

HALF YEAR RESULTS PRESENTATION

SEPTEMBER 2007

Presentation

□ Overview

Philip Warner

□ Financials

Peter Collins

□ Property

Michael Stevens

Market Overview

- ❑ Financial markets still in turmoil
- ❑ Increased pricing of debt
- ❑ Reversal in yield compression
- ❑ Occupational markets firm

Finance Strategy

□ Financial capacity

- Unutilised facilities
- Well hedged
- Few facility renewals
- No exposure to CMBS market

Property Strategy

□ Re-weighting of portfolio

- Purchase of £93m of Central London offices
- Sale of £45m of assets at 13% profit*
- Shift towards London and South East

□ Creating value

- Development pipeline
- Asset management income
- Generating ERV growth

* Average net profit over March 2007 values

Financial Highlights

	September 2007	March 2007
Adjusted NAV*	766p	800p
NAV	752p	774p

*Adjusted for deferred tax on assets not within the REIT & proposed interim dividend

	September 2007	September 2006
Realised pre tax profit	£11.2m	£7.9m
Realised earnings per share	22.1p	15.0p
Dividend*	11.25p	10.0p
Total annualised adjusted return	-4.3%	23.7%

*** 36 years of successive dividend growth**

Financials

Income Statement

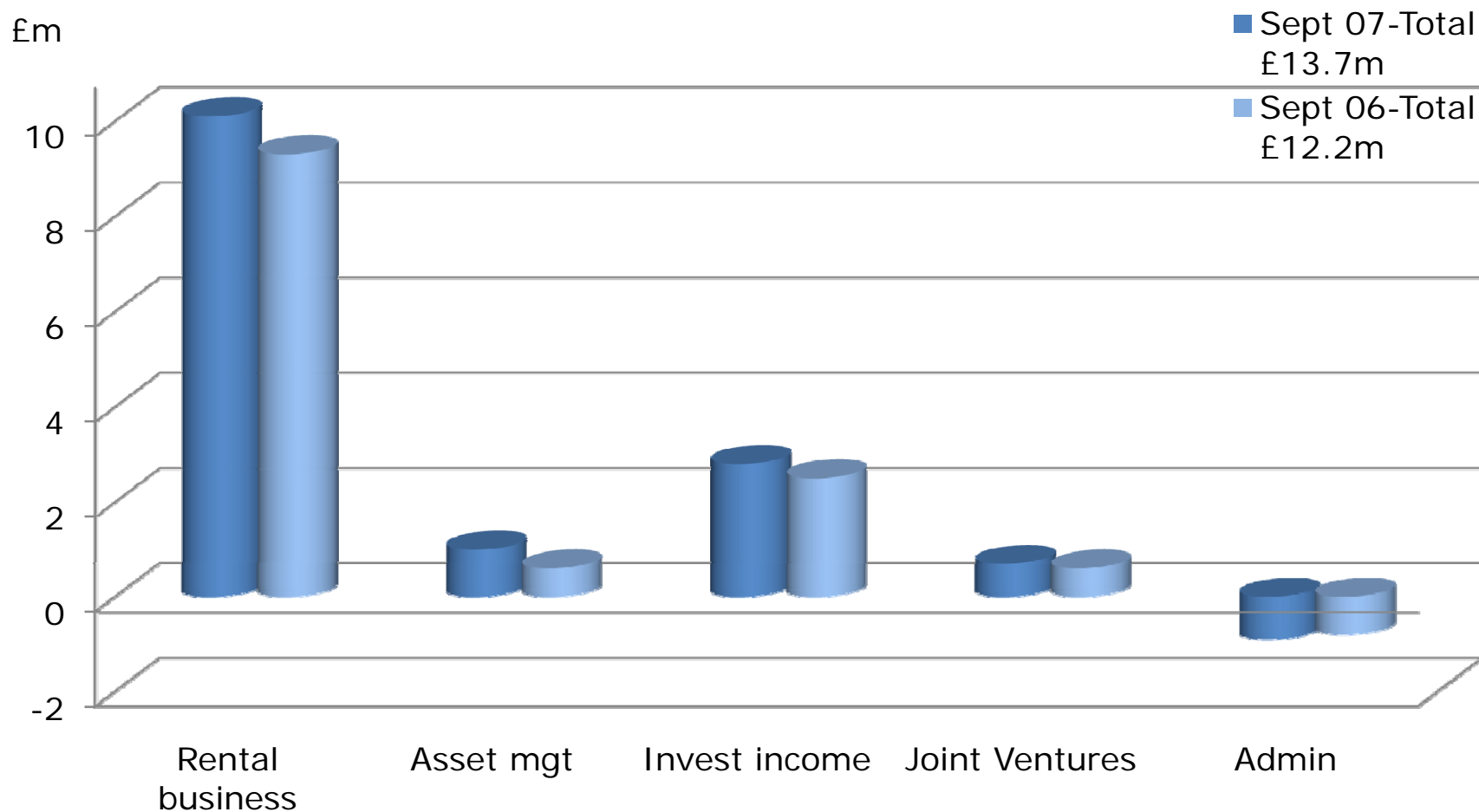
Balance Sheet

Income Statement

	September 2007 £m	September 2006 £m
Net rental and trading income	12.5	10.9
Operating profit before valuation movements*		
- Recurring	13.7	12.2
- Non Recurring	6.1	2.1
	19.8	14.3
Interest	(8.6)	(6.4)
Realised profit before tax	11.2	7.9
Valuation movements*	(20.9)	40.4
(Loss)/profit before tax	(9.7)	48.3
Tax*	3.7	(9.3)
(Loss)/profit for period	(6.0)	39.0

