

Preliminary Results for the Year Ended 31 March 2007



→ Agenda



1. 2007 Results - Highlights
2. Financial Performance
3. Glebe Joint Venture
4. Drivers and Prospects

Harry Platt

Chief Executive

→ Headline Results



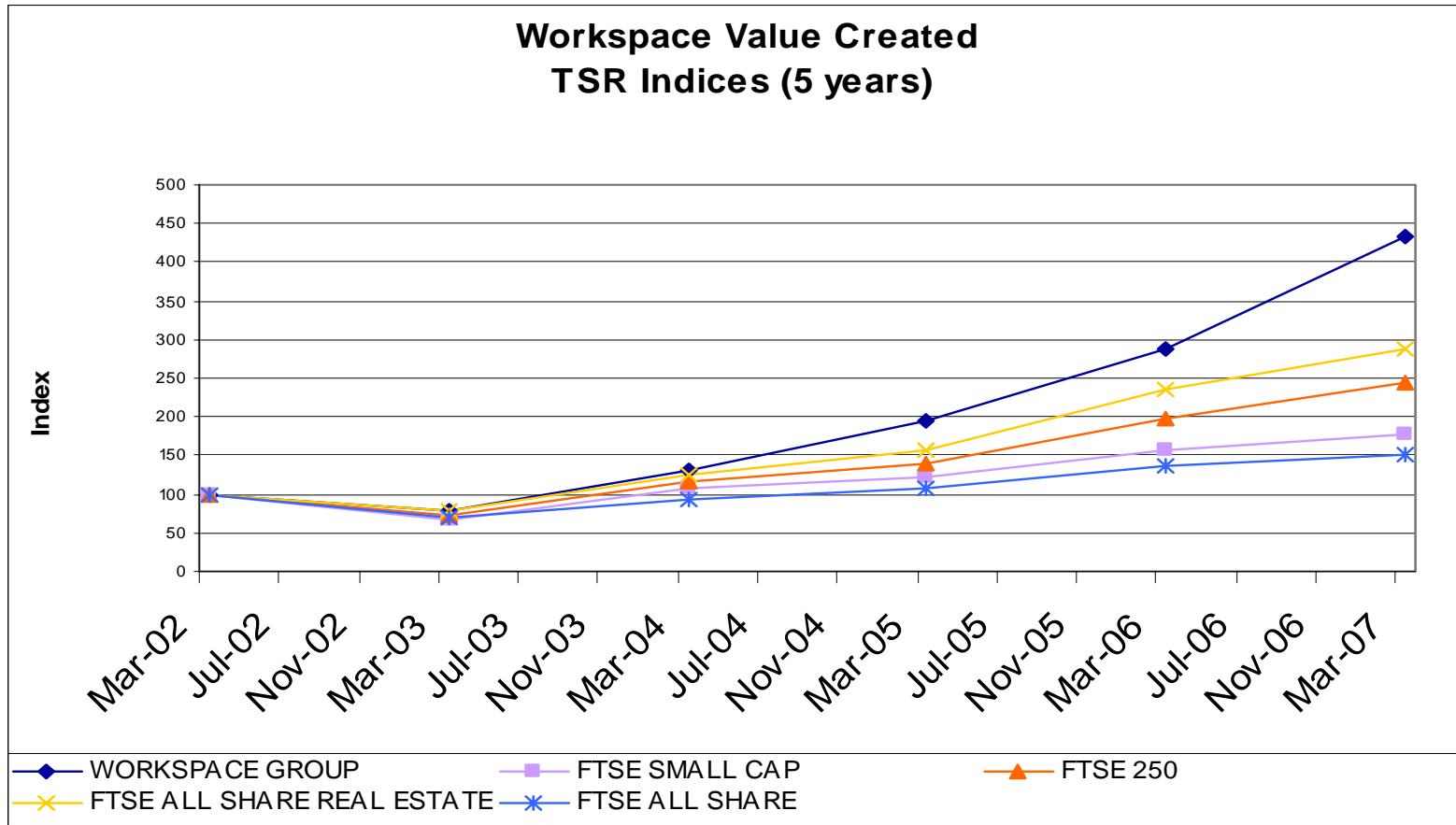
• Valuation Surplus	£95.3m	Up 10.5%
• Portfolio Valuation	£1.00bn	£47.2m rent roll - up 18.7%
• Portfolio including JV	£1.16bn	£55.3m rent roll - up 18.9%
• NAV per share	£3.40	Up 43%
• NAV per share (excl REIT payment)	£3.51	Up 48%
• Basic earnings per share	115.1p	Up 77%
• Trading pre-tax profit	£10.2m	Down 32%

→ Ten Year Results



	Five Year Compound Growth	Ten Year Compound Growth
Adjusted NAV per share	20.2%	23.4%
Property at Valuation	19.3%	23.1%
Dividend per share	10.2%	10.7%

→ Total Shareholder Return



→ The Business – Hotelier of Space to SMEs



To achieve profit and capital growth from:

