

# THE RUGBY TIMING

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Spring 2003



ING Covent Garden Limited Partnership established

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The London Industrial Partnership established

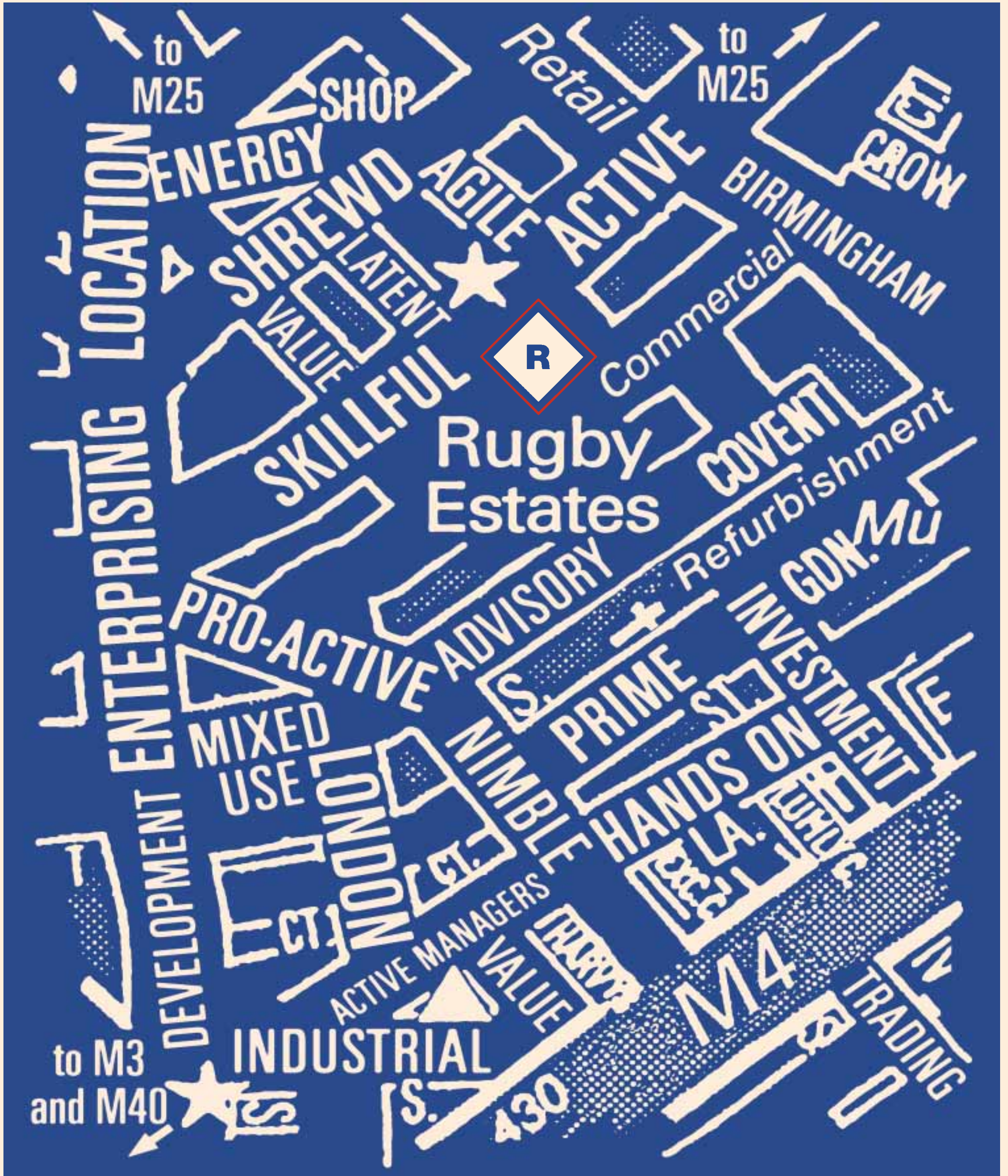
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Rugby Estates Plc

