



otwelve estates

www.otwelveestates.com

Annual Results

31 March 2011

Presentation by  , Property Adviser

July 2011

- The Olympic and Paralympic Games in 2012 are a major catalyst for the repositioning of the Target Area –structurally, economically and culturally
- Currently the Target Area is an area to the east of London including the Thames Gateway, Essex, south Hertfordshire and north Kent, but it is proposed to extend this to include all the London Boroughs, and the counties of Kent, Surrey, East and West Sussex, Hampshire, Berkshire, Buckinghamshire and Hertfordshire
- Major regeneration projects and infrastructure improvements in the current Target Area provide scope for enhancement in capital and rental values from a low base
- The current Target Area has historically had a low rental value and capital value base compared to many other parts of London
- London and the south east is a favoured area for property investment proving to be reasonably resilient to capital and rental value pressures
- The current objective therefore is to enhance the returns from the established portfolio and through selective acquisitions
- The expansion of the Target Area is so that undervalued opportunities can be acquired in the most favoured property investment area of the UK

- Phillip Rhodes – Chairman & Senior Non-Executive Director
- Howard Stanton
- Peter Radford – Chairman of Audit Committee
- Richard Barnes
- Quentin Spicer
- Mark Donnor (appointed 27 April 2011)
- Ben Warner (appointed 27 April 2011)

Advisers:



FAIRFAX



- The company was incorporated on 1 March 2006

The Role of the Property Adviser

31 March 2011

 is appointed to:-
rugby asset management

- Act as property and financial adviser
- Source and advise on property opportunities
- Asset manage the property portfolio
- Negotiate debt financing
- Liaise with shareholders, analysts and others
- Report to the independent non-executive Board

Rugby Estates Plc has a 1.64% interest in the share capital of O Twelve Estates Limited, following the fully underwritten equity raising by Westbrook Investco in January 2011

- Property capital values declined by 44% from June 2007 to July 2009
- However, capital values rallied strongly in the fourth quarter of 2009 and continued improving through 2010, but have steadied in 2011
- Key uncertainties remain with regard to the strength of the economy and occupational demand, particularly impacting on property values outside London and the South East
- Successful disposals and implementation of asset management initiatives
- Satisfactory debt restructuring as part of the fully underwritten equity raising in January 2011 and the subsequent breaking of the fixed rate hedging arrangement on £26m of the outstanding bank loans
- Net proceeds of the equity raising were £35.1m following which Westbrook Investco owns 69.5% of the Company's share capital

- Post tax loss: £8.6m (2010 profit: £21.0m)
- Loss per ordinary share: 4.64p (2010 profit: 17.14p)
- The major contributors to this loss were:
 - Unrealised loss of £5.0m on investment property revaluation
 - Realised loss on disposal of investment properties of £0.6m
 - Loan arrangement fees of £3.1m
- Consolidated net assets: £40.1m (2010: £13.6m)
- Net asset value per ordinary share: 8.34p (2010: 11.11p)
- Portfolio valuation: £158.5m (2010: £170.2m)
- Capital growth over the period was minus 2.3% on a like-for-like basis

- On 14 December 2010 the Company announced a placing and open offer through the issue of 357.7m ordinary shares at 10.5p each
- The placing and open offer was completed on 25 January 2011 raising net proceeds of £35.1m
- Following the fundraising, Westbrook Investco owns 69.5% of the Company's share capital
- Under the Relationship Agreement with Westbrook, O Twelve Estates continues to operate as a fully independent quoted Company

- Restructuring of the debt facility satisfactorily completed in January 2011 as part of the fully underwritten equity raising
 - Repayment of £19m of the outstanding loan
 - £6.5m deposited into a cash collateral account
 - Term of loan extended by two years to December 2016
 - Margin increased from 1.25% to 2.0%
 - Back-end fee of £5.95m agreed in a previous financing waived by the lenders
 - Loan to value covenant reinstated, not to exceed 85% to December 2014, 80% thereafter
 - Interest cover covenant of 105% to December 2011, 110% to December 2012, 115% thereafter
 - Cash lock-up where:
 - i. Loan to value ratio greater than 75% to December 2015, 70% thereafter
 - ii. Interest cover ratio less than 110% to December 2011, 115% to December 2012
- Arrangement fee of £3.1m paid upon restructuring