- Providing workspace to SMEs in London
- Investing in properties with potential
 - Income growth
 - Capital growth
 - Alternative use
- Increasing scale of portfolio, spreading overheads and developing the brand
- The right financial platform

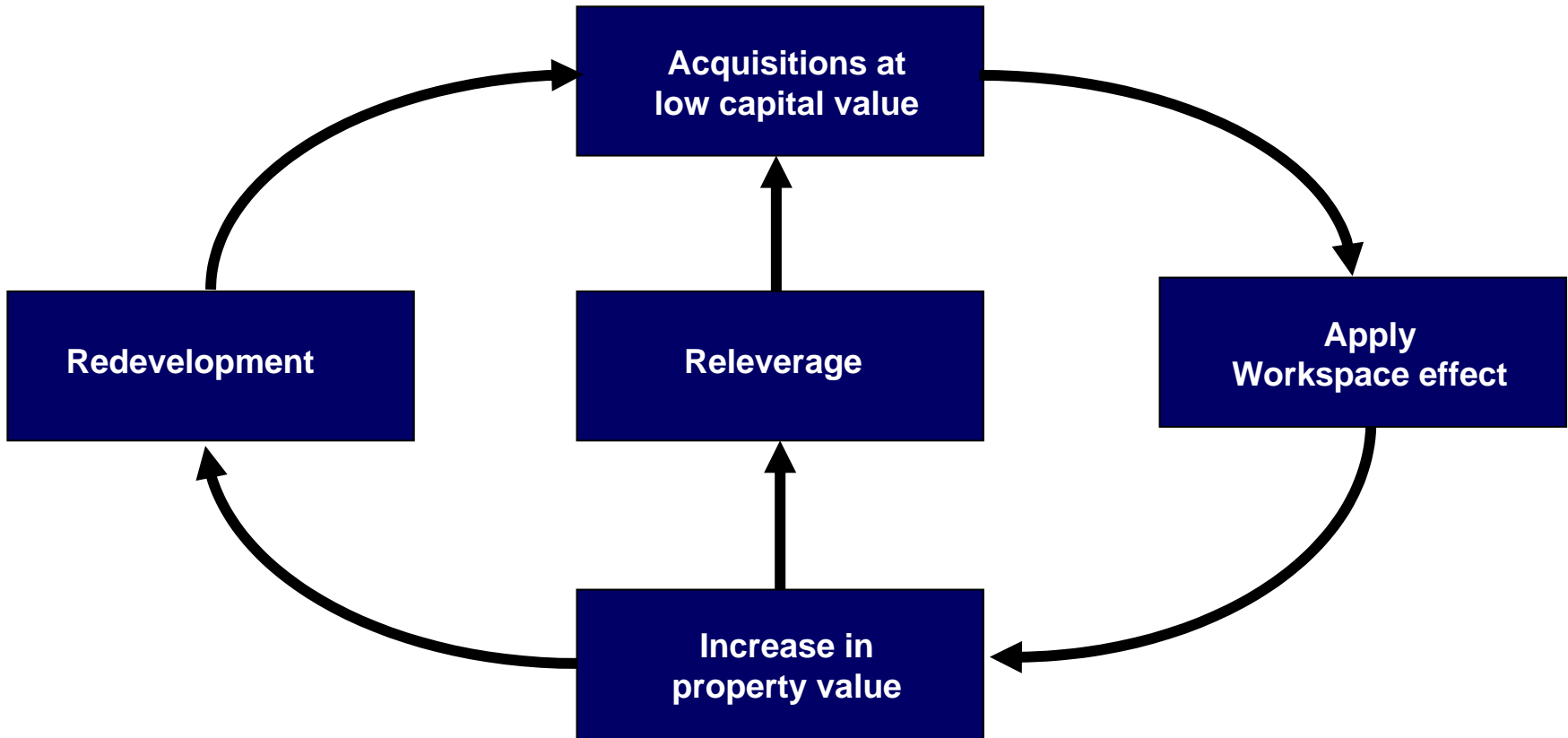
→ The Business – Hotelier of Space to SMEs



