

full year results

WARNER ESTATE
Property Investment Company



year ended 31 march 2004

1891725759
985302335
59201255
4332004
25677
134
61
3

a year of
excellent
figures

financial highlights

Return on capital	19%	treble last year
NAV*	498p	+13%
Triple NAV*	475p	+14%
Property valuation uplift (including share of JVs)	£22.1m	+5%
Shareholders' funds*	£251m	+13%
Adjusted revenue EPS	24.5p	+5%

33 Years of Dividend Growth (up 6% this year)

other financial highlights

Gearing*	69%	-17%
Property under management	£0.9bn	+46%
Commercial rent roll under management	£62m	+32%
Number of property funds	up from 1 to 4	
IPD performance	<ul style="list-style-type: none">• core portfolio top quartile again• Agora Fund in top 5%	

key events & achievements

£42m shopping centre added to Agora Shopping Centre Fund	June 2003
£110m Skipper Regional Office Fund with Royal Bank of Scotland	July 2003
£116m Radial Distribution Fund with Bank of Scotland	August 2003
£20m Bareway Industrial Fund with Barclays Bank	August 2003
£9m disposal of associate	August 2003
Valuation uplift across all main sectors of investment	

£877m of property assets under management
(now over £900m after post year end acquisitions)

portfolio overview - total managed

Property	31 march 2004	movement	
Capital value	£877m	+£275m	+46%
Annualised rent roll	£62m	+£15m	+32%
Average unexpired lease term	10.5 yrs	+0.1yrs	+1%
Voids	3%	-	-
Number of properties	112	+11	+11%
Average lot size	£7.83m	+£1.87m	+30%

portfolio overview - wholly owned

Property	31 march 2004	movement	
Capital value	£335m	-£45m	12%
Annualised rent roll	£25m	-£6m	-19%
Average unexpired lease term	12.3yrs	-0.1yrs	-1%
Voids	3%	-	-
Number of properties	88	-7	-7%
Average lot size	£3.81m	-£0.31m	-7%
IPD performance	top quartile		

Peter Collins

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year ended 31 march 2004

financial performance

31 march 2004

movement

Revenue profit

- recurring £14.2m +£0.1m 1.0%
- non-recurring -£0.1m -£0.9m -90%

£14.1m -£0.9m -5.9%

Capital profit

£1.57m +£0.02m +1.2%

Interest covered by recurring profit

2.8x +0.9x +47%

Recurring revenue EPS*

22.93p +0.75p +3.4%

Revenue EPS*

24.54p +1.24p +5.3%

Dividends

17.00p +1.00p +6.3%

balance sheet - analysis

	31 march 2004	movement	
Property assets	£335m	-£45m	-12%
Net investment in joint ventures	£89m	+£66m	+264%
Net debt	-£175m	-£18m	-9%
Other net assets	£2m	-£9m	
Net assets	£251m	+£30m	+14%
FRS 19 adjustment (inc. share of JVs)	-£5m	-£1m	+25%
Net assets per accounts	<u>£246m</u>	<u>+£29m</u>	+13%

balance sheet - analysis

	31 march 2004	movement	
Net gearing*	69%		-17%
Recourse gearing*	47%		-23%
NAV*	498p	+58p	+13%
Triple net NAV*	475p	+60p	+14%
Property revaluation uplift in year	£22.1m	+£18.4m	

key elements of valuation

£m	retail	offices (London)	offices (rest of UK)	industrial	total
Group					
Valuation uplift	2.8	0.5	2.2	6.0	11.5
Stamp uplift	0.4	0.2	1.0	0.7	2.3
Sales	-	-	-	-0.3	-0.3
Group total	<u>3.2</u>	<u>0.7</u>	<u>3.2</u>	<u>6.4</u>	<u>13.5</u>
Share of JV					
Valuation uplift	4.3	-	0.7	-	5.0
Stamp uplift	3.4	-	0.2	-	3.6
Share of JV total	<u>7.7</u>	<u>-</u>	<u>0.9</u>	<u>-</u>	<u>8.6</u>
Total	<u>10.9</u>	<u>0.7</u>	<u>4.1</u>	<u>6.4</u>	<u>22.1</u>
Of which 1 st half	<u>3.1</u>	<u>-</u>	<u>0.8</u>	<u>3.5</u>	<u>7.4</u>

debt profile

£m	on balance sheet	share of JV	total
Net short term debt	19.5	45.1	64.6
Long term debt	155.1	190.6	345.7
Total debt at 31 march 2004	174.6	235.7	410.3
of which:			
Total net recourse debt	117.8	7.2	125.0
Long term non recourse debt	56.8	228.5	285.3
Gearing (pre FRS 19)	69%		163%
Recourse gearing	47%		50%
Total debt at 31 march 2003	192.8	106.5	299.3
Gearing (pre FRS 19)	86%		134%
Recourse gearing	61%		60%