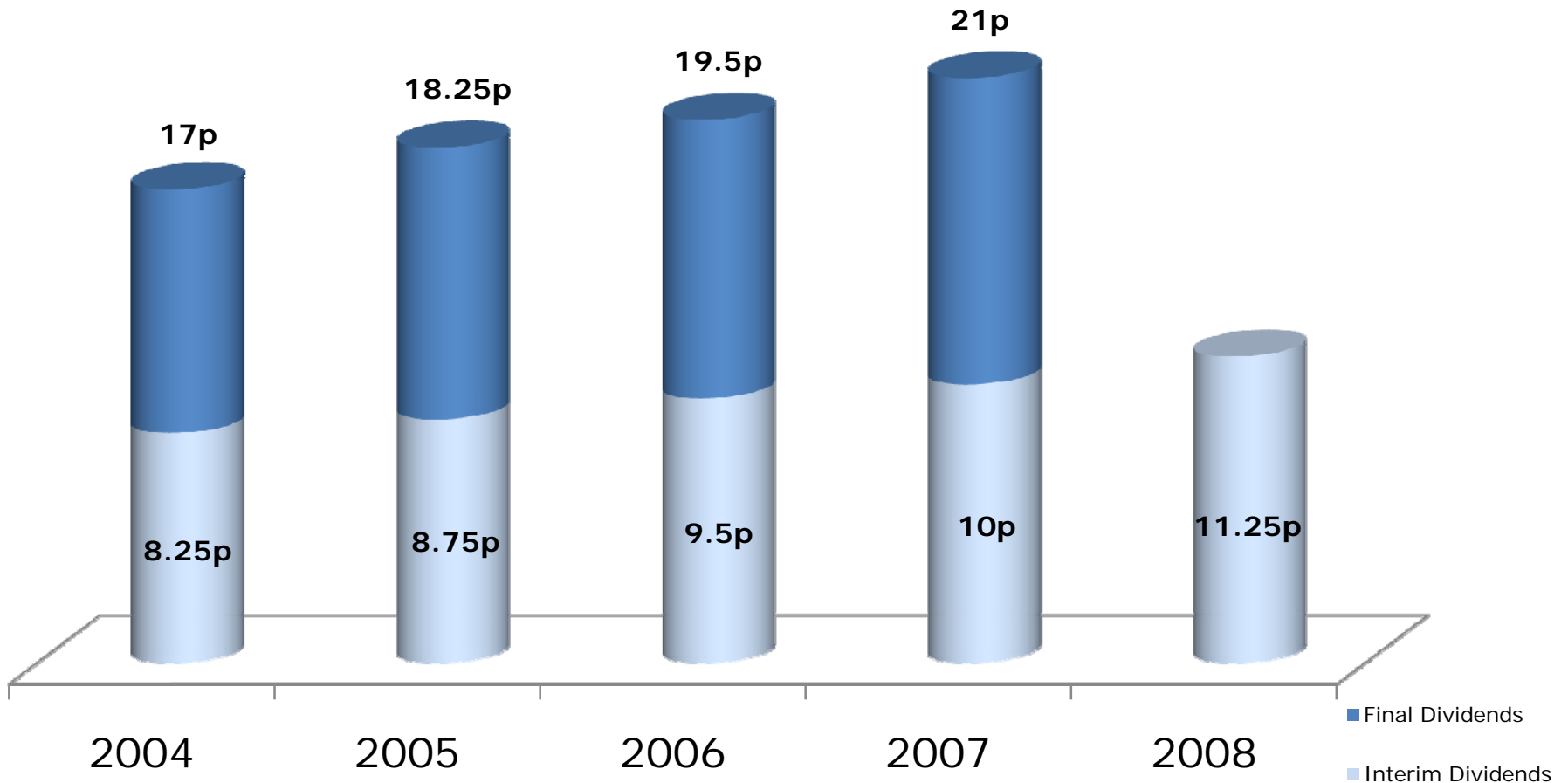
* Including share of joint ventures

Recurring Operating Profit Analysis*



* This includes investment income but not valuation movements

Dividend Growth



Return on Capital

	September 2007 £m	September 2006 £m
(Loss)/profit for the period	(6.0)	39.0
Add back deferred tax (credit)/charge	(3.0)	1.7
Valuation movements on fixed rate debt	(0.2)	0.9
Adjusted Total Return	(9.2)	41.6
Opening Shareholders' Funds	432.7	350.6
Adjusted Return on Shareholders' Funds (annualised)	(4.3)%	23.7%

Valuation Movements

	September 2007 £m	September 2006 £m
□ Property		
- Wholly Owned	(11.4)	8.2
- Share of Joint Ventures	(9.5)	16.3
	(20.9)	24.5
□ Investments in Funds		
- Apia	(0.3)	7.9
- AIF	(0.7)	4.2
□ Other Investments	(0.2)	1.1
□ Swaps & Caps Marked to Market		
- Wholly Owned	0.5	0.7
- Share of Joint Ventures	0.7	2.0
	(20.9)	40.4

Tax Charge

	September 2007 £m	September 2006 £m
Current period tax		
- Revenue	-	(1.3)
- Capital	-	(2.2)
- Refunds	0.6	-
- Other	0.4	(0.1)
	1.0	(3.6)
Deferred tax*	2.7	(5.7)
	3.7	(9.3)

* The deferred tax credit in the period represents the notional tax release arising on the reduction in the asset value not covered by the REIT being the investments in AIF & Apia and the assets in the Agora Max and Greater London Offices joint ventures. Fair value movements on interest rate swaps are also subject to deferred tax.

Income Statement Analysis – September 2007

	REIT	Non REIT	Capital Profits	Reval -/+	Head Office Costs **	Total
	£m	£m	£m	£m	£m	£m
(Loss)/profit before reallocated costs *	6.2	(0.3)	6.7	(20.9)	(1.4)	(9.7)
Reallocated costs **	(0.3)	(1.1)	-	-	1.4	-
(Loss)/profit before tax*	<u>5.9</u>	<u>(1.4)</u>	<u>6.7</u>	<u>(20.9)</u>	<u>-</u>	<u>(9.7)</u>
Current tax	-	1.1	-	(0.1)	-	1.0
Deferred tax	-	-	-	2.7	-	2.7
(Loss)/profit after tax	<u>5.9</u>	<u>(0.3)</u>	<u>6.7</u>	<u>(18.3)</u>	<u>-</u>	<u>(6.0)</u>

* This excludes tax credits in the joint ventures of £2.0m

** These are the pure head office costs which must be reallocated to arrive at the REIT profit

REIT Income

	PROPERTY	INVESTMENT				TOTAL
	Group	Agora JV	Radial JV	Apia Fund	AIF	
	£m	£m	£m	£m	£m	£m
Rental income	12.9	-	-	-	-	12.9
Direct expenditure	(3.1)	-	-	-	-	(3.1)
Head office recharges	(0.3)	-	-	-	-	(0.3)
	(3.4)	-	-	-	-	(3.4)
Investment income	-	-	-	1.9	0.7	2.6
Share of JV profit	-	0.3	0.5	-	-	0.8
Direct net interest	(8.6)	-	-	-	-	(8.6)
Reallocated net interest	6.1	(0.6)	(0.8)	(1.7)	(1.1)	1.9
Profit/(loss) before reallocated costs	7.0	(0.3)	(0.3)	0.2	(0.4)	6.2
Reallocated costs*	(0.3)	-	-	-	-	(0.3)
PROFIT/(LOSS) BEFORE TAX	6.7	(0.3)	(0.3)	0.2	(0.4)	5.9