- As at March 2011 the loan outstanding was £124.8m. Cash balances totalling £12.4m held in cash collateral and security substitution arrangements, which are deducted from the loan amount for the purposes of the loan to value covenant
- The loan to value ratio as at 31 March 2011 was 70.9% against a covenant level of 85% with a cash lock up level of 75%
- At 31 March 2011, £115m of the loan was at a fixed rate of 5.155% pa plus margin and £9.8m was at variable rates. The blended interest cost was 6.8% pa
- On 9 May 2011, O Twelve Estates terminated the fixed rate hedging arrangement on £26m of its outstanding loans at a one off cost of £3.0m. This has reduced the blended interest cost at current rates to 5.9% pa and reduced the annual cash cost of the loan interest by £1.1m

- CBRE valuation as at 31 March 2011: £158.5m
- On a like-for-like basis, capital value fell by 2.3% compared to a gain by the IPD Monthly index of 3.5%
- Portfolio net initial yield on passing rent: 6.9% increasing to 7.3% on expiry of rent free periods. Net reversionary yield: 8.0%
- Portfolio net equivalent yield: 7.5%
- Overall portfolio capital value: £111psf
- Capital value changes for each sector compared to IPD were:-

Sector	O Twelve (%)	IPD Monthly Index (%)
Industrial	-0.7	1.3
Office	-5.3	4.1
Retail	-2.5	3.8
All Property	-2.3	3.5

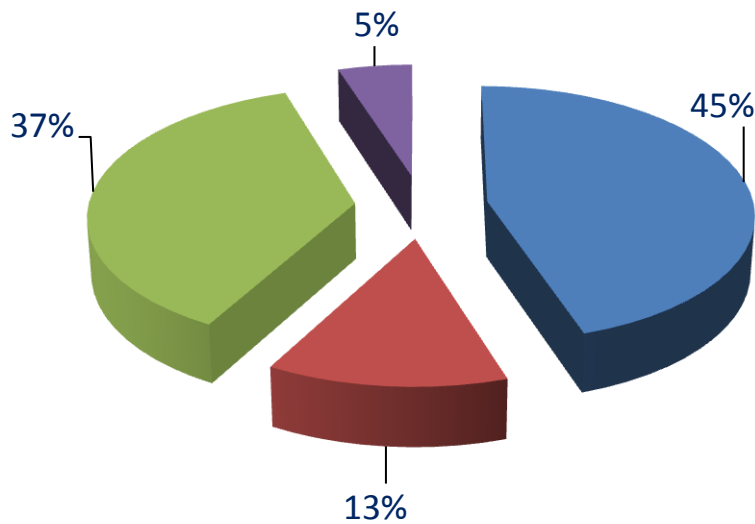
- Rental value levels of the portfolio fell by 1.4% over the period compared to a fall of 0.5% within the IPD Monthly Rental Value Index
- Rental value changes for each sector compared to IPD were:-

Sector	O Twelve (%)	IPD Monthly Index (%)
Industrial	-0.3	-1.3
Office	-5.2	1.2
Retail	-0.9	-1.6
All Property	-1.4	-0.5

- 20 properties with a total floor area of approximately 1.4m sq ft
- Average lot size: £7.9m
- Contracted rent: £12.4m per annum
- Estimated rental value (ERV): £13.6m per annum
- 186 lettable units of which 148 units are let to 134 tenants
- 34 units were vacant and available for letting with an ERV of £1.0m
- Voids by ERV have almost halved over the year
- 25 new leases completed in the reporting period accounting for £1.1m per annum of rental income, after expiry of rent free periods
- Approximately 165,000 sq ft of space let during the period, 11.5% of the total floor area
- Weighted average unexpired lease term: 5.9 years
- Sales in the second half of the year in Stratford and Romford realising £6.2m