Profits up 240%

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**SIGNIFICANT SALES IN 1989/90, SIGNIFICANT SALES IN 2002/03**

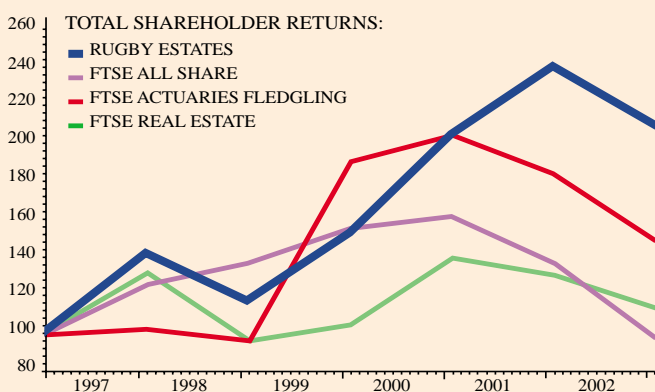
**Financial Highlights**

- 33p per share special dividend paid
- Profit before tax - £15.5 million, up 240%
- Dividend per share up 10% at 4.263p for the year
- Seventh successive 10% increase in dividend.
- Triple net assets per share up 2% to 297p
- By April 2003 gearing down to 34%
- Average borrowing cost 5.5%
- 25% of issued share capital returned to shareholders through cancellation

**Portfolio Highlights**

- Two property partnerships established
- Covent Garden estate sold
- Rugby Asset Management appointments
- Rugby Estates - a co-investor
- Total portfolio £55 million (£113 million)
- Further disposals since year end
- Total assets under management £180 million
- Acquisitions and disposals - £150 million
- Total rental income managed approx £11 million per annum
- Total number of tenants managed approx 125
- London and M3/M40 quadrant continue as core areas of activity

**Outperformance continues**



**The Covent Garden portfolio**

The estate comprises 215,000 sq ft of mixed use retail, office and leisure accommodation in 18 freehold buildings.

The properties are principally located in the southern area of Covent Garden, in the Strand and along the three principal routes leading to the Piazza, namely Bedford Street, Southampton Street, and Agar Street. There are over 70 tenancies. The portfolio provides significant opportunities to increase returns through pro-active management.



Some of the Partnership's tenants



**The ING Covent Garden Limited Partnership**

This Limited Partnership was established in 2002

Over its 7 year life the intention is to grow the size of the Fund to £250 million of assets entirely located in eclectic Covent Garden, an area of over 100 acres bounded by Strand to the South, High Holborn to the north, Kingsway to the east and Charing Cross Road to the west. Initially established with Rugby's Covent Garden estate a recent purchase has doubled the size of the portfolio to £125 million. A significant enhancement in the size of the property assets under management is anticipated in 2003.

The equity investors in the Covent Garden Limited Partnership are ING Real Estate, Lionbrook Property Unit Trust, Merrill Lynch Property Fund and Rugby Estates Plc together providing some £50 million of equity. Loan facilities are provided by RBS Natwest.



The portfolio is managed by Rugby Asset Management.



LIONBROOK PROPERTY PARTNERSHIP



Merrill Lynch



**Strand Island Purchased**

The Partnership has doubled in size by buying the Strand Island development from Merrill Lynch Property Fund for £66 million.

The deal takes the size of the Limited Partnership, initially a joint venture between Rugby Estates and ING, to £125 million. The development comprises 9,760sq m (105,000 sq ft) of offices, retail and leisure. It lies opposite Charing Cross station and is bounded by the Strand, Bedford Street, Chandos Place and Agar Street. The deal was the only large investment transaction in the Covent Garden area last year.

Tenants include Dixons, Whitbread, Curzons Leisure and GE Capital Bank. The investment is fully let. The annual income is £4.5 million a year, and the deal reflects an initial yield of 6.38%. The purchase was funded by £26.8 million of additional capital mainly by existing shareholders in the fund, together with an equity investment from the Merrill Lynch property fund. The remainder of the finance came as senior debt from RBS Natwest. DE and J Levy advised the vendors.

Rugby's 20% interest in the Covent Garden fund has been reduced to 9.8% as a result of the deal. Chairman David Tye said the objective was to grow the fund to £250 million. Property Week, January 10 2003

A strategic purchase close to existing holdings



The Strand and Bedford Street frontages



## Major W2 purchase

Westbourne House in Westbourne Grove near Paddington station, a mixed use building developed in the early seventies, was purchased for some £8 million reflecting under £290 per sq ft.