* This is the reallocation of pure head office costs which must be reallocated to arrive at the REIT profit

Non-REIT Income

	ASSET MANAGEMENT			Other Income	Total
	Funds	Joint Ventures	Total		
	£m	£m	£m		
Rental income	-	-	-	0.1	0.1
Management fee income	6.2	1.0	7.2	-	7.2
Direct expenditure	(3.7)	(1.3)	(5.0)	0.6	(4.4)
Head office recharges	(0.8)	(0.4)	(1.2)	-	(1.2)
	(4.5)	(1.7)	(6.2)	0.6	(5.6)
Share of joint ventures' loss	-	-	-	(0.2)	(0.2)
Performance fees	-	-	-	-	-
Profit/(loss) before interest	1.7	(0.7)	1.0	0.5	1.5
Reallocated net interest	(0.2)	-	(0.2)	(1.6)	(1.8)
Profit/(loss) before reallocated costs	1.5	(0.7)	0.8	(1.1)	(0.3)
Reallocated costs	(0.8)	(0.3)	(1.1)	-	(1.1)
PROFIT/(LOSS) BEFORE TAX	0.7	(1.0)	(0.3)	(1.1)	(1.4)

Funds – comparatives

	2007	2006
	£m	£m
Management fee income	6.2	5.3
Direct expenditure	(3.7)	(3.1)
Operating profit	2.5	2.2
Head office recharges*	(0.8)	(1.0)
	1.7	1.2
Performance fees	-	-
Profit before interest	1.7	1.2
Reallocated net interest*	(0.2)	(0.2)
Profit before reallocated costs	1.5	1.0
Operating Margin ** - Apia	50%	55%
- AIF	38%	38%

* The head office recharges and reallocated net interest in 2006 have been estimated

** Before performance fees and head office recharges

Balance Sheet September 2007

	Business Value £m	Warner Estate Equity Share £m	Statutory £m
Property assets	3,252	1,215	507
Goodwill	11	11	11
Investment in funds	-	-	119
Investment in joint ventures	-	-	146
Working capital etc	(145)	(21)	9
Debt	(1,680)	(779)	(366)
Adjusted net assets	1,438	426	426
Warner Estate shareholder	426	426	426
Fund investors	866	-	-
Joint venture investors	146	-	-
Total equity	1,438	426	426
Loan to value*	52%	64%	58%
Gearing	117%	182%	86%

* This is on property assets & investment in funds

Property under Management

	Opening Value £m	Additions & (Disposals) £m	Revaluation £m	Closing Value £m
Wholly owned (REIT elected)	461	58	(12)	507
Joint ventures				
- REIT elected	560	8	(11)	557
- Other	427	-	(7)	420
	987	8	(18)	977
Warner Estate equity share	493	4	(9)	488
Funds				
- Apia	501	1	(1)	501
- AIF	1,272	1	(6)	1,267
	1,773	2	(7)	1,768
Warner Estate equity share	223	-	(1)	220
Rebase*	(2)			
Total Warner Estate equity share	1,175	62	(22)	1,215

* This reflects the impact of the change in the percentage holdings in the Funds due to the issue of additional equity in these vehicles

Debt at September 2007

	On Balance Sheet £m	Share of Joint Ventures £m	Share of Funds £m	Warner Estate Share £m
Short term debt				
- Bank	63	64	(6)	121
- Loan Notes	6	-	-	6
Long term debt	297	260	95	652
	366	* 324	* 89	779
Gearing	86%			182%
Post period end gearing	83%			
* Non recourse debt				

Financial Resources

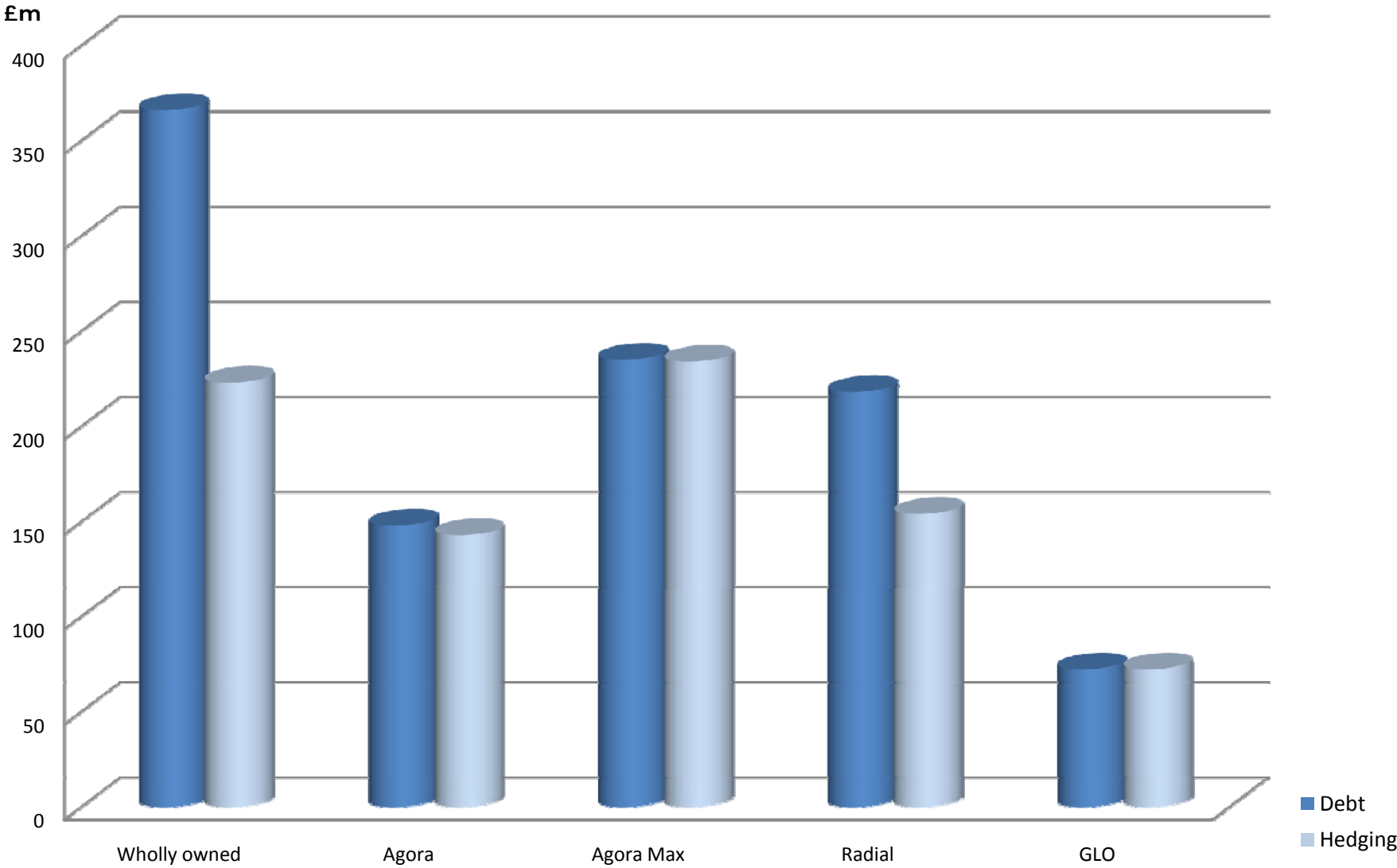
	September 2007	March 2007
Net debt	£366m	£297m
Hedged/fixed	£222m*	£172m
Net gearing	86%	66%
Interest cover	1.5	1.8
Average interest cost	6.5%	6.2%
Available undrawn facilities	£102m	£171m
Loan to value	58%	51%

