



**otwelve estates**

[www.otwelveestates.com](http://www.otwelveestates.com)

# Interim Results

6 Months to 30<sup>th</sup> September 2010

Presentation by  , Property Adviser

December 2010

- The Olympic and Paralympic Games in 2012 are a major catalyst for the repositioning of the Target Area –structurally, economically and culturally
- The Target Area is an area to the east of London including the Thames Gateway, Essex, south Hertfordshire and north Kent
- Major regeneration projects and infrastructure improvements in the Target Area provide scope for enhancement in capital and rental values from a low base
- Taken together, the initiatives in these areas represent one of the largest regeneration projects in Europe
- The Target Area has historically had a low rental value and capital value base compared to many other parts of London
- A principal objective is to enhance the returns from the established portfolio
- The potential to improve the financial strength of the company following the proposed fully underwritten equity raising announced on the 14<sup>th</sup> December 2010

# The Non Executive Board & Advisers

30<sup>th</sup> September 2010

- Phillip Rhodes – Chairman & Senior Non-Executive Director
- Howard Stanton
- Peter Radford – Chairman of Audit Committee
- Richard Barnes
- Quentin Spicer

- Advisers:



- The company was admitted to AIM on 27<sup>th</sup> March 2006

# The Role of the Property Adviser

30<sup>th</sup> September 2010

 **RAM** 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 5.5% interest in the share capital of O Twelve Estates Limited. The three executive Directors of Rugby Estates Plc own shares personally in O Twelve Estates Ltd.

