9m **-1.6%**

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## GROUP PROFIT AND LOSS ACCOUNT

	H1 2003 £m	H1 2002 £m	
Net rental income	43.3	42.7	+1.4%
Administration expenses	(2.2)	(2.0)	+10.0%
Share of joint ventures' operating profits	2.2	2.9	-24.1%
Net interest payable	(22.1)	(22.0)	+0.5%
Investment profit	21.2	21.6	-1.9%
Exceptional items	0.6	0.1	n/a
Profit before taxation	21.8	21.7	+0.5%
Taxation (excluding deferred tax)	(3.4)	(3.2)	+6.3%
Profit after taxation	18.4	18.5	-0.5%

## TENANT STRENGTH

**Diversity**      **500 tenants wholly owned portfolio; over 670 including jvs**

**Rent roll analysis (wholly owned)**

Distribution	27%	Top 10 tenants	26%
Industrial	19%	10-100 tenants	45%
TMT	28%	Remainder	29%
Airport related	16%		
Other	10%		100%
	100%		

**Security\***      **Average unexpired lease term:  
industrial 8 years, whole portfolio 8.3 years**

**70% and 40% of income secured for next 5 and 10 years**

\*“worst case scenario” ie, assuming tenants leave at earliest opportunity

**Resilience**

		H1 03	2002	2001
Insolvencies	No.	4	17	16
Annualised loss of rent	£m	(0.6)	1.0	1.0
Bad debt provision	£m	0.6	0.7	0.6

## SUMMARISED GROUP BALANCE SHEET

	H1 2003 £m	2002 £m
<b>Properties</b>	<b>1,433.6</b>	<b>1,469.2</b>
<b>Investments in joint ventures</b>	<b>49.0</b>	<b>58.4</b>
<b>Other fixed assets</b>	<b>1.4</b>	<b>1.5</b>
<b>Net current liabilities</b>	<b>(45.1)</b>	<b>(44.1)</b>
<b>Net borrowings</b>	<b>(664.0)</b>	<b>(693.7)</b>
<b>Adjusted net assets</b>	<b>774.9</b>	<b>791.3</b>
<b>Adjusted net assets per share</b>	<b>318p</b>	<b>325p</b>
<b>Gearing</b>	<b>86%</b>	<b>88%</b>

## TRIPLE NET NAV (NNNAV)

	H1 2003		2002	
	£m	p	£m	p
<b>Adjusted NAV</b>	<b>774.9</b>	<b>318</b>	<b>791.3</b>	<b>325</b>
<b>Contingent CGT</b>	<b>(28.5)</b>	<b>(12)</b>	<b>(38.6)</b>	<b>(16)</b>
<b>Market Value of net financial liabilities</b>	<b>(65.9)</b>	<b>(27)</b>	<b>(58.7)</b>	<b>(24)</b>
<b>Adjusted NNNAV</b>	<b>680.5</b>	<b>279</b>	<b>694.0</b>	<b>285</b>

## VALUATION

	Industrial	Office	Total
<b>Valuation</b>	<b>£1,333m</b>	<b>£192m</b>	<b>£1,525m</b>
<b>Valuation deficit</b>	<b>(£6.6m)</b>	<b>(£18.3m)</b>	<b>(£24.9m)</b>
	<b>-0.5%</b>	<b>-8.7%</b>	<b>-1.6%</b>
<b>Running yield (excluding voids)</b>	<b>6.8%</b>	<b>8.8%</b>	<b>7.0%</b>