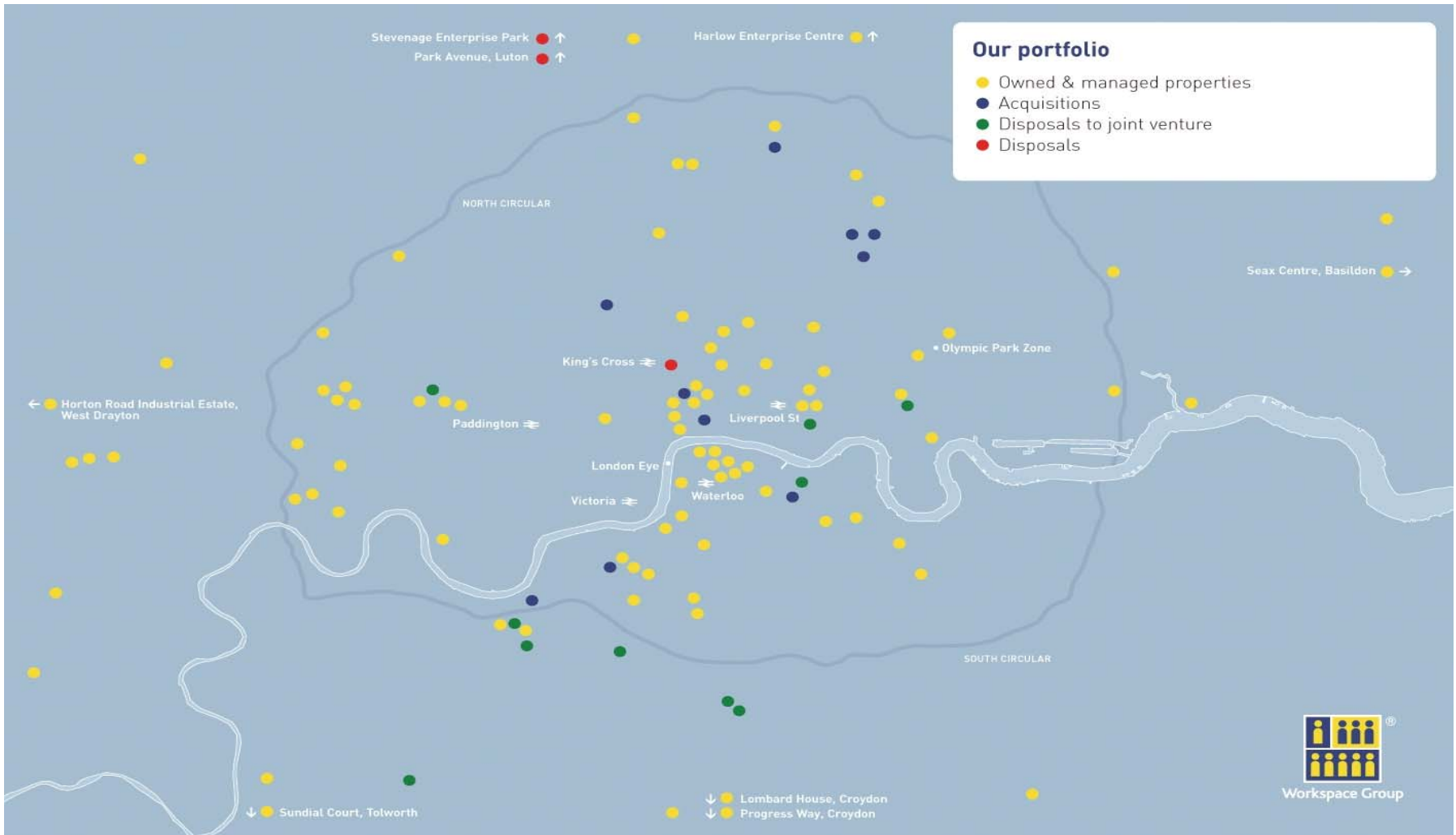
“ We provide affordable, flexible space for new and small businesses in London and the South East ”

- c.3,700 customers over 101 estates; 4.9 million sq .ft
- Over 7,900 enquiries a year; market leading brand in fragmented market
- A simple product offer
- Superior service from in-house management
- Customer focused
- Affordable rents

→ Business Model



→ Group Portfolio at 31st March 2007



→ 2007 Performance: Occupancy & Rents



	March 2006	March 2007
Overall occupancy	83.0%	84.8%
Like-for-Like (excluding current refurbishment properties & acquisitions/disposals)	87.7%	86.9%

- Rent roll increased by 18.7%: Up £7.44m to £47.15m
- Like-for-like rents increased by 5.2% from £10.54 to £11.09 per sq.ft

→ 2007 Performance: Developments



	March 2006		March 2007	
	Rent Roll £m	Occupancy	Rent Roll £m	Occupancy
Clerkenwell, EC1	0.01	0%	1.49	89%
Enterprise, SE1	0.65	47%	1.62	89%
Power Road, W4	0.17	33%	0.65	81%
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	0.83		3.75	

→ The Light Box, Power Road, W4



→ 2007 Performance: Acquisitions/ Disposals



- **Acquisitions**

10 acquisitions: £70.4m	Initial income	£3.4m	(4.8%)
	ERV	£6.0m	(8.5%)