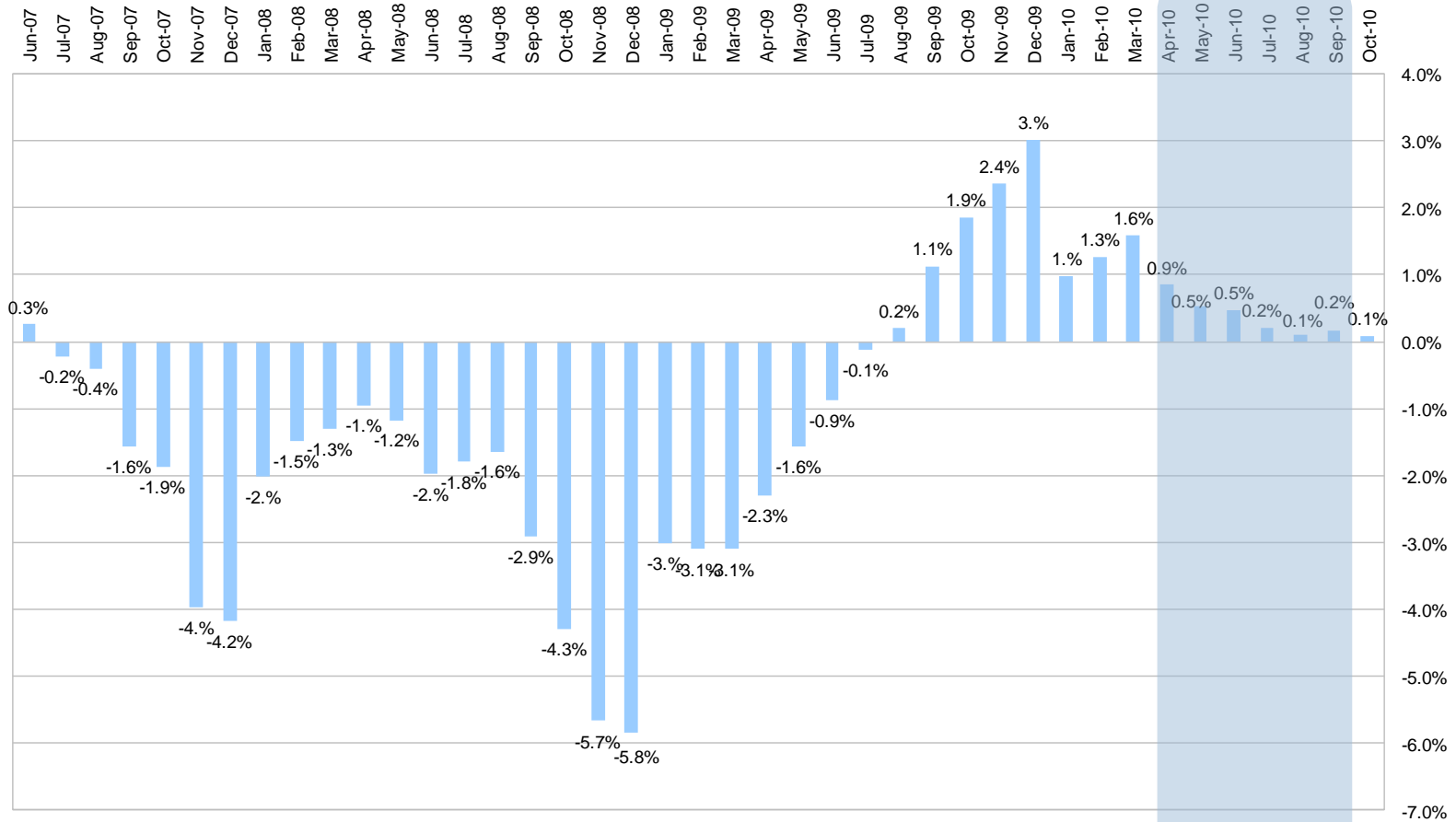
# Features of the Reporting Period

30<sup>th</sup> September 2010

- Property capital values declined by 44% from June 2007 to July 2009 but capital values rallied strongly in the fourth quarter of 2009 and continued improving into 2010 and to the reporting date
- Rental and capital values show signs of stabilising in the second half of 2010
- Uncertainties remain with regard to the strength of the economy and occupational demand
- According to IPD capital values increased in the reporting period by a modest 2.4% due principally to the retail warehousing and central London office sector weightings of the Index
- Significant occupational activity in the portfolio with the letting of 133,000sq ft of vacant space in fourteen new leases, producing after rent free periods, £730,000pa
- The void rate of the portfolio has been reduced by 25% to 10.5% and if current agreed lettings complete satisfactorily, to 7.5%. Units with an ERV of over £420,000pa are currently under offer

