

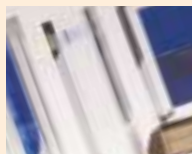
# THE RUGBY TIMES

SPRING 2002



**ING Covent Garden Limited Partnership**

Pages 1,2,3 & 4



**Three in a row**

Page 1



**A funding, two acquisitions and a sale**

Pages 1 & 4

## Rugby Estates Plc

### Financial Highlights (year to 31 January 2002)

- Net assets per share (pre-tax) up 10% at 391p
- Triple net assets per share up 10% to 325p
- Profit before tax – £4.58 million, up 10%
- Pre - tax return on net assets - 15%
- Return on shareholders funds - 10.4%
- Dividend per share up 10% at 3.875p
- Sixth successive 10% increase in dividend
- Proforma balance sheet gearing 102%

### PORTFOLIO HIGHLIGHTS (as at 31 January 2002)

- Total Portfolio £113 million - up 9%
- Central London now 73% (By value)
- Covent Garden portfolio - £65million
- Acquisitions and Disposals - £27million
- Total rental income - £6.3million p.a.
- Estimated rental value - £9.7million p.a.

## ING COVENT GARDEN PARTNERSHIP

Rugby Estates Plc has sold its £63million mixed use Covent Garden Estate into a new Limited Partnership Vehicle. Rugby Asset Management, wholly owned by Rugby Estates will manage the Partnership jointly with Baring, Houston and Saunders, a member of ING Real Estate.

The net proceeds of the transaction will be used to reduce Rugby's net borrowings and to fund substantial acquisitions elsewhere in Central London and along the M4 corridor. Details of the transaction - see pages 2 & 3. Details of the portfolio before and after the transaction - see page 4.



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## Profits up 10% to £4.58million

## Net assets per share up 10%

## Net assets per share over 3 years up 65%

## Pre- tax return on net assets - 15%

## Covent Garden Estate sold

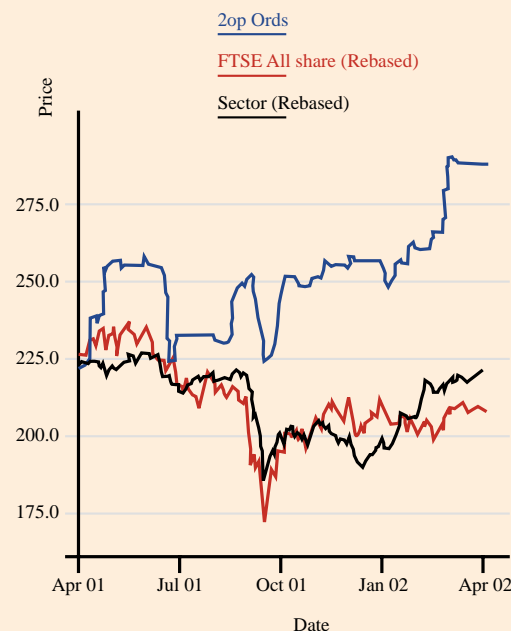
## 33p per share special dividend

### THE STORY OF KENAVON DRIVE, READING

This is a story of an acquisition of a dilapidated bus depot producing no income but in a central and accessible Reading location. Kenavon Drive is in one of the main commercial areas and is developing into an attractive residential location. The property lies adjacent to the Toys R Us and Homebase retail warehouses. Soon after acquisition Rugby Estates sold the site unconditionally to a residential developer subject to a 'top up' if a residential consent was received. This has now occurred. This transaction has been a major contributor to Rugby's profits in the last financial year.



Reading: Kenavon Drive - Bought and Sold



RUGBY ESTATES' SHARE PRICE PERFORMANCE COMPARED TO THE REAL ESTATE INDEX AND THE FTSE ALL SHARE INDEX

## THREE IN A ROW!

For the third successive year Rugby Estates has won the BDO Stoy Hayward Property Accounts Awards 2001. Additionally sponsored by the Estates Gazette public property company accounts are independently analysed by an assessment committee under the auspices of Reading University. Alistair Ross Goobey is the Chairman. For the last 3 years Rugby Estates Plc has been the winner of the award for smaller property companies. The company was 'once again the clear winner' providing 'everything one could possibly want to know. It is all there and visible. It really did deserve to win' said Roger Moore one of the Committee members. He continued 'Rugby Estates is a class above most other smaller companies. Its report and accounts reads like that of a major property company'



## NO RUGBY TIMES - NO COMMENT

On 30 January 2002 it was announced that Rugby Estates Plc and Baring Houston and Saunders Limited, a member of ING Real Estate, had agreed to establish the ING Covent Garden Partnership. As part of the proposed transaction Rugby agreed to transfer all of its wholly owned property stock in Covent Garden into the Partnership at current market value to be independently assessed by CB Hillier Parker.