* A further £25m is hedged from 1 April 2008

Loan to Value

	Drawdown Debt £m	Current Security £m	Current LTV
Term Loan	26	40	64%
Revolving Credit Facilities	340	539	63%
Uncharged Assets	-	56	-
	<u>366</u>	<u>635</u>	58%

Warner Estate Debt/Hedging Analysis 30 September 2007



The Financial Market

Market Condition

- ❑ CMBS Market effectively closed
- ❑ Three month LIBOR currently more than 50 bps higher than normal margin over bank base rate
- ❑ Margins charged by lenders have currently increased by at least 40 bps

Potential Exposure

- ❑ Current debt not dependent on CMBS market
- ❑ Unhedged debt is being rolled daily/weekly to eliminate this problem
- ❑ This has no immediate effect but may impact Agora & the 20% of Group's Facilities which are due for renewal in 2008

Cost of bank debt finance

	Market as at July 2007	Current market for new debt	Current Group facilities *
Bank base rate	5.75%	5.75%	5.75%
3mth LIBOR margin	0.15%	0.50%	0.15%**
Bank margin	0.50/1.00%	1.00/1.50%	0.60%
	6.40/6.90%	7.25/7.75%	6.50%

* Only 20% (£90m) due for renewal in 2008

** Borrowing at daily/weekly LIBOR

Property Review

- ❑ Portfolio Performance
- ❑ Warner Estate Equity Share
- ❑ Development Progress
- ❑ Funds
- ❑ Positioning Ourselves

Portfolio Performance

Assets Under Management

30 September 2007

	Value	Movement
Warner Estate Equity Share	£1.2bn	-
Third Party Investors	£2.1bn	+£0.1bn
Total	£3.3bn	+£0.1bn

Property Return

Warner Estate Equity Share

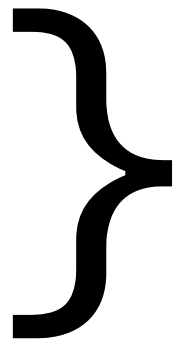
2.1% (ungeared)

1.6% (geared)

Aggregate portfolio

2.2% (ungeared)

1.4% (geared)

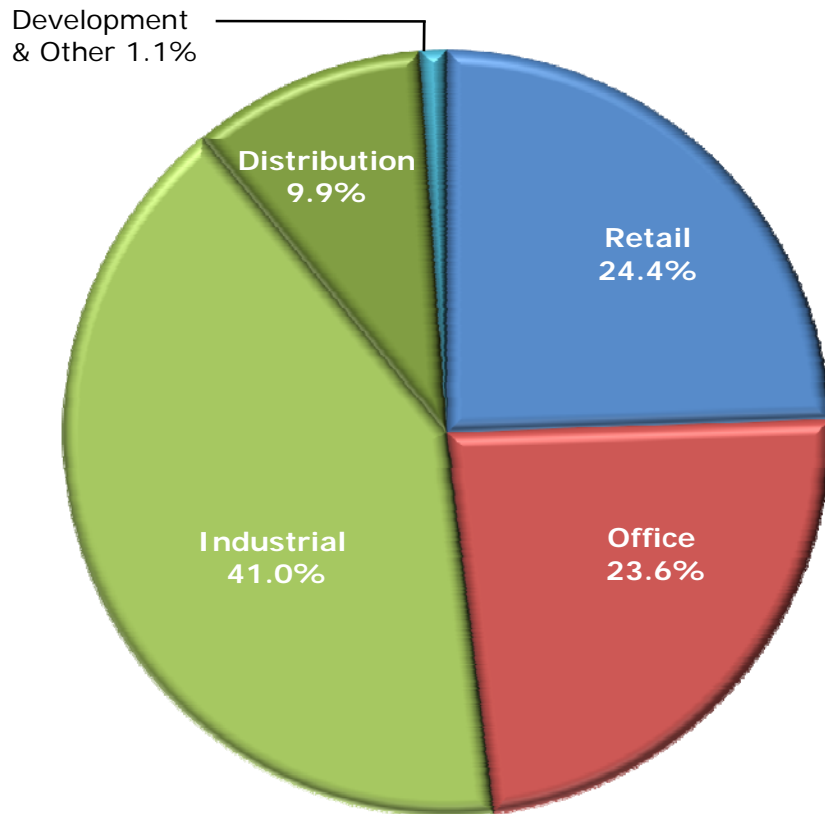


IPD Monthly Index

1.1% (ungeared)