- **Disposals**

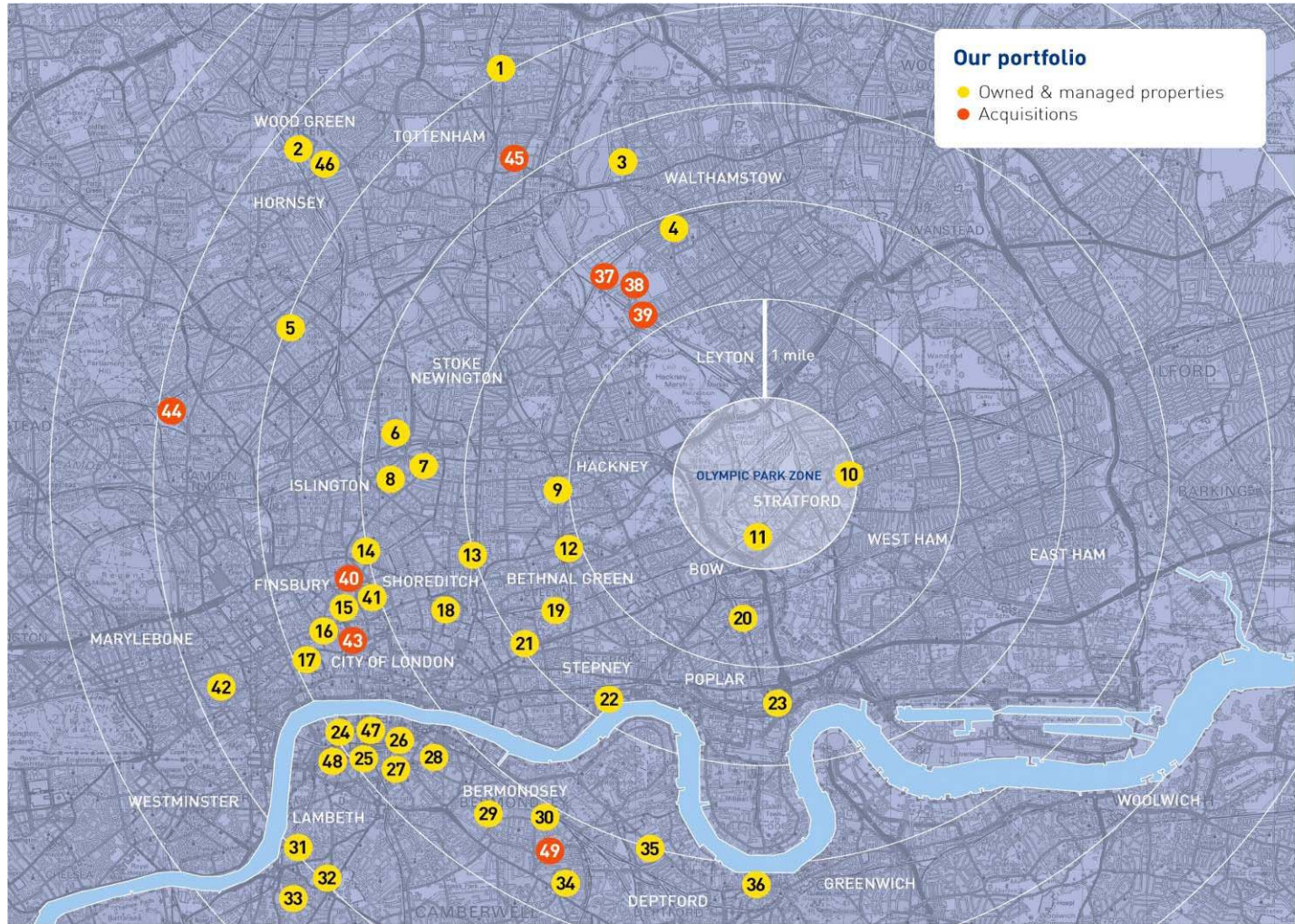
Disposals totalled £171.7m	Exit income	£8.0m	(4.6%)
(of which £146m into JV)			



Olympic Park Zone and Workspace Group properties at 31st March 2007



- 1 N17 Studios
- 2 The Chocolate Factory
- 3 Uplands Business Park
- 4 Alpha Business Centre
- 5 Belgravia Workshops
- 6 Aberdeen Centre
- 7 Leroy House
- 8 The Ivories
- 9 Mare Street Studios
- 10 Stratford Office Village
- 11 Marshgate Business Centre
- 12 Parmiter Industrial Estate
- 13 Cremer Street
- 14 Wharf Road and Waterside House
- 15 Clerkenwell Workshops
- 16 Hatton Square Business Centre
- 17 Quality Court
- 18 Holywell Centre
- 19 Greenheath Business Centre
- 20 Bow Enterprise Park
- 21 57-59 Whitechapel Road
- 22 Highway Business Park
- 23 Poplar Business Park
- 24 Enterprise House
- 25 Great Guildford Business Square
- 26 Linton House
- 27 Langdale House
- 28 The Leathermarket
- 29 Atscot Road Industrial Estate
- 30 Tower Bridge Business Complex
- 31 Southbank House
- 32 Westminster Business Square
- 33 Rudolf Place
- 34 Canterbury Industrial Estate
- 35 Evelyn Court
- 36 Faircharm Studios
- 37 **Leyton Industrial Village**
- 38 **Leyton Studios**
- 39 **Fairways Business Park**
- 40 **Exmouth House**
- 41 Bowling Green Lane
- 42 Archer Street Studios
- 43 **Greville Street**
- 44 **Spectrum House**
- 45 **Seven Sisters**
- 46 Parma House
- 47 Hatfield House
- 48 Surrey House
- 49 **T Marchant Trading Estate**



→ 2007 Performance: Change of use/ Intensification



- Outside JV
- Aberdeen Centre (Highbury), N5
 - Thurston Road, SE13
 - Wharf Road, N1
 - Greenheath, E2
 - Alscot Road, SE1
 - Parmiter, E2