**The Partnership is funded through initial equity capital of £25 million of which Rugby has subscribed £5 million, with £10 million by ING and £10 million by Lionbrook, a discretionary fund administered by Baring Houston and Saunders.**

Rugby Asset Management, a wholly owned subsidiary of Rugby Estates Plc has been appointed as the Property Advisor to the Partnership whilst Baring Houston and Saunders will be the Strategic Manager.

# THE ING COVENT GARDEN

The initial Estate comprises approximately 110,000 sq ft of mixed use retail and office accommodation in 15 freehold buildings. The properties are principally located in the southern area of Covent Garden, in the Strand and along the two principal routes leading to the Piazza, Bedford Street and Southampton Street. There are over 60 tenancies and significant opportunities to increase returns and acquire other holdings in the area. The Partnership aims to grow assets under management to £250 million together with increasing the number of Investors.

Following completion of the sale and the formation of the Partnership shareholders' funds will increase by approximately £8 million. The Limited Partnership is Guernsey based, is for a 7 year term and a regular net income distribution is anticipated.

**As well as management fees Rugby Estates will enjoy acquisition, disposal and performance fees as well as a return on its equity investment.**



Following shareholder approval at the EGM held on the 28th March 2002 Rugby Estates has transferred its wholly owned Covent Garden estate to the Partnership for £63million.

**£5 million is to be returned to shareholders by way of 33 pence per share special dividend.**

**The transaction has virtually eliminated Rugby's net borrowings, thus greatly increasing its purchasing power.**

The sale allows Rugby Estates to realise the full value of its assets while retaining a financial interest in Covent Garden, release resources for new acquisitions and receive enhanced returns through fee income. Rugby Asset Management continues to build upon its asset management activities, with this major instruction.

# COVENT GARDEN PARTNERSHIP

David Tye, Chairman of Rugby Estates commented

**"the formation of ING Covent Garden Limited Partnership forms an integral part of Rugby's ongoing strategy to continue to deliver enhanced shareholder value by harnessing our expertise in property selection and management.**

In partnership with Baring Houston and Saunders we believe that we will be able to assess suitable opportunities to grow the portfolio both in size and value."



Nick Cooper Director of Pool Funds at Baring Houston and Saunders commented

**"Specialist investment vehicles are increasingly in demand and the ING Covent Garden Partnership is one of the first funds to be focused so specifically on one location.**

This Partnership fits squarely within our strategy to create and manage innovative co-investment projects both on behalf of existing and potential clients and we are confident that the location of its assets in one of the most dynamic and well known areas of London provides an excellent foundation from which to grow our investor and asset base"



# THE RUGBY TIMES

SPRING 2002

## ESTABLISHING AN INDUSTRIAL WEIGHTING

There is a long way to go but 3 purchases have been made, one in London, one in Reading, and one in Oxford. In all about £6 million reflecting a running yield of over 7%.

Stewarts Road, Wandsworth in south west London is one such acquisition comprising a detached 16,000 sq ft warehouse unit on a site of some 45,000 sq ft let in its entirety to the Post Office for another 11 years or so. The current annual rent is £160,000

Further acquisitions of this nature within a 30 minute drive time of Central London are being actively explored.

In the ever popular Rose Kiln Lane, Reading's premier industrial location, Rugby Estates has acquired a 27,000 sq ft warehouse investment on a site of 1.32 acres let to Grahams. The lease expires this year but the terms of a new lease are under discussion. Similar purchases are currently being progressed in Reading.

And at Fenchurch Court in central Oxford an Estate of 13 industrial units has been bought. The purchase price was around £1.5 million with a running yield of 7.5%. The tenants include Oxford City Council, Imperial Cancer Research Fund, and Ingersoll-Rand.



Rose Kiln Lane, Reading



Fenchurch Court, Oxford

## Sales Dominate in 2001

10 disposals took place in Rugby's financial year including a mixed use investment in central Henley, and a supermarket holding in Leeds. An industrial and office building on the Wandsworth Road in south west London sold for £2.45 million to an owner occupier. A residual holding in Covent Garden was sold for £700,000. Ownerships from Wakefield to London were disposed of continuing or completing the Company's strategy of exiting when returns have been maximised, selling residual holdings, and reducing further the Company's provincial weighting.