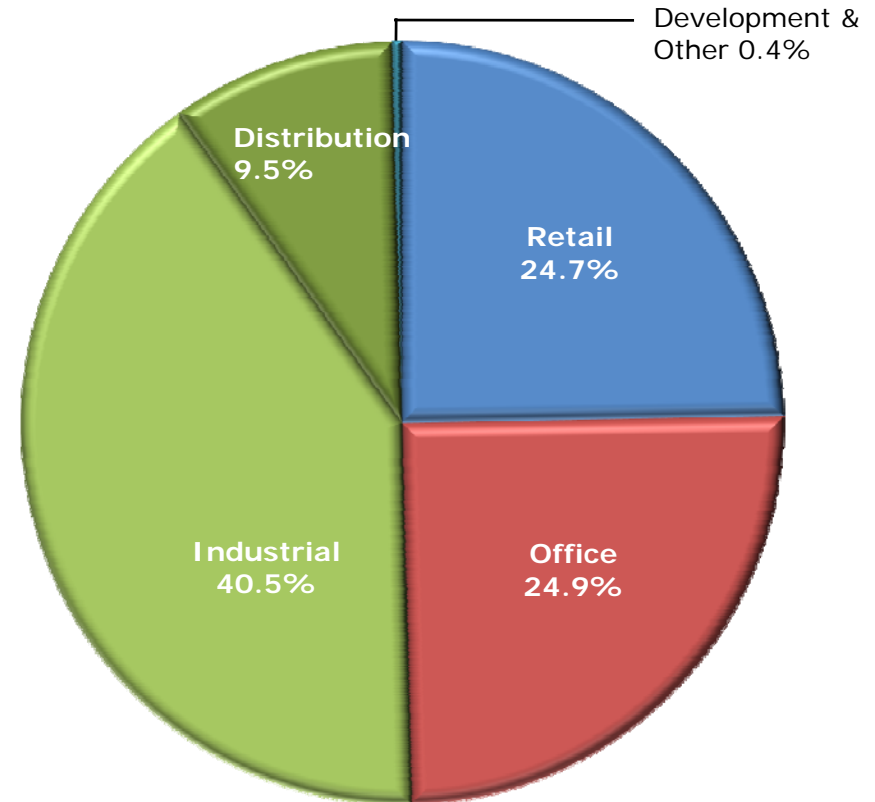
Property under Management

31 March 2007



**Total Portfolio
£3.2bn**

**30 September
2007**



**Total Portfolio
£3.3bn**

Property Portfolio

	Value £m	Equity Share £m	Income £m	ERV £m	Net Initial Yield	Equivalent Yield
Wholly Owned	506.7	506.7	27.3	31.6	5.1%	6.2%
Joint Ventures						
- Agora/Agora Max Shopping Centres	577.7	288.8	29.2	42.2	4.6%	5.9%
- Radial Distribution	296.6	148.3	18.3	18.4	5.9%	5.9%
- Greater London Offices	102.4	51.2	4.6	6.1	4.3%	5.3%
Funds						
- Apia Regional Office	501.0	137.4	28.2	32.7	5.3%	5.9%
- Ashtenne Industrial	1,267.3	82.6	72.3	94.7	5.4%	6.9%
TOTAL	3,251.7	1,215.0	179.9	225.7	5.2%	6.3%