Mark Taylor

Finance Director

→ Income Statement 2007



Workspace Group

	<i>Trading Operations</i>	<i>Other</i>	<i>Total 2007</i>	<i>Total 2006</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Revenue				
Rent Payable and direct costs	42.7	-	42.7	46.4
Administrative Expenses	<u>(9.9)</u>	<u>(0.1)</u>	<u>(10.0)</u>	<u>(9.1)</u>
Operating Profit	32.8	(0.1)	32.7	37.3
Surplus on disposal of investment properties	-	4.4	4.4	3.4
Other Income	0.7	-	0.7	-
Gain on changes in fair value	-	96.2	96.2	131.7
Net interest payable	(23.2)	-	(23.2)	(23.4)
Joint Venture	<u>(0.1)</u>	<u>1.8</u>	<u>1.7</u>	<u>-</u>
Profit before tax	10.2	102.3	112.5	149.0
Tax	<u>0.5</u>	<u>80.4</u>	<u>80.9</u>	<u>(42.4)</u>
Profit after Tax	10.7	182.7	193.4	106.6
Basic earnings per share	6.4p	108.7p	115.1p	65.1p
Diluted earnings per share	6.3p	106.2p	112.5p	62.7p

→ Balance Sheet



Workspace Group

	31/03/2007	31/03/2006
	£m	£m
Investment Properties	1001.6	962.2
Other Assets	31.0	10.6
Creditors (excluding borrowings)	(50.2)	(31.9)
Funding: Short Term Borrowings	(20.4)	(3.6)
Long Term Borrowings	(360.7)	(426.1)
Cash and Investments	2.4	1.7
Provisions	<u>(21.1)</u>	<u>(122.6)</u>
Net Worth	582.6	390.3
NAV Per Share – adjusted	3.40	£3.12
Net Borrowings	(378.7)	(428.0)
Gearing	65%	110%

→ REIT Conversion

- Tax charge payable in July 2007 £18.8m
- Release of deferred tax £101m
- With planned disposals = two year payback