- At 31 march 2004 the Group had undrawn facilities of £39m

debt derivatives

£m	on balance sheet	share of JV	total
Total debt at 31 March 2004	174.6	235.7	410.3
Amount of which that is fixed	93.2	-	93.2
Amount capped/swapped	133.9	139.9	273.9
Total covered	227.1	139.9	367.0
Over/[under] covered	52.5	[95.8]	
Swapped at 4.1%/4.32% to '08	-	139.9	139.9
Swapped at 5.9%/6.0% to '09	24.9	-	24.9
Capped at 7.25% to '07	100.0	-	100.0
Swapped at 7.5% to '07	9.0	-	9.0

IPD benchmarking

Warner return on property under management (full 12 months) 17.6%

IPD average 12.6%

Ranked 12 out of 168 funds

7th percentile

tax profile

Tax charge reconciliation £m	revenue	capital	total
as at 31 march 2004			
Profit on ordinary activities	14.1	1.6	15.7
Tax @ 30%	4.2	0.5	4.7
Use of losses	-	-0.5	-0.5
Dividends not taxable	-0.2	-	-0.2
Use of allowances (capital & IBAs)	-1.0	-	-1.0
Other	-1.2	-	-1.2
Pre FRS 19 tax charge	1.8 (13%)	- (0%)	1.8 (11%)
FRS 19 deferred tax provision	1.4	-	1.4
Total tax charge	3.2 (23%)	- (0%)	3.2 (20%)
being			
• Direct	3.0	-	3.0
• JVs	0.2	-	0.2

tax profile

Tax losses and capital allowances available	gross £m	tax @ 30% £m
as at 31 march 2004		
Revenue losses	-	-
Net capital losses	5.6	1.7
Capital and industrial building allowances	12.3	3.7
Pre FRS 19	17.9	5.4
Deferred tax for FRS 19	-12.0	-3.6
Total	<u>5.9</u>	<u>1.8</u>
At 31 march 2003 Pre FRS 19	21.7	6.5

Richard Moore

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year ended 31 march 2004

property portfolio

	31 march 2004	movement	
Warner Core Portfolio (inc. trading)	£334.9m	-£44.9m	-12%
Agora	£293.0m	£70.4m	32%
Sub total	£627.9m	£25.5m	4%
Skipper	£112.7m	£112.7	-
Radial	£116.4m	£116.4	-
Bareway	£19.8m	£19.8	-
Total	£876.8m	£274.4	46%

agora fund

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31 march 2004 year on year movement

Income	£18.55m	+£2.84m	+18.08%
ERV	£23.47m	+£3.62m	+18.24%
Yield (initial)	6.1%	90 basis point improvement	
Voids	3%		
Value	£293.0m	+£70.4m	+31.63%

agora centres

	31 march 2004			year on year movement		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
Bolton	£4.37m	£5.51m	6.00%	-£0.53m	-£0.02m	144
Preston	£3.69m	£3.93m	6.35%	+£0.10m	-£0.03m	88
Sale	£1.61m	£2.58m	5.75%	-	+£0.08m	224
Liverpool	£0.68m	£1.19m	5.00%	+£0.24m	+£0.03m	-120
Ellesmere Port	£2.02m	£3.33m	5.34%	-	-	18
Middleton	£3.36m	£3.64m	6.75%	+£0.21m	+£0.27m	96
Sub total	£15.73m	£20.18m		+£0.02m	+£0.33m	
Birkenhead	£2.82m	£3.29m	6.50%			
Total	£18.55m	£23.47m	6.10%			

skipper fund

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	31 march 2004	since establishment	
Income	£8.61m	+£0.24m	+2.87%
ERV	£8.93m	+£0.14m	+1.59%
Yield (initial)	7.25%	8 basis point decrease	
Voids	2%	up from 1%	
Value	£112.7m	+£2.2m	+2.0%

skipper offices

	July 2004			movement since establishment		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
Solihull	£1.51m	£1.44m	7.53%	-	-	22
Kingston	£1.99m	£2.18m	6.79%	+£0.30m	-	-83
Leeds	£1.00m	£1.22m	7.59%	-£0.06m	+£0.04m	66
Glasgow	£1.19m	£1.25m	9.00%	-	+£0.05m	2
Edinburgh	£2.11m	£2.02m	7.00%	-	+£0.03m	-
Bournemouth	£0.81m	£0.82m	6.35%	-	+£0.02m	240
Total	£8.61m	£8.93m	7.25%	+£0.24m	+£0.14m	-

radial fund

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31 march 2004 movement since acquisition