### “Robust Valuations”:

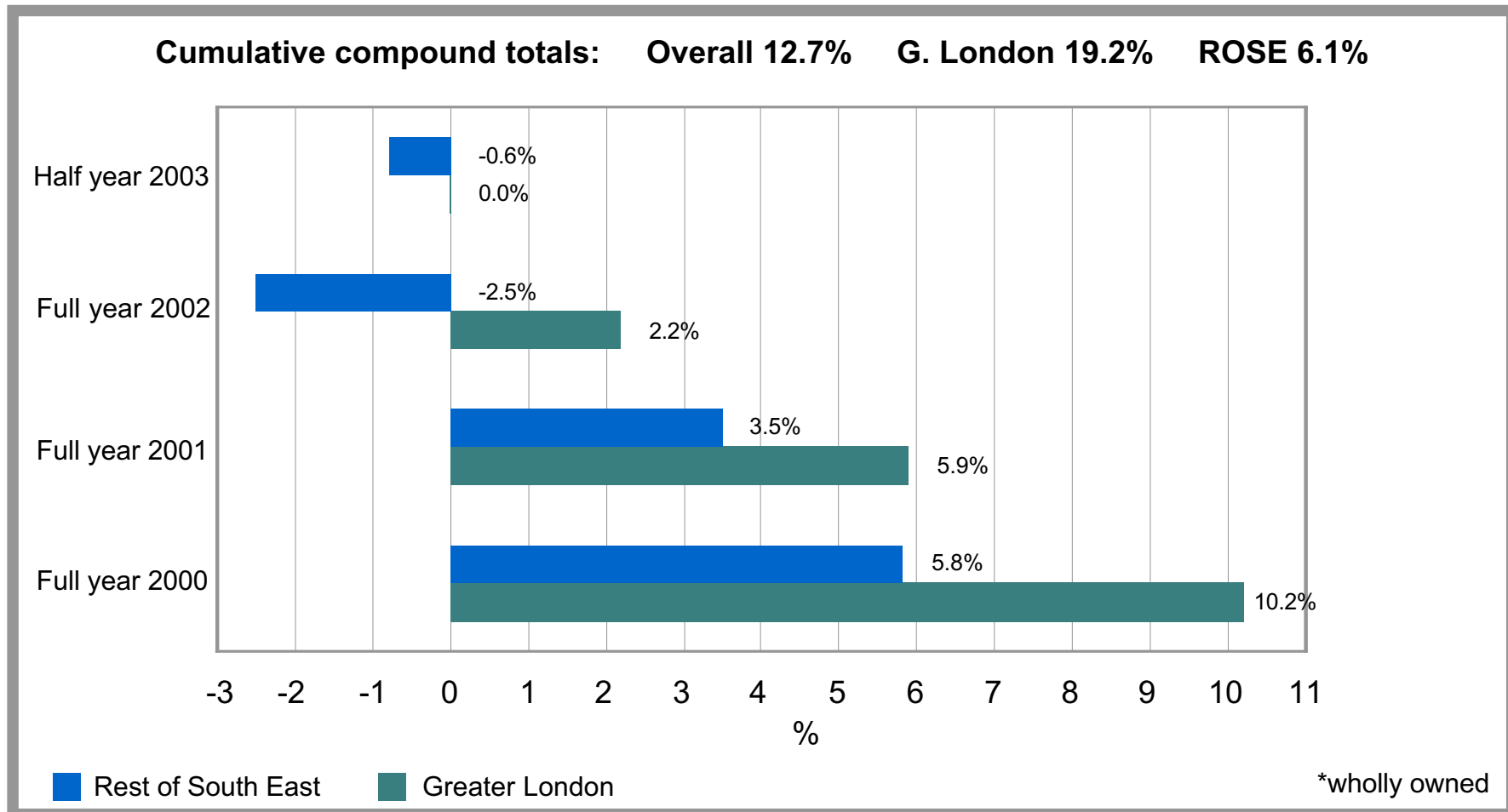
Since 1996 nearly £700m of UK property sold at 2.5% above valuation.  
 In H1 2003 £45m of property sold at 3.7% above valuation.