Equity Share - Property

Owned

□ Directly

£m

%

507

42

Through

□ Joint ventures

488

40

□ Funds

220

18

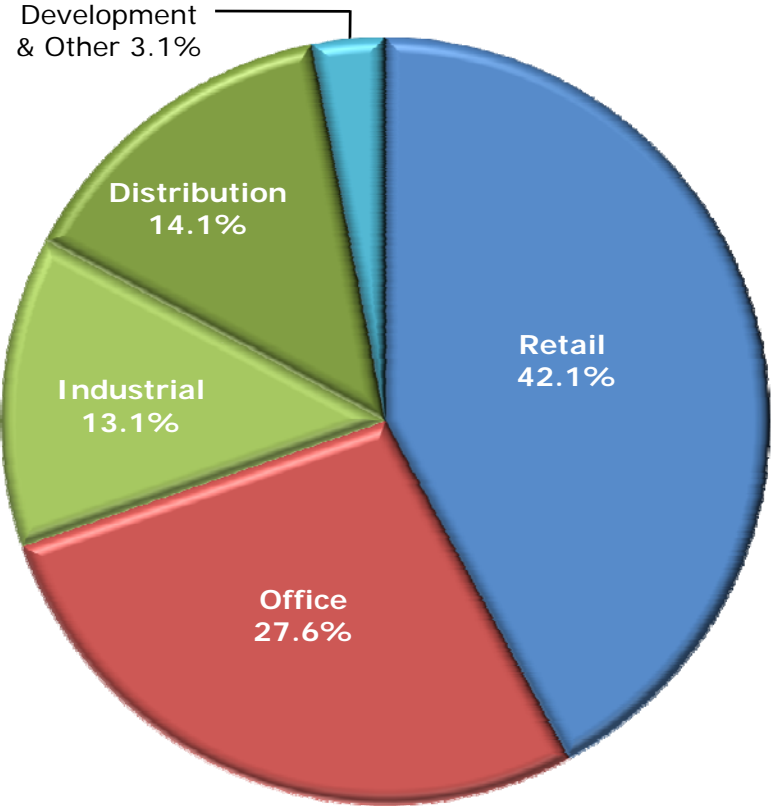
Total

1,215

100

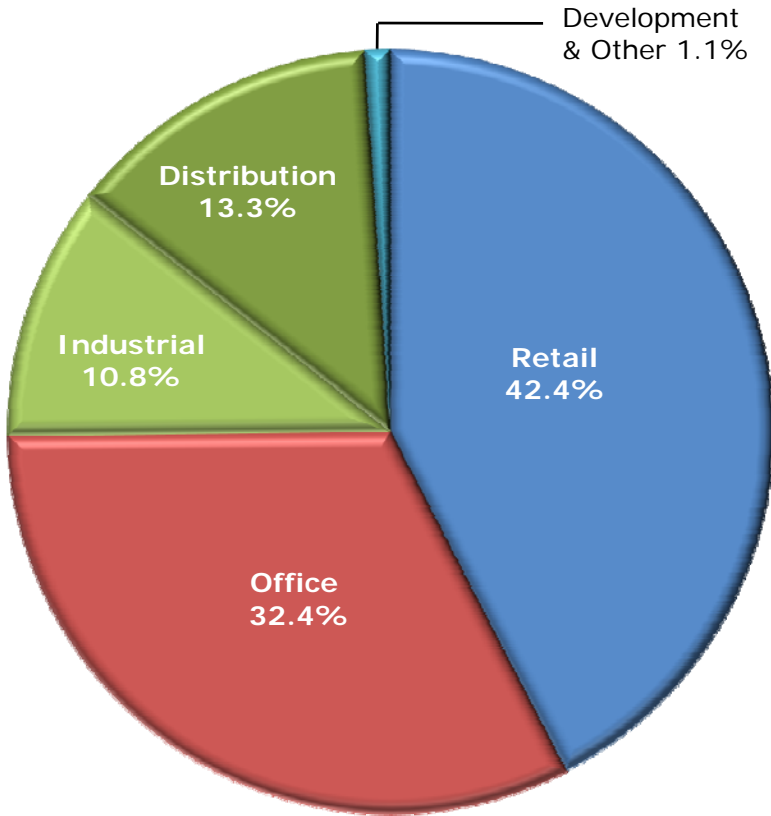
Equity Share by Sector

31 March 2007



**Total Portfolio
£ 1.2bn**

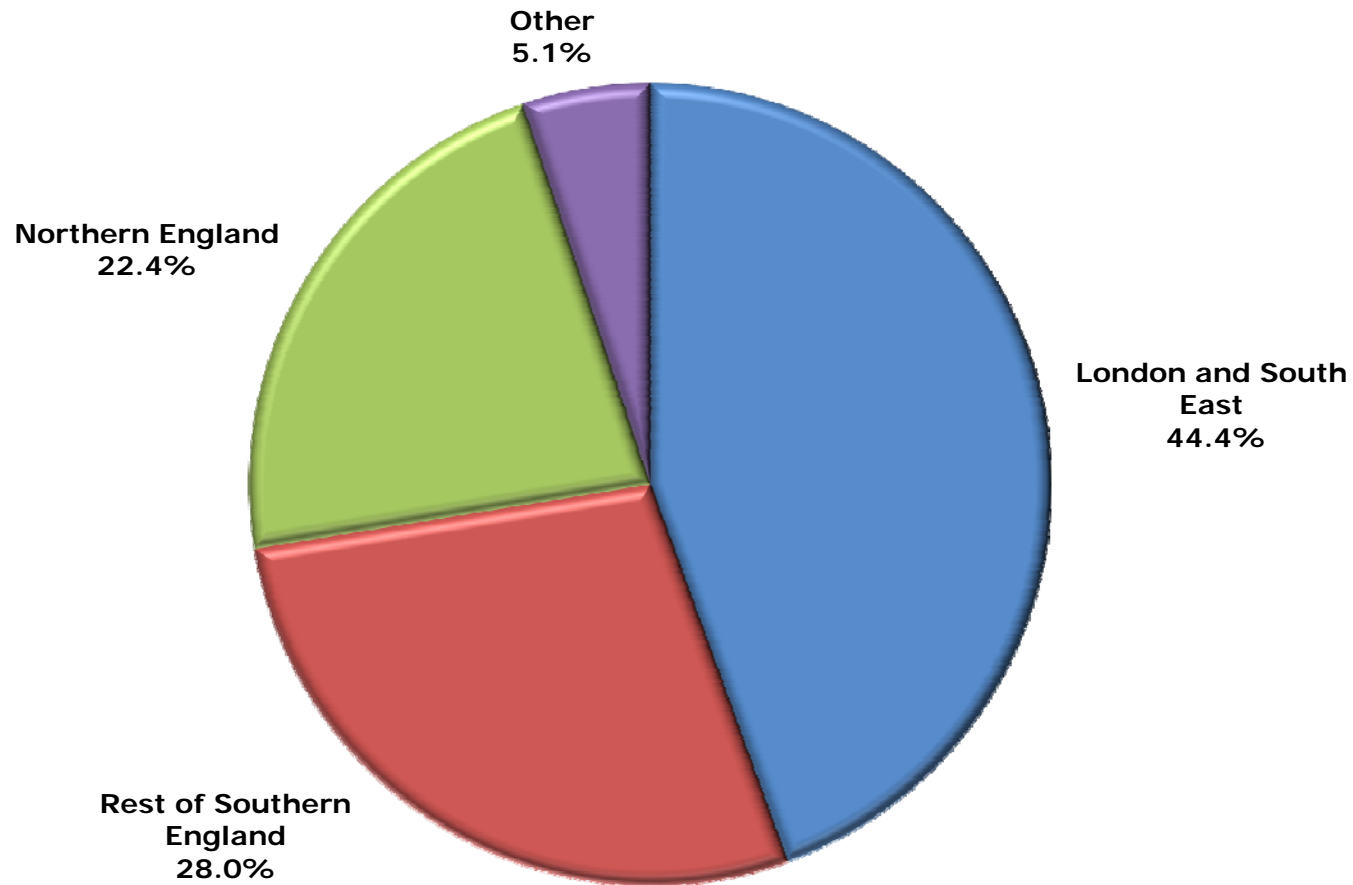
30 September 2007



**Total Portfolio
£1.2bn**

Equity Share by Region

September 2007



Total Value: £1.2bn

Warner Estate Equity Portfolio

Property Type	Ownership Wholly Owned £m	Share of Joint Ventures £m	Share of Funds £m	Total £m	Annualised Rent Roll £m	ERV £m	Net Initial Yield	Equivalent Yield	Weighting
Shopping Centres	85	289	-	374	19.2	26.6	4.8%	5.9%	30.8%
Shopping Centre Development	25	-	-	25	n/a	n/a	-	-	2.1%
Other Retail	116	-	-	116	6.0	6.8	5.0%	5.4%	9.5%
Total Retail	226	289	-	515	25.2	33.4	4.8%	5.8%	42.4%
Offices	205	51	137	393	22.4	26.7	5.2%	5.9%	32.3%
Distribution	18	148	-	166	10.7	10.7	6.0%	6.0%	13.7%
Industrial	44	-	83	127	7.0	8.9	5.4%	6.7%	10.5%
Other	14	-	-	14	0.5	0.5	-	-	1.1%
Total Equity	507	488	220	1,215	65.8	80.2	5.2%	6.0%	100.0%