Sold in Leeds



Sold in Henley

## THANKS TO...

Gibbon Lawson Mckee  
Roxburgh  
Knight Frank  
FPD Savills  
Lewis Ellis and Partners  
Pyle Owen and Partners  
EA Shaw  
Slater Michael  
Harding  
Tods Murray  
Jones Lang LaSalle  
King Sturge  
Howes and Holden  
Humberts  
Abbey Holford Rowe  
CB Hillier Parker  
Ernst and Young  
Solomon Taylor and Shaw  
Theodore Goddard  
Deloitte and Touche  
DTZ Tie Leung  
Colliers CRE  
Burgess Salmon  
Ian Lerner  
Nabarro Nathanson  
Financial Dynamics  
Private Property & Investment Co  
Daniel Smith  
Richard Susskind and Company  
Hodnett Martin Smith  
Workman and Partners  
Christie and Company  
Humberts Leisure  
Ingleby Trice Kennard  
Ashton Independent  
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Fryer Gilbert and Jepps  
Holt Walters  
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Godfrey Vaughan  
RPS Chapman Warren  
Kohn Pedersen Fox  
Tishman Speyer Properties  
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Liverpool Victoria Insurance Society  
Charter Land and Estates  
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Haarer and Goss  
Oxford Securities  
Howell Brooks and Partners  
Lambert Smith Hampton  
Baring Houston and Saunders  
Hurst Pierce and Malcolm  
Robin Calver  
Allsop and Co  
Awbery Lapsa

**CREDIT SUISSE** | **FIRST BOSTON** On  **Rugby Estates Plc**

In February 2002 CSFB initiated its corporate handbook on 11 smaller companies including Rugby Estates Plc. It comments that "Rugby Estates is a specialist company ... It has gained a reputation for active management and developing predominantly in central London. The management team has, to date, operated an active trading policy meaning the Company is constantly crystallising value creation. As a result, the valuation of the portfolio is rarely questioned, unlike other companies which retain all properties as investments"

## Sales Continue in 2002

Over £5 million has been realised from disposals since the year end, principally in Swindon and Portsmouth.

A strategically located but older 67,000 sq ft industrial holding in Drakes Way, Swindon let to Logica Plc until 2065 was sold to reflect a yield of better than 6%.

In Portsmouth another industrial holding of 27,750 sq ft let to SCA Packaging was sold for just under £1.7 million, the lease having an unexpired term of 8 years.

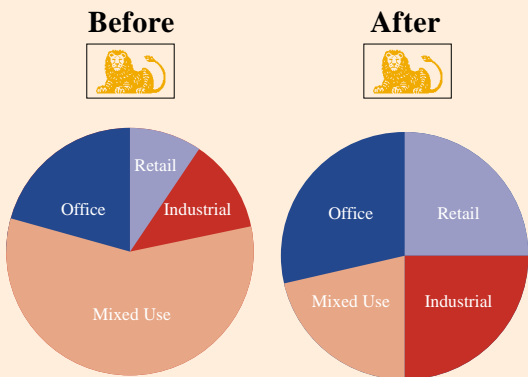
Together a gross profit of over £750,000 was realised.



Swindon



Portsmouth



## Edinburgh Refurbished and let

Occupying a premier location in fashionable George Street this restaurant and office investment has been recently refurbished and extended. Following conversion of the ground and basement accommodation from office to restaurant it has been let to Gioma Plc and Candy Bar who will occupy the basement as a wine bar. The income from the property is approximately £335,000 per annum, investment value £4.5 million.



George Street Edinburgh

## Turnhams Green, Reading. Funded, Let, and Sold

This speculative office park at Junction 12 M4 was completed and fully let. The scheme comprises 4 units, a 36,000 sq ft office park the accommodation being of top quality air conditioned space in a secure, landscaped and attractively laid out environment with car parking.

Rents of £27.50 per sq ft were achieved, the project being speculatively funded by Norwich Union Pensions Management Limited now administered by Morley Fund Managers. This successful scheme has contributed substantially to Rugby's profits.



One of the pre-let offices



Developed in park land setting

## Paradise In Birmingham

Birmingham City Council continues to focus on the future development of its mammoth Paradise Circus project. In a special report in Property Week of 1 March 2002 Tony Liddiard of Birmingham City Council stated that "we are looking at new space which will be available in 2007 or 2008."

Rugby Estates owns the Paradise Forum Shopping Centre situated in the heart of the 2 million sq ft plus proposed development. Property Week continues "it will probably not be until the summer that the second round of tendering for Paradise Circus begins and the Council and its advisors looks for a developer. A £900 million scheme without a prelet would seem daunting but US developer Tishman Speyer has shown early interest. Tishman Speyer is one of the main developers in the City of London. Kevin McGovern, Tishman Speyer's Director and Head of UK Operations says he is in negotiations for a joint venture with Rugby Estates, owner of the 20,000 sq ft Paradise Forum Shopping Centre."

It will be interesting to see how this exciting opportunity evolves during the course of 2002.



Paradise Forum shopping centre