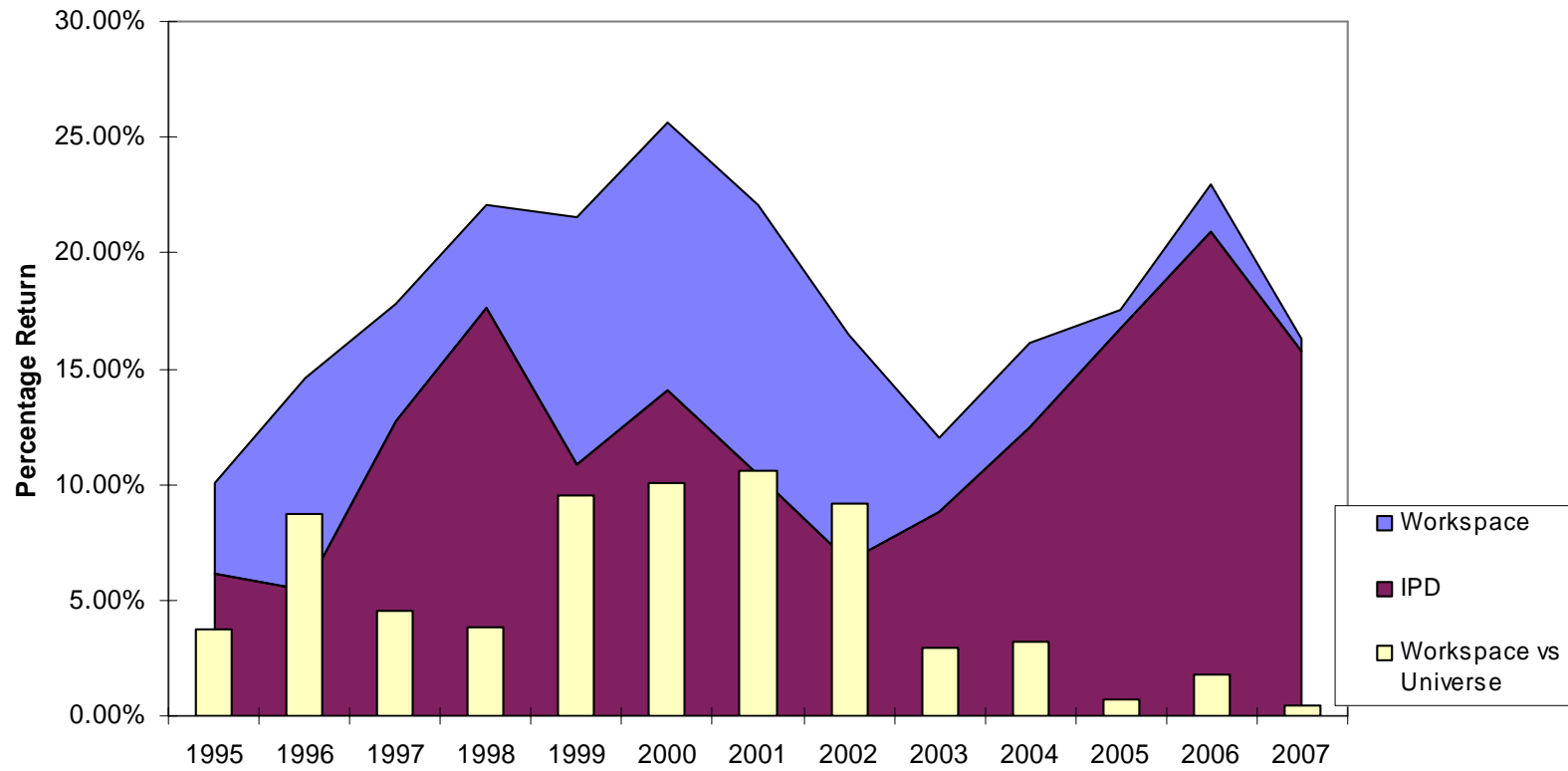
→ Key Elements on Valuation



- ERV £65.3m; 90% ERV = £58.8m
 - Current net rental income £47.2m leaving £11.6m of potential
- Yield (at ERV) 6.5%
- Capital value £204 per sq. ft

→ IPD Performance

IPD Comparison



Glebe Joint Venture

→ Joint Venture with Glebe



- June 2006 sale of 11 properties of £146m into JV
- £8.6m surplus over 31 March 2006 valuation
- Glebe contributed 3 properties valued 8.7m
- Total portfolio 31.03.07 £2.8m surplus to transfer value
- Workspace equity £19.5m, reduced gearing
- 50 : 50 JV (with 55% profit on original Workspace properties)

→ Joint Venture with Glebe: Performance



	At Transfer	March 2007
No of Estates	14	15
Occupancy	93.4%	89.7%
Rent Roll	£7.60m	£8.12m
Valuation	£153.9m	£162.9m

Change of use/intensification

Grand Union]
Wandsworth] Development value £350m
Bow]