## DEBT ANALYSIS

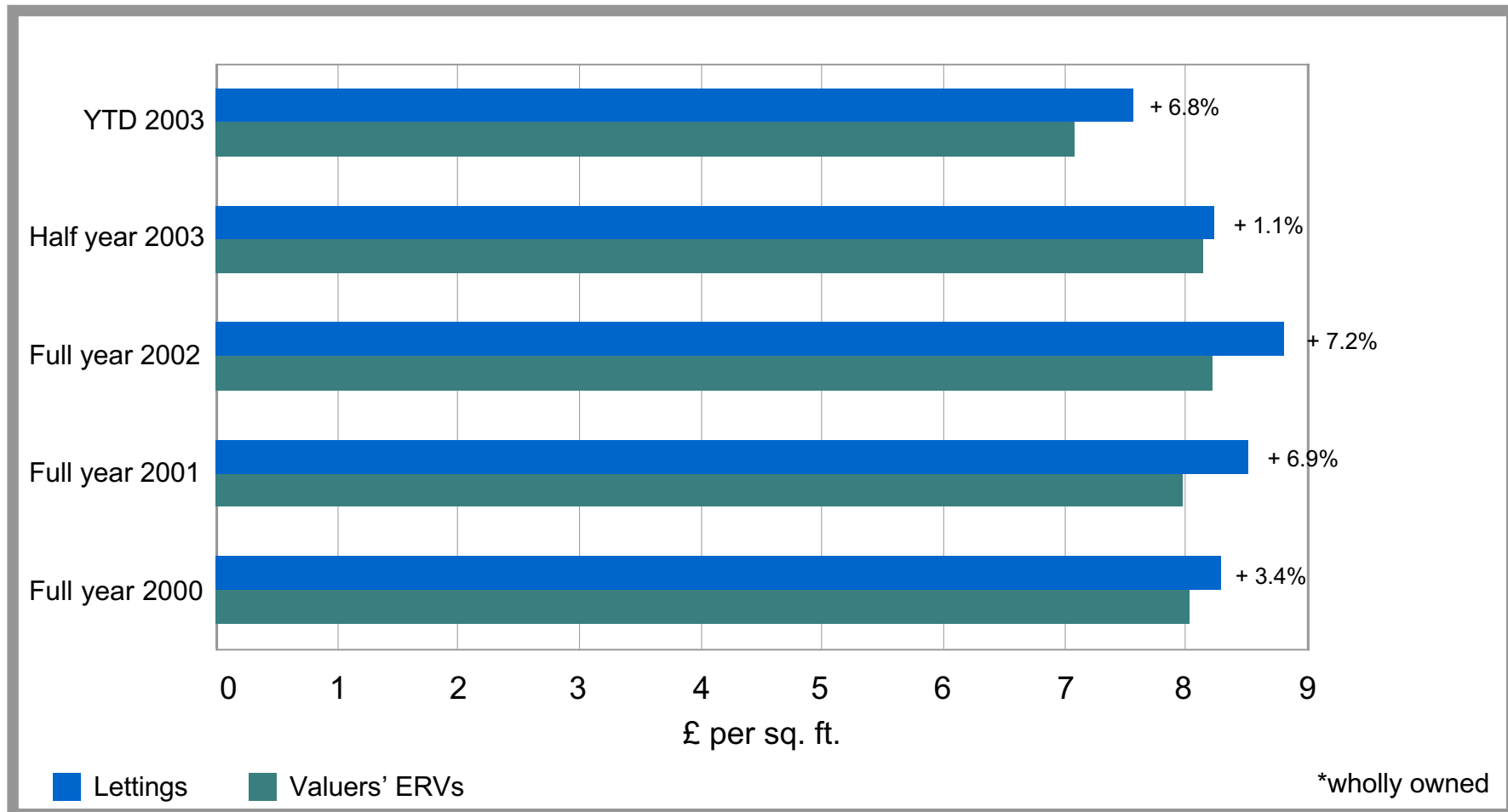
	H1 2003		2002	
	£m		£m	
<b>Fixed/Floating</b>				
<b>Fixed</b>	<b>504.9</b>	<b>75.8%</b>	<b>505.6</b>	<b>72.3%</b>
<b>Floating</b>	<b>161.0</b>	<b>24.2%</b>	<b>193.5</b>	<b>27.7%</b>
<b>Total</b>	<b>665.9</b>	<b>100.0%</b>	<b>699.1</b>	<b>100.0%</b>
<b>Security Analysis</b>				
<b>Secured</b>	<b>181.2</b>	<b>27.2%</b>	<b>182.0</b>	<b>26.0%</b>
<b>Unsecured</b>	<b>484.7</b>	<b>72.8%</b>	<b>517.1</b>	<b>74.0%</b>
<b>Total</b>	<b>665.9</b>	<b>100.0%</b>	<b>699.1</b>	<b>100.0%</b>