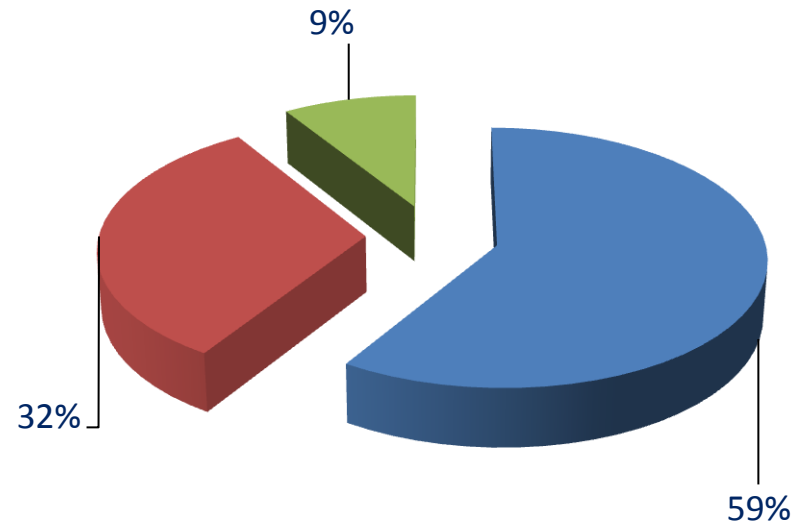
Sector Split by Capital Value

■ Retail ■ Offices ■ Industrial ■ Residential



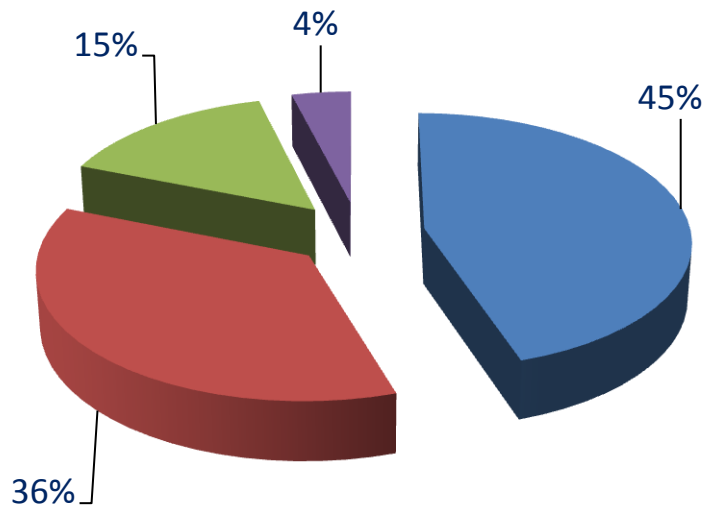
Income Expiry Profile

■ < 5 yrs ■ 5-10 yrs ■ > 10 yrs



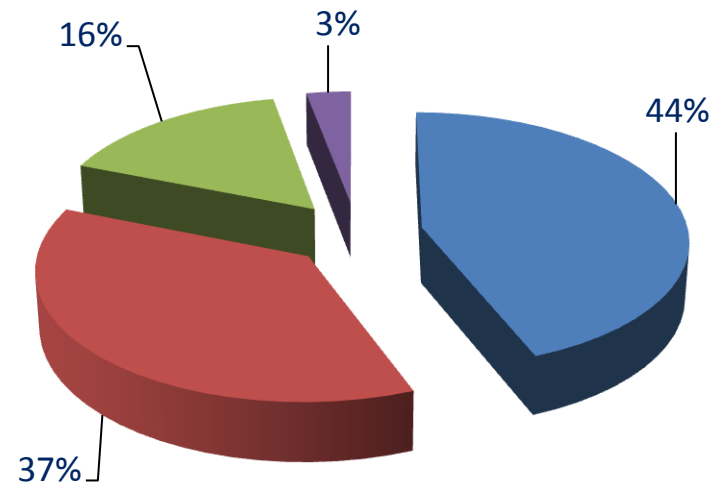
Contracted Rent by Use

■ Retail ■ Industrial ■ Offices ■ Residential



ERV by Use

■ Retail ■ Industrial ■ Office ■ Residential



Principal Shareholders as at June 2011

31 March 2011

Shareholder	Percentage as at June 2010 (%)	Percentage as at June 2011 (%)
Westbrook Investco	-	69.5
Panther Securities Plc	29.9	7.6
Utilico Ltd	23.0	10.3
Rensburg Sheppards IM	6.1	-
Rugby Estates Plc	5.5	1.6
TOTAL	64.5	89.0

- A diversified portfolio has been established in the Target Area
- The portfolio is principally income producing with reasonable security
- Key characteristics of the portfolio are its low rental basis and low capital value per square foot
- The value potential of the Target Area continues to be positive, underpinned by the substantial infrastructure and regeneration improvements
- Following the successful capital fundraising and the revised debt arrangements the company is well positioned financially
- The proposed expansion of the target area will allow the company to consider acquisitions and joint ventures offering capital and rental value enhancement potential in the wider area of London and South East England

Rugby Estates Plc
4 Farm Street
Mayfair
London W1J 5RD

phone: 020 7016 0050
fax: 020 7016 0080
e-mail: assets@rugbyestates.plc.uk
web: www.rugbyestates.plc.uk





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