Warner Estate Equity Valuation

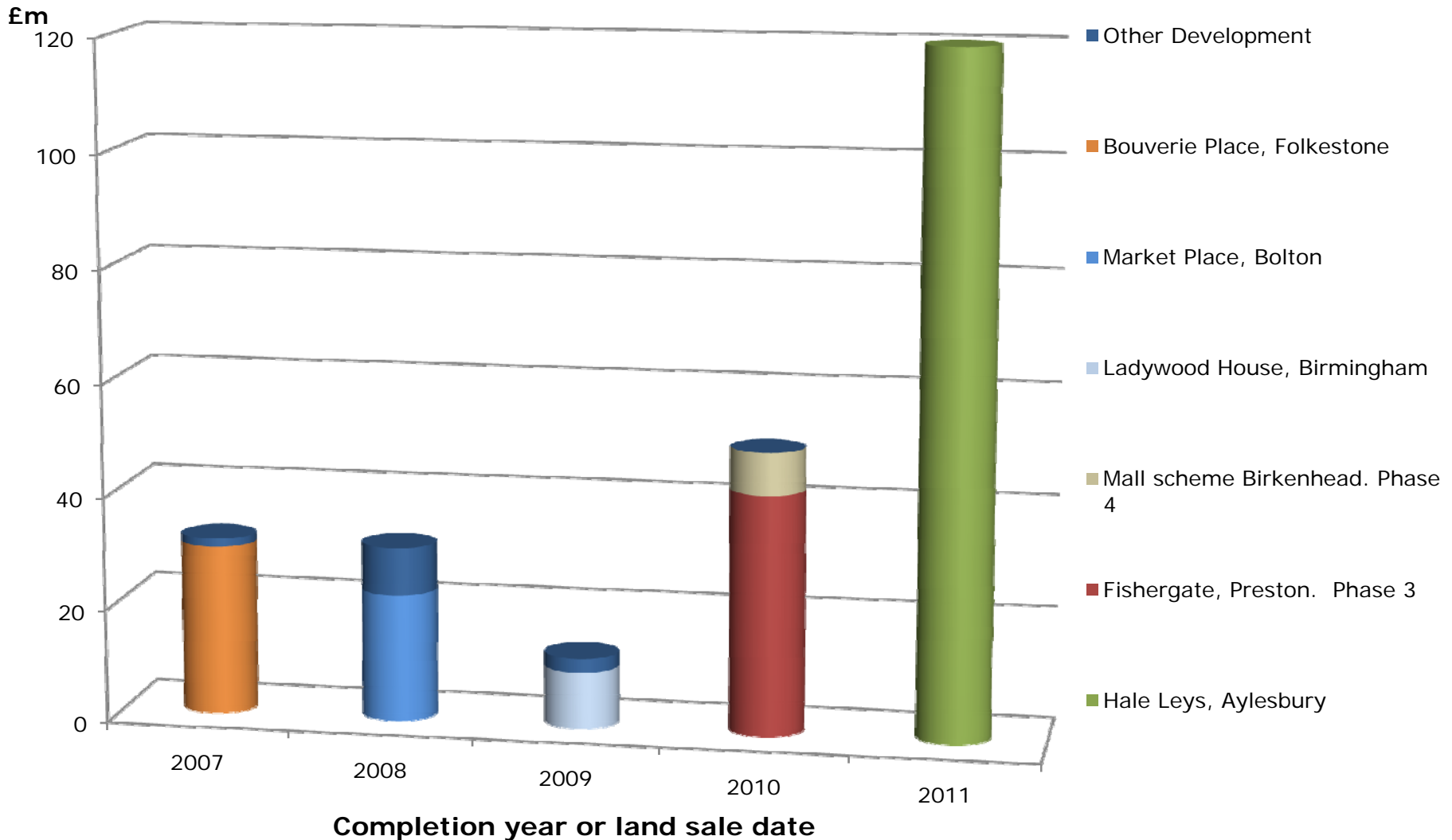
What if...

Over next 18 months	Yields Stable	Yields out 50bps	Yields out 100bps
ERV up 2.5% p.a.	+£50m	-£50m	-£150m
ERV up 5.0% p.a.	+£100m	-£10m	-£100m
ERV up 7.5% p.a.	+£140m	+£30m	-£60m

Development Pipeline



- ❑ 1.4m sq ft pipeline and 240 acres
- ❑ 650,000 sq ft currently on site
- ❑ Further 330,000 sq ft has planning permission
- ❑ Delivering 2007 to 2011
- ❑ Capex programme £240m + (Equity share)
- ❑ Target rate of return – 15%

Equity share of development pipeline



Note: Langley Park, Chippenham (AIF) and Pallasades, Birmingham (Agora Max) are excluded from this table

Funds Review

	No. of properties	Value £m	Income £m	ERV £m	Net Initial Yield	Equivalent Yield	Yield/ Management Shift
 Apia	22	501.0	28.2	32.7	5.3%	5.88%	51/49
 ASHTENNE	415	1,267.3	72.3	94.7	5.4%	6.88%	60/40
TOTAL	437	1,768.3	100.5	127.4	5.4%		

Apia

- ❑ Void reduction from 6.4% to 5.4%
- ❑ 2.8% total return (ungeared) vs IPD benchmark 0.5%
- ❑ Fund termination date – June 2020

AIF

- ❑ Void reduction from 11.14% to 10.07%
- ❑ Average rent £3.69 psf.
- ❑ 2.6% total return (ungeared) vs IPD benchmark 0.6%
- ❑ Fund termination date – July 2011.

Positioning Ourselves

- ❑ Conservative Valuation Yield → Resilience against outward shift
- ❑ 20+ % reversion → Opportunity with solid occupational market
- ❑ Development pipeline flowing → Additional portfolio returns
- ❑ Asset upgrade continues → Growth prospects/yield resilience
- ❑ Increased London & South East weighting → Matching the strongest market

Appendix

Recurring Profit

	30 September 2007 £m	30 September 2006 £m
Net income from property investment activities	10.1	9.3
Net income from asset management activities	1.0	0.6
Share of joint ventures' profit	0.7	0.6
Head office costs	(0.9)	(0.8)
Income from investment in funds	2.8	2.5
Net interest payable	(8.6)	(5.7)
Total	5.1	6.5

Note: best estimates have been used for the reallocation of head office costs for the period to September 2006

AIF – Actual comparatives

	2007	2006
	£m	£m
Management fee income	5.2	4.4
Direct expenditure	(3.2)	(2.7)
Operating profit	2.0	1.7
Head office recharges	(0.7)	(0.8)
	1.3	0.9
Performance fees	-	-
Profit before interest	1.3	0.9
Reallocated net interest	(0.2)	(0.2)
Profit before reallocated costs	1.1	0.7
Operating margin before performance fees and head office recharges	38%	38%

Apia Fund – Actual comparatives

	2007	2006
	£m	£m
Management fee income	1.0	0.9
Direct expenditure	(0.5)	(0.4)
Operating profit	<u>0.5</u>	<u>0.5</u>
Head office recharges	(0.1)	(0.2)
	<u>0.4</u>	<u>0.3</u>
Performance fees	-	-
Profit before interest	<u>0.4</u>	<u>0.3</u>
Reallocated net interest	-	-
Profit before reallocated costs	<u>0.4</u>	<u>0.3</u>
Operating margin before performance fees and head office recharges	50%	55%

Total Income from Joint Ventures

	2007	2006
	£m	£m
Management fee income	1.0	1.0
Share of profit *	0.6	0.6
Interest receivable	0.3	0.5
	<u>1.9</u>	<u>2.1</u>