The tenants include Natwest Bank, Westminster City Council and Government Agencies. The initial rental of almost £600,000 per annum represented approximately £19.90 per sq ft. This purchase continues the Company's focus in London, the investment providing many opportunities to enhance rental and capital value over the next few years. A residential planning application is being made for part of the accommodation.

**Strutt and Parker acted for Rugby, CB Hillier Parker for the vendors, a private overseas client of Citibank.**



Westbourne House

## Edinburgh exited

Following planning consent, refurbishment, extension and letting of 113/115 George Street the property was sold to a private overseas investor.

This restaurant and office investment occupying a prominent location in Edinburgh's Bond Street was fully let at sale. The restaurant and wine bar were pre let to Gioma Plc and Candy Bar. £4 million was realised.

**Roxburgh and Company and DTZ advised Rugby Estates throughout.**



Located in Edinburgh's Bond Street

## Portsmouth parked

In Northarbour Road, a principal industrial location where occupiers include Vosper Thorneycroft and IBM, an industrial holding of 28,000 sq ft let to SCA Packaging has been sold.

The investment was let for another 8 years at a low rent. £1.7 million was realised. The purchaser was a private southern based property company.

**Jones Lang LaSalle acted for Rugby Estates.**



Portsmouth industrial

## Swindon sold

Over £3.5 million was realised on the sale of this 67,000 sq ft industrial holding, strategically located on one of the major arterial routes leading into Swindon, and adjacent to its principal retail park.

The property was let to Logica Plc until 2065, the sale achieving a better than 6% initial return. Big Yellow now own the site.

**Jones Lang LaSalle and King Sturge acted for Rugby Estates, CB Hillier Parker for the purchaser.**



Redevelopment is probable

## Wakefield and Reading breakups

After a piecemeal disposal of 11 shops and upper parts in Wakefield the residual investment principally let to William Hill was sold by the Allsops Auction Team. The break up of the Windsor Square Central Reading Business Park located on Silver Street has



Windsor Square, Reading

begun. Unit 1 has been sold to an owner occupier for a price equating to £205 per sq ft representing a 50% capital return on cost. Further disposals are anticipated shortly to take advantage of the strong private investor market.

**Knight Frank, Hicks Baker and Allsop & Co were agents.**

## Voids Removed

Two separate transactions have realised over £8.5 million since the year end.

The first was the sale of Knights Court in the heart of Clerkenwell, London, a vacant 17,000 sq ft building with residential conversion potential. Daniel Watney and Hurford Salvi Carr represented Rugby. The second was Bourne Retail Park in Salisbury located adjacent to the principal Tesco Supermarket in the city's premiere retail warehouse park on Southampton Road. Phase 1 had been completed several years previously and let to Staples, the office suppliers, and local furniture retailer, Sturton and Tappers. Phase 2 is yet to be built but has planning consent for a 30,000 sq ft unit.



Staples unit in Salisbury



The effect of these disposals has been to reduce the current rental income from £3.4 million at the year end to £3.1 million, the estimated rental value of voids from £1million to £300,000 and the total rental value from £5 million to £4 million.

**Rugby Estates represented themselves.**

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"Fund Management provides an opportunity to restructure, recapitalise and create value at a time when property values are static or falling and the scope to add value through asset management or development is strictly limited.



It also re-aligns corporate and shareholder objectives because it squares the circle between the natural ambition to expand the gross portfolio and the need to maximise the return on capital employed. While it is not for everyone, the benefits are clear."

Extract from "European real estate issue - Themes for 2003"  
Published by Eurohypo Real Estate Investment Banking

## Tyrie appointed

Andrew Tyrie, MP for Chichester has been appointed a non-executive director of Rugby Estates following the sad death of Gerald Dennis who had been a non-executive of the Company since its flotation in 1994. Andrew, an economist, was formerly with HM Treasury and the European Bank for Reconstruction and Development.