Value of unencumbered portfolio at June 2003 was £1.1bn

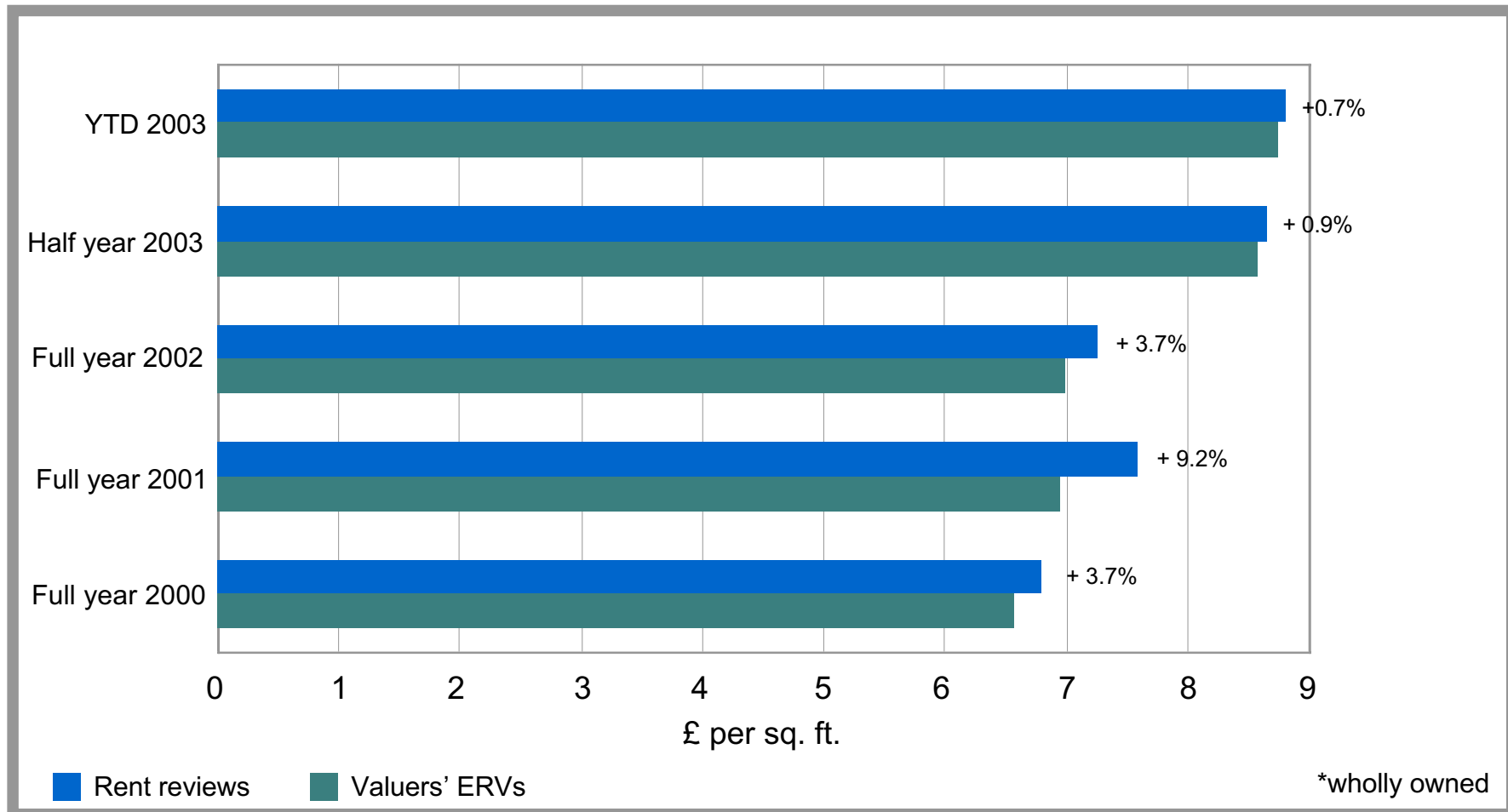
## RENTAL GROWTH\* – slowing but stable overall INDUSTRIAL (like-for-like)



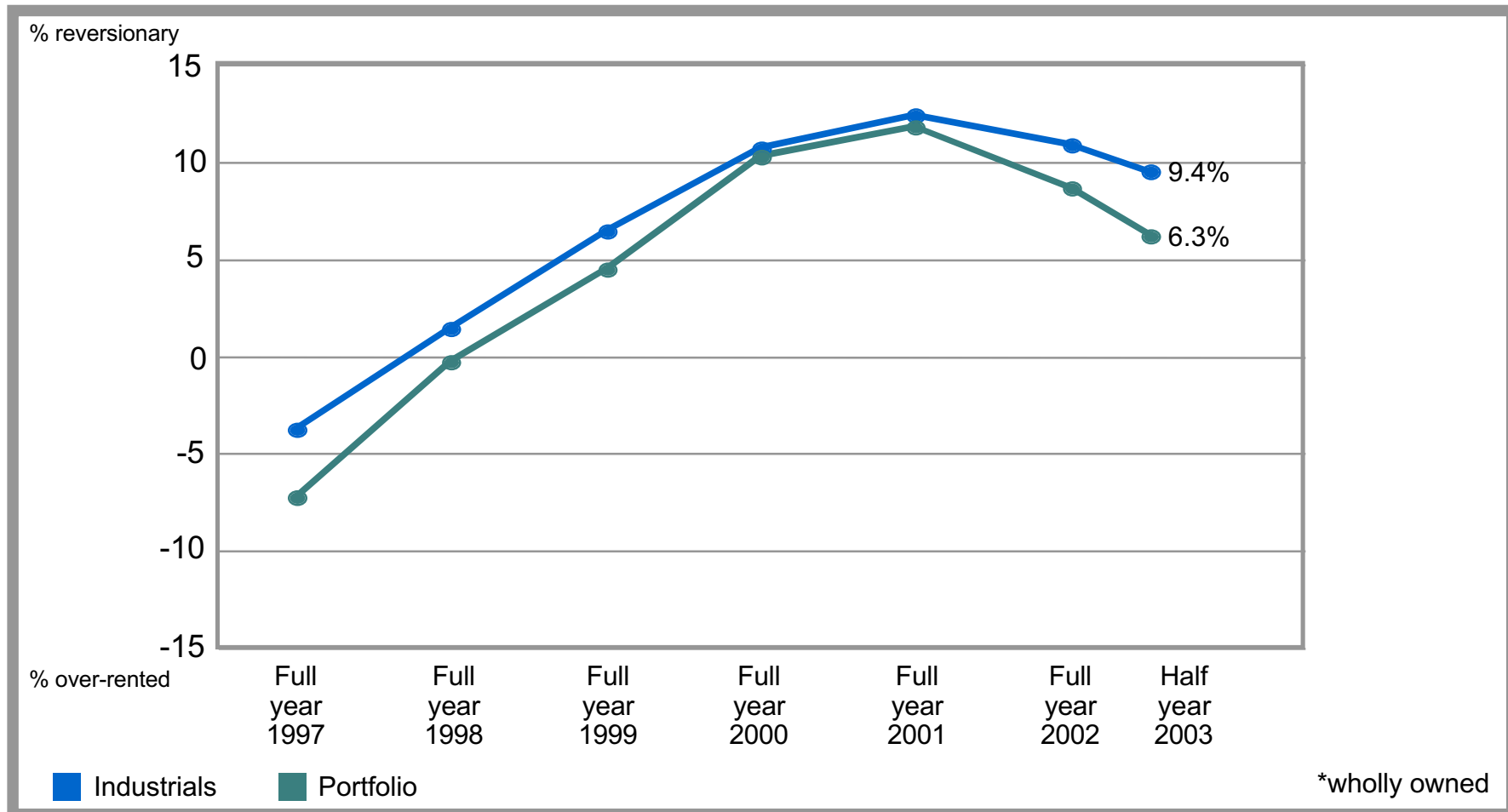
## LETTINGS\* – continuing to outperform valuers' ERVs INDUSTRIAL