Others; in line with Business Plan

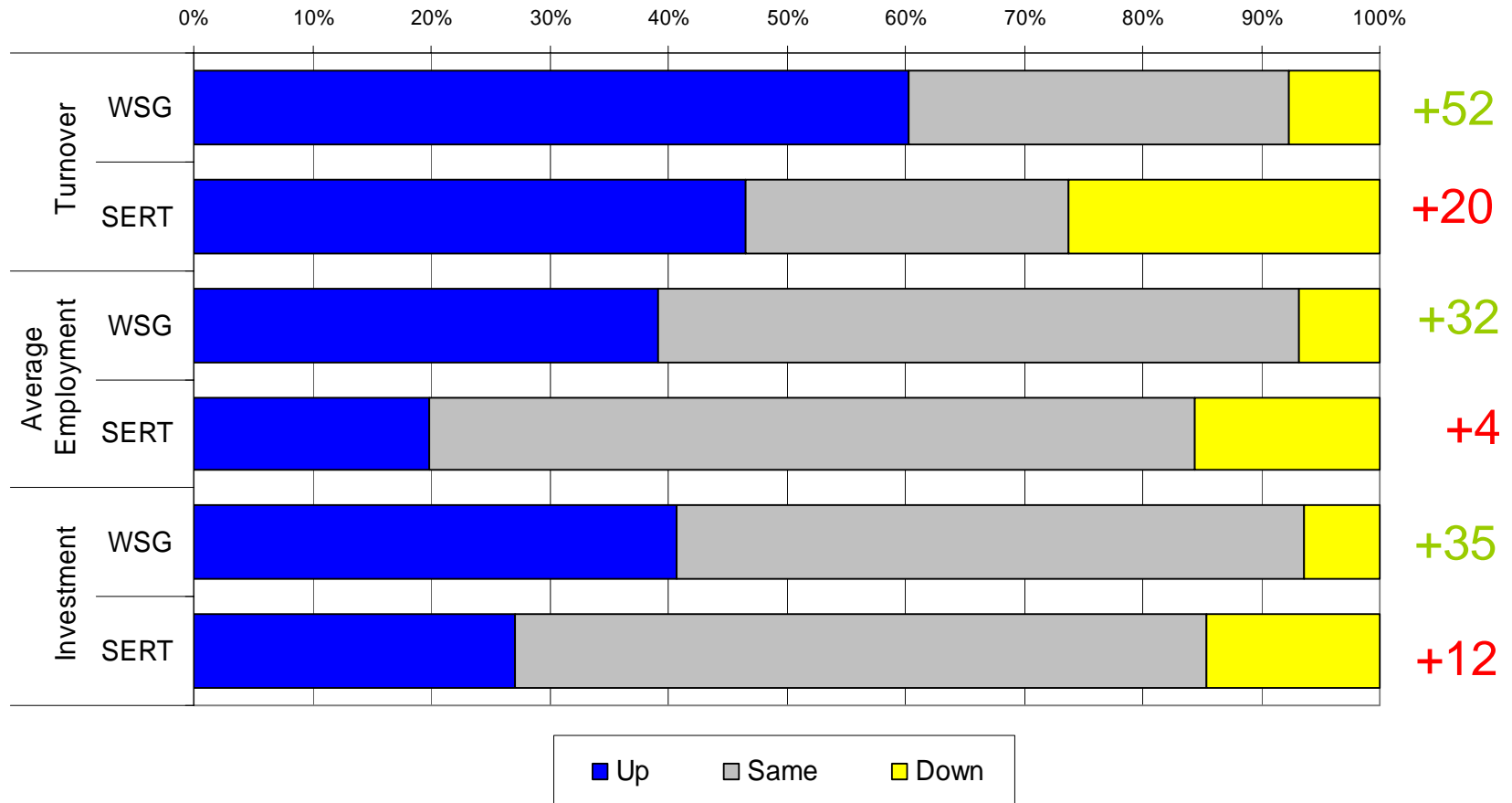
Drivers and Prospects

→ London

- The Global City and its importance to UK Economy
- Growing:
 - population to grow by 800,000 to 8.1m by 2016
 - Working age population to rise by 516,000
 - Net international migration, 100,000 per year
- Most dynamic market for SMEs

→ Customer Performance

Performance over LAST 12 months (SERT Benchmark)

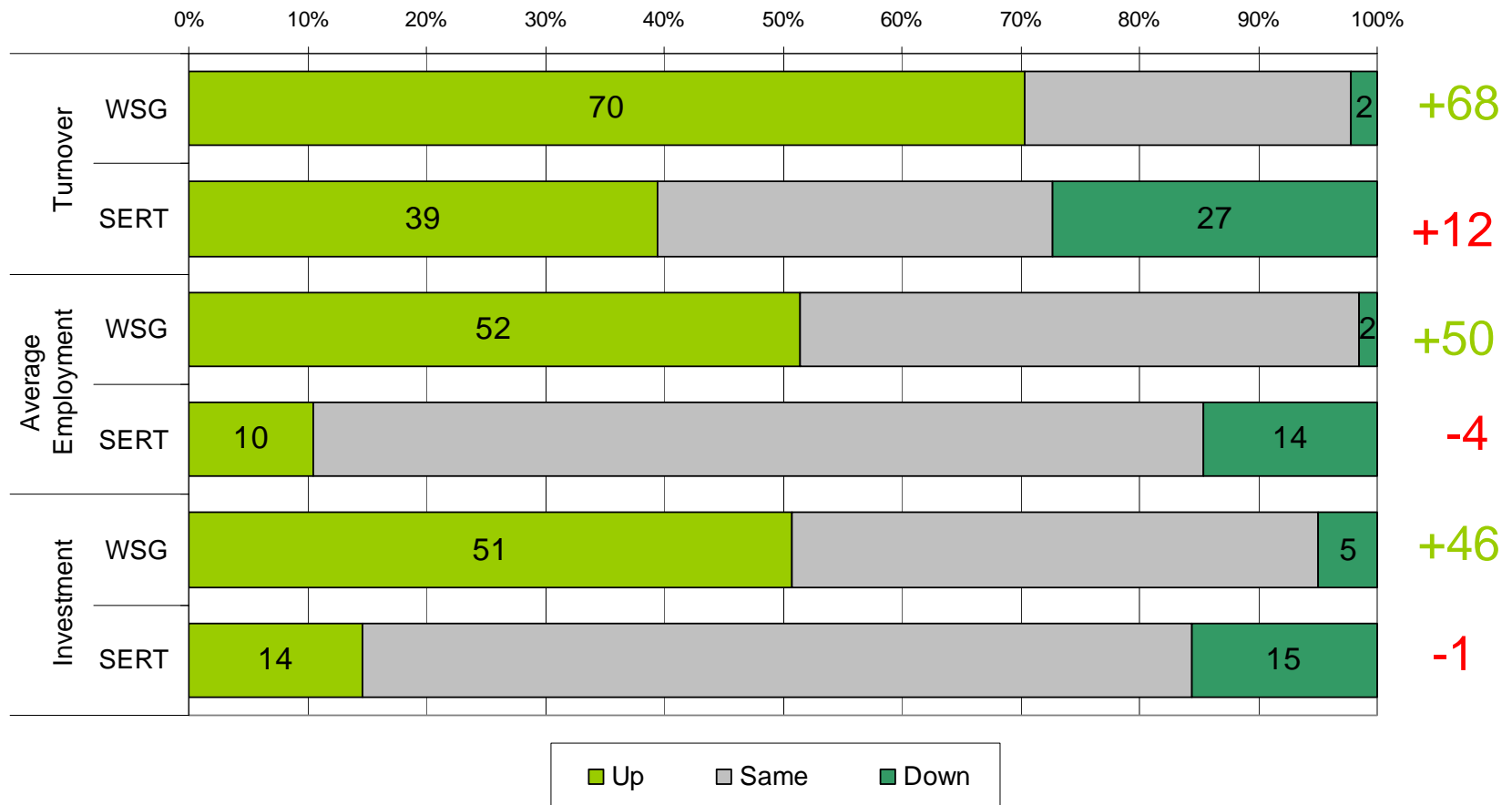


Source: NatWest/SERT Quarterly Survey of Small Business in Britain, Q4 2006

N=538

→ Customer Prospects

Performance over NEXT 12 months (SERT Benchmark)