* Before valuation movements and tax

Non-REIT Asset Management Income

	ASSET MANAGEMENT						TOTAL
	Ashtenne Industrial Fund	Apia Regional Offices Fund	Agora	Agora Max	Radial	Greater London Offices	
	£m	£m	£m	£m	£m	£m	£m
Management fee income	5.2	1.0	0.3	0.4	0.3	-	7.2
Direct expenditure	(3.2)	(0.5)	(0.5)	(0.3)	(0.3)	(0.2)	(5.0)
Head office recharges	(0.7)	(0.1)	(0.2)	(0.1)	(0.1)	-	(1.2)
	(3.9)	(0.6)	(0.7)	(0.4)	(0.4)	(0.2)	(6.2)
Performance fees	-	-	-	-	-	-	-
Profit before net interest	1.3	0.4	(0.4)	-	(0.1)	(0.2)	1.0
Reallocated net interest	(0.2)	-	-	-	-	-	(0.2)
Profit before reallocated costs	1.1	0.4	(0.4)	-	(0.1)	(0.2)	0.8
Reallocated costs	(0.7)	(0.1)	(0.1)	(0.1)	(0.1)	-	(1.1)
PROFIT BEFORE TAX	0.4	0.3	(0.5)	(0.1)	(0.2)	(0.2)	(0.3)

Non-REIT other income

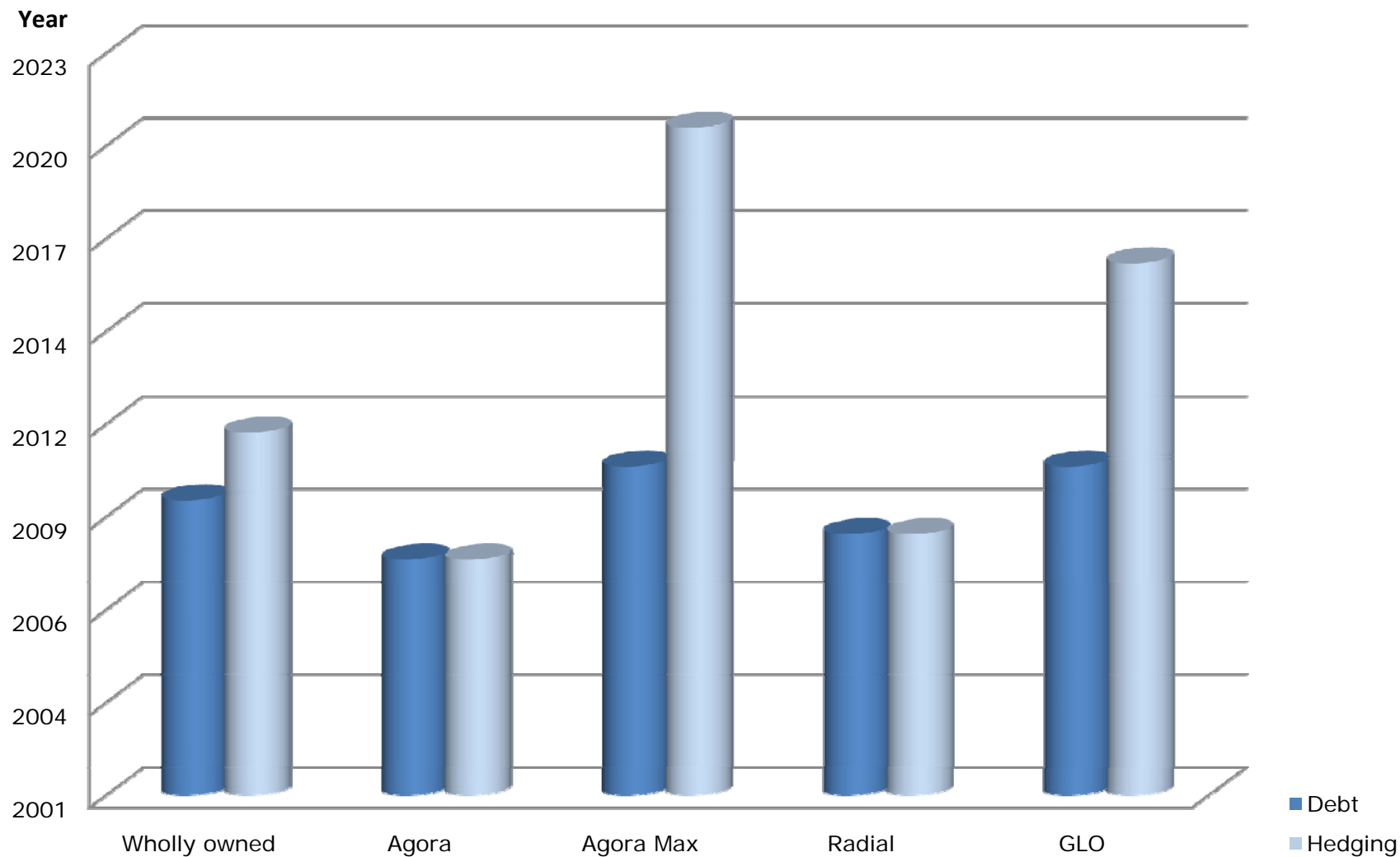
	PROPERTY	INVESTMENT			OTHER	TOTAL
	Group	Agora Max	Greater London Offices	Other		
	£m	£m	£m	£m	£m	£m
Rental income	0.1	-	-	-	-	0.1
Management fee income	-	-	-	-	-	-
Direct expenditure	0.1	-	-	-	0.5	0.6
Head office recharges	-	-	-	-	-	-
	0.1	-	-	-	0.5	0.6
Share of JV profit/(loss)	-	(0.2)	-	-	-	(0.2)
Profit before net interest	0.2	(0.2)	-	-	0.5	0.5
Reallocated net interest	(0.1)	(1.1)	0.2	(0.6)	-	(1.6)
Profit before reallocated costs	0.1	(1.3)	0.2	(0.6)	0.5	(1.1)
Reallocated costs	-	-	-	-	-	-
PROFIT BEFORE TAX*	0.1	(1.3)	0.2	(0.6)	0.5	(1.1)

* This is before tax on JVs

Capital Profits

	CAPITAL PROFITS			
	Wholly Owned £m	Apia Regional Office Fund £m	Ashtenne Industrial Fund £m	TOTAL £m
Capital profit before tax	6.4	0.1	0.2	6.7
Tax	-	-	-	-
Capital profit after tax	6.4	0.1	0.2	6.7

Warner Estate Debt/Hedging Maturity September 2007



Debt Analysis

	Committed Facilities £m	Drawn Debt £m	Amount Hedged/Fixed £m
Group	468	366	222*
Joint Ventures			
☐ Agora**	160	148	143
☐ Agora Max	235	235	234
☐ Radial	260	218	154
☐ GLO	72	72	72
Managed Funds			
☐ Apia	240	237	195
☐ AIF	480	455	335

* A further £25m is hedged from 1 April 2008

** Due for renewal in April 2008 as is hedging