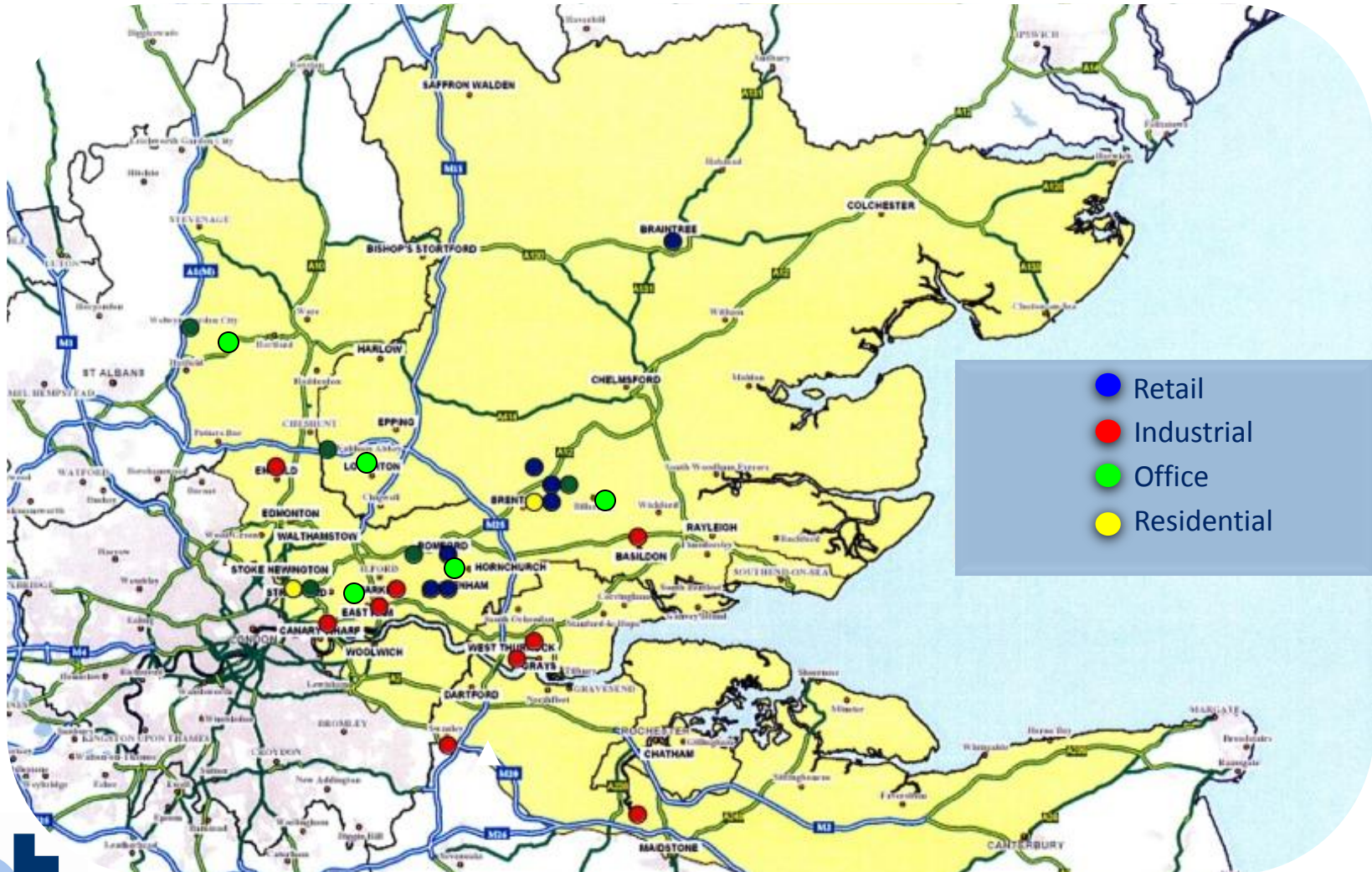
# IPD Capital Value Change

30<sup>th</sup> September 2010



# Target Area & Property Portfolio

30<sup>th</sup> September 2010



Source: RAM

# O Twelve Estates Limited

30<sup>th</sup> September 2010

Braintree



Bow



Aylesford



Waltham Cross



Barking



- Pre tax loss: £5.8m (pre tax profit: £21.1m)\*
- Loss per ordinary share: 4.78p (profit per ordinary share: 17.14p)\*
- Principal contributors to the pre tax loss include:
  - Unrealised loss of £1.3m on investment property revaluation
  - Loss on revaluation of interest rate swaps of £3.9m
- Consolidated net assets: £7.6m (£13.6m)\*
- Net asset value per ordinary share: 6.18p (11.11p)\*
- Portfolio valuation: £168.9m (£170.2m)\*
- An announcement was made on 14<sup>th</sup> December in regard to a £37.6m equity raising by the company fully underwritten by Westbrook Investco

\*Year-end 31<sup>st</sup> March 2010

## Equity raising

- Placing and open offer announced 14<sup>th</sup> December 2010 to raise £37.6m (£35.1m net of expenses)
- Issue of 357.7m new shares at 10.5p per new share
- Bank facility renegotiated conditional upon success of equity raising
- Proceeds to be applied as follows:

	£m
Unencumbered cash retained by the Company	6.4
Amount placed into cash collateral (deducted from the loan balance in calculating LTV)	6.5
Bank loan repayments made	19.0
Bank arrangement fees paid on loan restructuring	3.2
<b>Net proceeds of the placing</b>	<b>35.1</b>

# Financing

30<sup>th</sup> September 2010

	Current	Post equity raising	Comment
Loan balance	£144.7m	£124.8m	Must be reduced to £140m by Mar 2011
Exit fee	£5.95m	None	Arrangement fee to be paid of £3.2m
Interest margin	1.25% over LIBOR	2% over LIBOR	
Blended average rate	5.7%	7.0%	
End of term	Dec 2014	Dec 2016	
Income cover covenant (ICR)	115% to Mar 2011 120% thereafter	105% to Dec 2011 110% to Dec 2012 115% thereafter	Sep 2010 ICR of 124% Expected post equity raising ICR of 117%
Loan to value covenant (LTV)	85% from Mar 2011 80% from Mar 2012 75% from Mar 2013	85% to Dec 2014 80% thereafter	Sep 2010 LTV of 86% Expected post equity raising LTV of 70%
Cash lock up	If LTV > 70% Or ICR < 120%	If LTV > 75% to Dec 2015, 70% thereafter Or ICR is less than 5% greater than the covenant level	Company has access to surplus rents (after loan interest deductions) for the payment of property expenditure, advisory fees and (up to a maximum of £400k per quarter) other corporate overheads

# Portfolio Capital Valuation

30<sup>th</sup> September 2010

- CBRE valuation as at 30<sup>th</sup> September 2010: £168.9m (31<sup>st</sup> March 2010: £170.2m)
- On a like for like basis the capital value fell by 0.8% since 31<sup>st</sup> March 2010 compared to the IPD Monthly Index which increased by 2.4%
- Portfolio initial yield: 7.5%. Reversionary yield: 8.5% (before costs)
- Portfolio equivalent yield moved by 13bp to 7.4% over the six month period
- Capital value changes for each sector compared to IPD were:-

Sector	O Twelve (%)	IPD Monthly Index (%)
Industrial	2.0	0.9
Office	-5.4	2.9
Retail	-1.4	2.4
<b>All Property</b>	<b>-0.8</b>	<b>2.4</b>

The residential element accounts for approximately 3.0% of the portfolio by capital value

# Portfolio Rental Valuation

30<sup>th</sup> September 2010

- Rental value levels have moved in line with IPD
- Rental values have fallen by just over 1% over the period
- Rental value change for each sector compared to IPD were:-

Sector	O Twelve (%)	IPD Monthly Index (%)
Industrial	-0.8	-0.5
Office	-2.2	0.3
Retail	-0.8	-1.1
<b>All Property</b>	<b>-1.1</b>	<b>-0.5</b>