Income	£8.18m	-	-
ERV	£8.57m	+£0.13m	+1.54%
Yield (initial)	6.75%	15 basis point improvement	
Voids	0%	-	
Cost	£116.4m		

	31 march 2004			movement since acquisition		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
Weybridge <small>(Surrey)</small>	£2.43m	£2.54m	6.70%	-	-	20
Bristol	£1.35m	£1.42m	6.70%	-	+£0.07m	10
Yate	£1.13m	£1.12m	6.80%	-	-	10
Bardon <small>(Leicester)</small>	£0.94m	£1.02m	6.50%	-	+£0.06m	25
Tamworth	£0.41m	£0.43m	6.75%	-	-	15
Coleshill <small>(G)</small>	£0.68m	£0.72m	6.75%	-	-	15
Coleshill <small>(A&C)</small>	£0.78m	£0.83m	6.70%	-	-	10
Stakehill <small>(Manchester)</small>	£0.46m	£0.49m	7.65%	-	-	10
Total	£8.17m	£8.57m	6.75%	-	+£0.13m	15

bareway fund

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31 march 2004 movement since acquisition

Income	£1.54m	-	-
ERV	£1.65m	+£0.01m	+0.61%
Yield (initial)	7.4%	25 basis point improvement	
Voids	1%	-	
Cost	£19.8m		

	31 march 2004			movement since acquisition		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
Witney	£0.45m	£0.51m	7.61%	+£0.02m	+£0.01m	38
Norwich	£0.50m	£0.57m	6.75%	-£0.02m	-	30
Harlow	£0.59m	£0.57m	7.88%	-	-	12
Total	£1.54m	£1.65m	7.40%	-	+£0.01m	25

core portfolio

		31 march 2004			year on year movement		
		income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
Retail	18%	£4.15m	£4.33m	7.19%	+£0.60m	+£0.21m	-43
Offices	51%	£12.99m	£13.46m	7.69%	+£0.34m	+£0.52m	51
Industrial	31%	£7.27m	£7.86m	7.68%	+£1.99m	+£2.34m	62
Total		£24.41m	£25.65m	7.39%	+£2.93m	+£3.07m	129

core retail

	31 march 2004			year on year movement		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
High Street	£2.13m	£2.28m	6.70%	+£0.01m	-£0.05m	-57
Retail Warehouse	£2.02m	£2.05m	7.73%	+£0.59m	+£0.26m	-7
Total	£4.15m	£4.33m	7.19%	+£0.60m	+£0.21m	-43

core offices

	31 march 2004			year on year movement		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
London	£0.83m	£0.90m	8.60%	+£0.04m	-£0.07m	-45
South East	£7.28m	£7.34m	7.62%	-£0.78m	-£0.71m	61
Rest of UK	£4,88m	£5.22m	8.00%	+£1.08m	+£1.30m	48
Total	£12.99m	£13.46m	7.69%	+£0.34m	+£0.52m	51

core industrial

	31 march 2004			year on year movement		
	income	ERV	yield <small>(initial)</small>	income	ERV	yield shift
South East	£2.92m	£3.37m	7.56%	-£0.83m	-£0.59m	82
South West	£0.58m	£0.56m	8.81%	+£0.37m	+£0.38m	48
Midlands	£2.87m	£3.07m	7.31%	+£1.73m	+£1.92m	116
North	£0.90m	£0.86m	7.48%	+£0.72m	+£0.63m	182
Total	£7.27m	£7.86m	7.68%	+£1.99m	+£2.34m	62

market overview

- Yields in all sectors will harden
- Some growth of income in specific markets
- Weight of money into market makes purchasing difficult
- Shortage of supply of good stock
- Continuing drive towards indirect vehicles

Future strategy

- Increase our income streams
- Improve value through asset management initiatives
- Broaden our fund investor base
- Rebalance the core portfolio
- Expand our development exposure
- Target corporate acquisition

33 Years of Dividend Growth (up 6% this year)