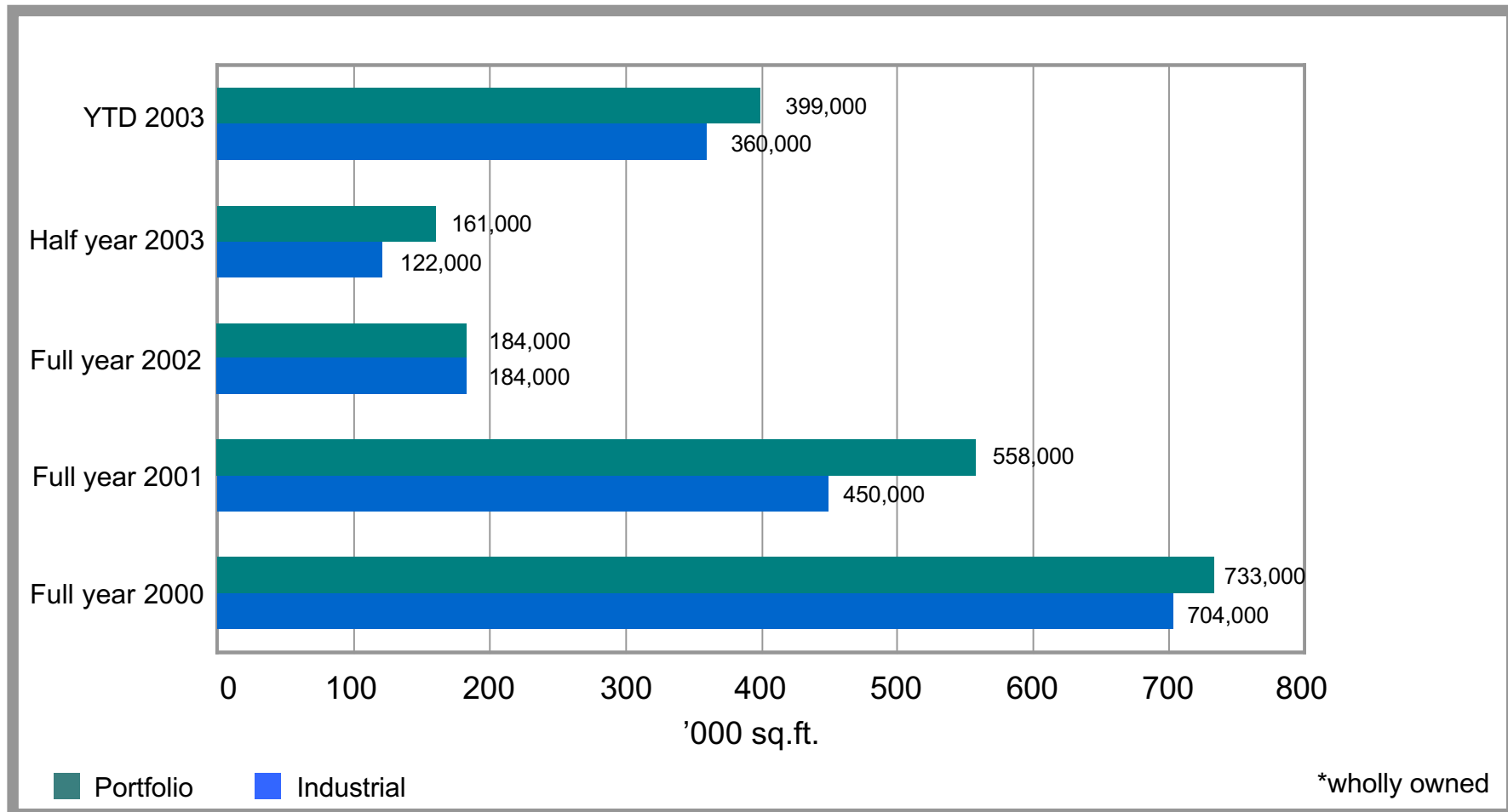
## RENT REVIEWS\* – continuing to outperform valuers' ERVs INDUSTRIAL