Source: NatWest/SERT Quarterly Survey of Small Business in Britain, Q4 2006

N=538

Impact of rental growth on Valuation

	Yields Move out by 0.5%	Yields Stay the same
Scenario 1		
ERV Increase 40%	£194m	£296m
Scenario 2		
ERV Increase of 20%	£59m	£149m

→ Business Plan: Disposals/ Acquisitions



Disposals: Target £70m in year, at premium to
March book values

Acquisitions: Target database : £60m to £80m

→ Business Plan: Schemes in Progress



	Completion	Rents at 31 March 2007	ERV
Canterbury Court, SE1	November	£0.96m	£2.93m
Lombard House, CR0	June	£0.19m	£1.26m
Greville Street, EC1	June	£0m	£0.84m
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Total		£1.15m	£5.03m

→ Kennington Park



Canterbury Court, SE1



Floor plan

→ Current composition of Portfolio

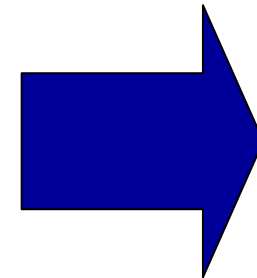


- **Our properties are:**
 1. Low density
 2. Low capital value
 3. In areas of change
 4. Over 1/3 with high PTAL ratings
- 54% subject to intensification/change of use over 10 years
- Stock continually refreshed
- Workspace acquisition database

→ What Density Increases Achievable?



	Density Increase	Space Now 000 sq.ft	Potential space post development 000 sq ft
Wharf Road, N1	x2	43	101
Thurston Road, SE13	x6	46	283
Aberdeen, N5	x2	64	133
Grand Union, W10	x4	50	230
Wandsworth, SW18	x2	86	170
Bow, E3	x6	63	400
Whitechapel, E1	x3.5	47	150
Highway, E1	x6	20	120
Total	>X 3.5	419	1,587



→ What mix of uses achievable?

- Replacement of workspace – “*new for old*”
- Residential main other element
- Workspace to be treated as equivalent to affordable housing
- Other uses

→ Summary

Objective: Maintain Growth and Double Shareholder value in 5 years

How?

- London and its growth
- Acquisitions - from our database
- Growing rents - yet still “*affordable*”
- Increasing the pace of intensification and change of use



Appendices

→ Acquisitions



Workspace Group

<i>Name of property</i>	<i>Description</i>	<i>Purchase price £m</i>	<i>Initial actual income £000</i>	<i>Market rent at 31/03/07 £000</i>
Leyton Industrial Village, Fairways Business Centre, Leyton Studios, London, E10	3 small unit industrial estates totalling 168,000 sq.ft.	16.0	826.4	1,180.9
1 Morie Street, London, SW18	22,000 sq.ft. of multi-let offices	4.4	178.0	380.0
14 Greville Street, London, EC1	14,000 sq.ft. vacant office building for conversion to a business centre	3.8	Nil	839.7
T Marchant Trading Estate London, SE16	51,000 sq.ft. 14 unit industrial estate	6.1	300.5	422.3
Spectrum House, London, NW5	48,100 sq.ft. 22 unit business centre	8.8	544.4	640.7
Seven Sisters, London, N15	7 self contained office buildings totalling 20,300 sq ft	3.2	188.8	243.3
Exmouth House, Clerkenwell, London, EC1	52,240 sq.ft. business centre over retail units	18.1	953.2	1,461.7
Avro House and Hewlett House, Battersea, SW8	58,000 sq.ft. 51 unit business centre in 2 buildings	10.0	418.3	828.2
Total		70.4	3,409.6	5,996.8

→ Disposals



Workspace Group

<i>Name of property</i>	<i>Description</i>	<i>Sale price £m</i>	<i>Exit income £000</i>
Stevenage Enterprise Park, Stevenage, SG1	Industrial estate of 27,000 sq.ft, deferred part of Magenta Portfolio sale of last year.	3.2	167.0
Wharf Road, London, N1	Part of property sold for £1.9m with consent for mixed residential and commercial accommodation. Interest retained in commercial element (worth £8.5m).	10.4	Nil
Park Avenue, Luton, LU3	203,000 sq.ft. industrial estate	12.1	653.4
Sub-total		25.7	820.4
Disposals to joint venture Riverside Business Centre, SW18; Bow Enterprise Park, E3; Grand Union Centre, W10; Highway Business Park, E1; Hamilton Road Industrial Estate, SE27; Parkhall Road Trading Estate, SE21; Rainbow Industrial Estate, SW20; Tower Bridge Business Complex, SE16 and Tower Bridge Block F, SE16; Wandsworth Business Village, SW18; Zennor Road Industrial Estate, SW12	11 estates with improvement or change of use potential. Total lettable floor area 1.2 million sq.ft.	146.0	7,183.0
Total		171.7	8,003.4

→ KPI's