- The contracted annual rental income was £12.7m, the estimated rental value being £14.4m per annum. If all units currently under offer complete the annual rental income increases to £13.1m per annum

# Portfolio Valuation Analysis

30<sup>th</sup> September 2010

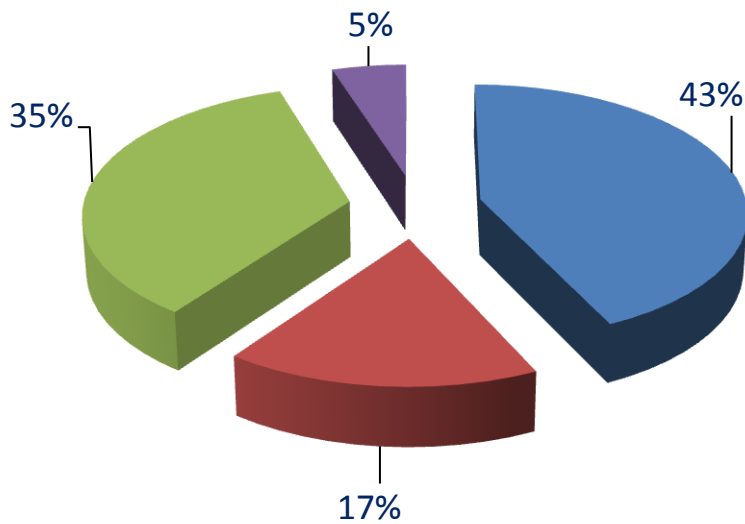
Sector	Average Passing Rental (£/sq ft)	Average Rental Value (£/sq ft)	Average Capital Value (£/sq ft)
Industrial	5.88	5.90	70
Office	14.56	15.42	147
Retail	14.45	14.44	176
Residential	22.70	23.44	390
Overall	9.70	9.76	114

\* All figures exclude 34 St Thomas Road, Brentwood

- 21 properties with a total floor area of 1.5m sq ft
- Average lot size: £8.0m
- Contracted rent: £12.7m per annum
- Estimated rental value (ERV): £14.4m per annum
- 195 lettable units of which 154 units are let to 137 tenants
- 41 units are vacant and available for letting with an ERV of £1.5m per annum
- The reversionary potential of £1.7m is split between £1.5m from properties available to let and £0.2m from let properties
- Voids by ERV: 10.5%, reducing to 7.5% if agreed lettings complete, compared to 14.1% at March 2010
- 14 new leases completed in the reporting period on vacant space accounting for £730,000 per annum of rental income after expiry of rent free periods
- 133,000sq ft of space let during the period, 9% of the total floor area
- 50% of the income is from leases with more than 5 years to expiry
- Weighted average unexpired term is 6.0 years

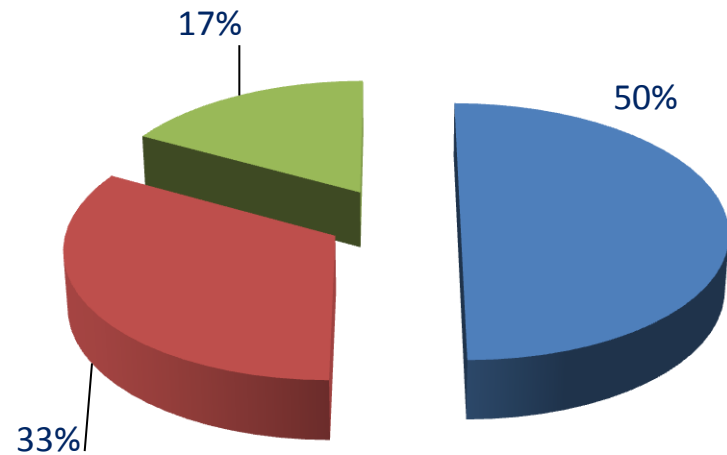
## Sector Split by Capital Value

■ Retail ■ Offices ■ Industrial ■ Residential



## Income Expiry Profile

■ < 5 yrs ■ 5-10 yrs ■ > 10 yrs



# Principal Shareholders – December 2010

30<sup>th</sup> September 2010

Shareholder	Percentage (%)
Panther Securities Plc	29.76
Utilico Ltd	24.89
Rensburg Sheppards IM	6.58
Rugby Estates Plc	5.46
<b>TOTAL</b>	<b>66.69</b>

- A diversified portfolio has been established in the Target Area
- The portfolio is principally income producing with reasonable security
- A key characteristic of the portfolio is its low rental basis and capital value per square foot
- The value potential of the Target Area continues to be positive compared to other parts of London and the UK generally both up to and after the 2012 games
- The substantial infrastructure and regeneration improvements continue to reposition the Target Area
- The capital fundraising announced on 14<sup>th</sup> December 2010 which is fully underwritten will reposition the company

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