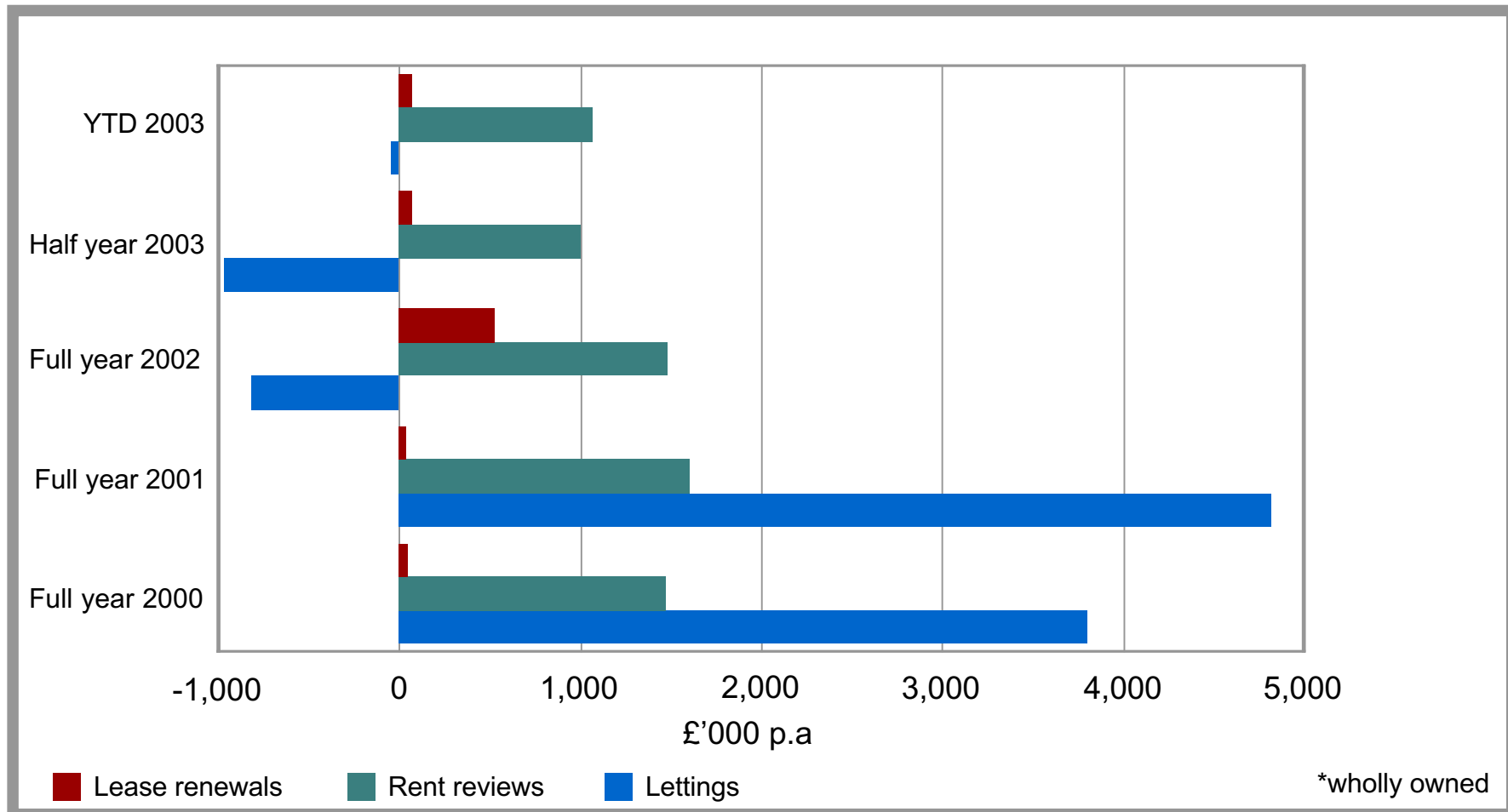
## PORTFOLIO POTENTIAL\* – industrials are the driver



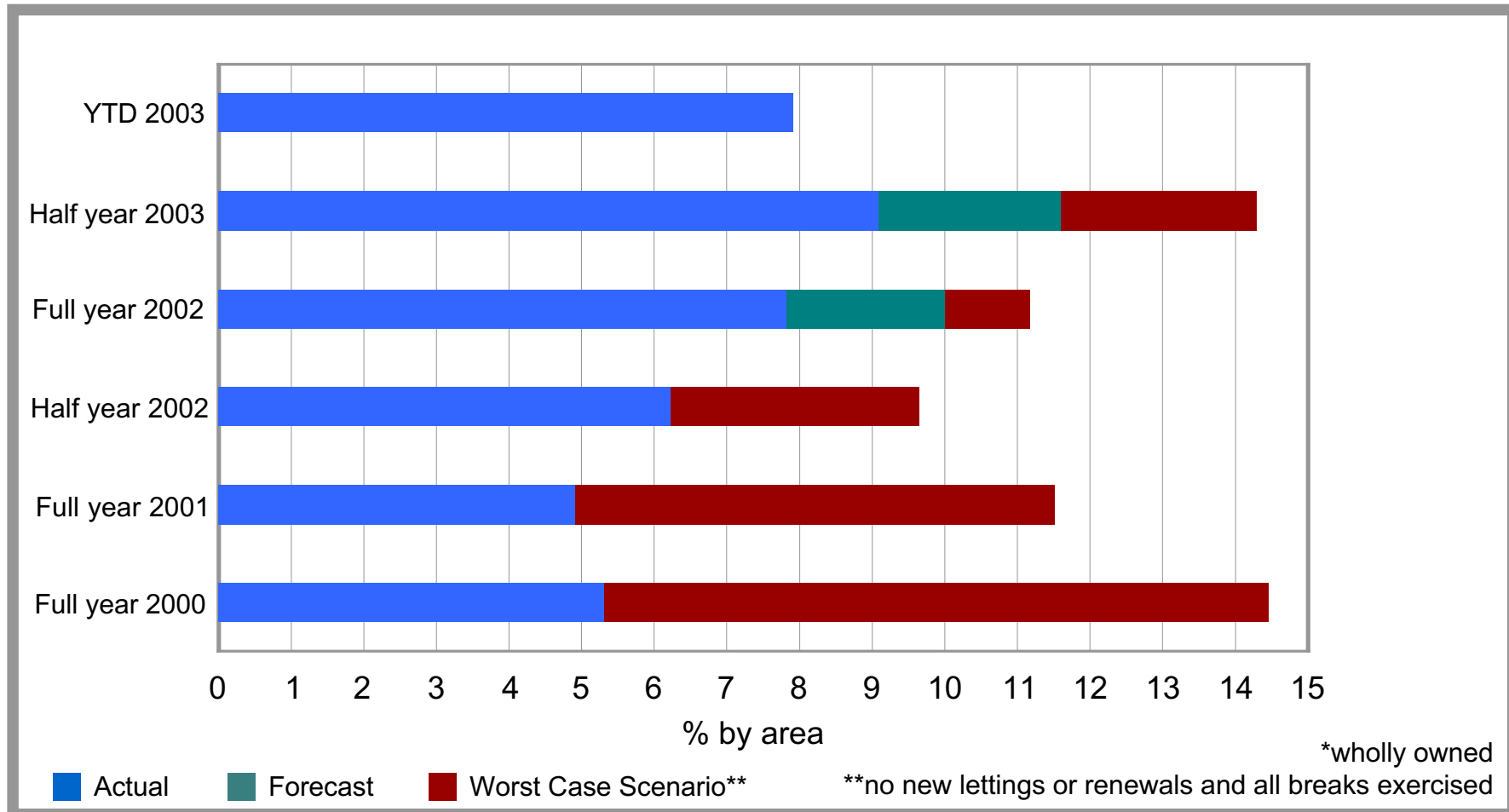
## AREA LET\* – quantum improving over 2002



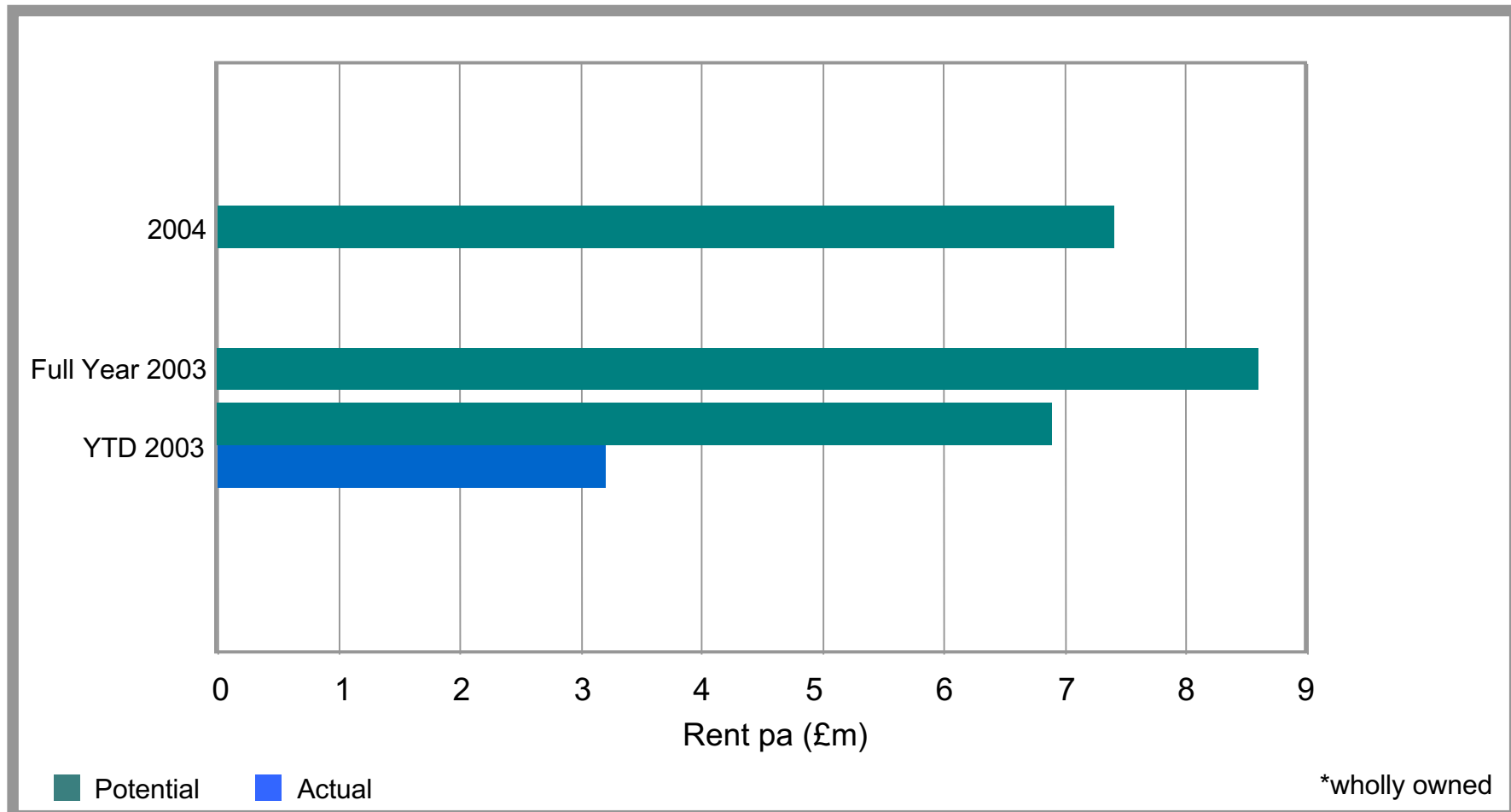
## NET INCOME CHANGES\* – improvement over 2002



**VACANCIES\* – below forecast and “worst case scenario”**



## PORTFOLIO EXPIRIES AND BREAKS\* – more than half our tenants stay



## VACANCIES\*: DEC '04 FORECAST – improving: sensitive to letting/retentions

YTD vacancy	7.9%
Potential vacancy to '04 year end** 9.0%	
Assume 50% retention level	4.5%
Assume 500,000 sq.ft. of new lettings	(5.0%)
	7.4%

The trend since H1 '03 suggests that activity levels may lead to a reduction in this figure

A significant improvement on the forecast for June '03 of 11.6%

\*wholly owned by area  
 \*\*excluding Polar Park, as a development

## **OUTLOOK – improving**

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**Resilience of tenant base – less insolvencies**

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**Enquiry levels up**

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**Evidence of – stabilisation of rental growth slowdown**

- continued outperformance of valuers' ERVs on lettings and rent reviews**
- significant increase in quantum of lettings**
- improvements in net income changes**
- good industrial reversionary potential**
- vacancies stabilised: below forecast and “worst case scenario”... and improving**

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**Selective re-commencement of development programme**

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**Remember..... Heathrow and T5**

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**Over the worst – lower growth but strengthening corporate environment**

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## **COMMENTARY – what we said**

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**“We have deliberately kept our development programme at modest proportions.....it is ready and poised for an upturn in tenant demand which we do foresee in the next 12-24 months”**

**Interim Presentation (Aug '02)**

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**“We remain convinced that short-term further caution is warranted”**

**“Our occupational market should recover from late 2003 through 2004 ”**

**Annual Report 2002 (March '03)**

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