## Investment Agents Directory

Once again Rugby was privileged to co-sponsor the Hodnett Martin Smith Investment Agents Directory for 2003, that will be circulated to over five thousand recipients. The directory is also available on disc.



## Smaller Company Accounts Award

This years finalists:  
Rugby Estates Plc and  
Primary Health Properties plc



"Rugby Estates scored most highly but, having won this section for the past three years, it did not achieve the necessary five per cent improvement on its mark last year to win again this year."

### Past winners

2001 - Rugby Estates Plc	1998 - Workspace Group Plc
2000 - Rugby Estates Plc	1997 - Olives Property Plc
1999 - Rugby Estates Plc	1996 - Property Partnerships Plc

Extract from BDO Stoy Hayward Review

## Rugby Estates - Interims

"With Rugby, much depends on acquisitions.

In H1 the company sold £74 million of property and acquired £8 million, and we believe management is taking a cautious approach to acquisitions both on and off balance sheet. In theory, the company has potential

firepower of circa £40 million on the balance sheet (while keeping gearing below 150%) and up to £200 million in the CGLP (subject to finding new investors as well as property). In this environment, we believe buying back shares at

good discounts to NAV, financed by property sales, makes good sense."

Extract from Merrill Lynch Real Review - 4 November 2002  
See 'financial highlights' - page 2

## The London Industrial Partnership

This joint venture company is being established with equity funding provided by Merrill Lynch Global Principal Investments, Bank of Scotland and Rugby Estates Plc. It has a 5 year life and will purchase principally income producing industrial buildings and estates within the M25. Bank of Scotland will provide loan facilities and Rugby Asset Management will source the real estate, manage the assets and undertake property disposals.

"The sector, location, the timing in the cycle, the anticipated returns and the quality of our partners makes the Partnership and its initiative compelling for us" says Tim Minns, Director, Global Principal Investments, Merrill Lynch



Rugby Estates Plc



## Investor Relations Magazine UK Awards 2002

Sponsored by



Best Annual Report	Winner	- FTSE 100: Hanson
Highly Commended		- FTSE 100: - The BOC Group, BAA
Winner		- Non-FTSE 100: - National Express Group
Highly Commended		- Non-FTSE 100: - Geest, <b>Rugby Estates</b> , - Hammerson



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Paradise Circus Shopping Centre, Birmingham owned by Rugby Estates. A strategic ownership in a major development initiative.

## Unlocking Value in 2003

David Tye, Chairman of Rugby Estates Plc says to shareholders "buying into the right location at the right time is a potent combination both for ourselves and for our clients and co-investors. We continue to make acquisitions which combine these two criteria, in any sector where inherent value can be unlocked by proactive real estate initiatives. The skill of recognising the opportunity coupled with the ability, and often the patience, to work the upside is at the heart of our success. Exiting a holding at a particular time, whether in the property cycle generally or for a particular situation, is the final key element of any property strategy. Our motivation has remained unchanged for the last 20 years: realisation of profit drives our deals, net asset value enhancement naturally follows."

## Rugby Charity shoot

Thanks are owed to the teams who took part in the Shoot on 19 June 2002 in aid of Babes in Arms, the cot death charity:-

The Rugby Raiders	Manro Haydan
Brocket Hall Wreckers	Shooting Blanks
Corporate Raiders	Cool Hand
Parting Shots	Mr Willies Wonders
The Racing Certs	Rugby Shots
The Usual Suspects	The Good the Bad and the Rugby
The Really Wild Kids	Sunley Savages
Shaw's Sure Shots	Tilney Tornadoes
Shapinsay Shooters	Biddle Bombers
Dead Eye Ducks	Hardings Hard Nuts
The Old Faithfuls	Greacen's 2002's
Orfly Nice Boys	Sherrard Shaggers

## Not Mission Impossible

Rugby's continued objective is focused on strategic property holdings in central London and throughout the United Kingdom, both directly and through joint ventures.



Identification of opportunities coupled with careful research and hands on proactive management to realise latent value is the key to success. Rugby Asset Management has established itself as a valuable

operating division of Rugby Estates. It blends the professional service capabilities and a proactive property approach. This is most apparent in its role as property advisor to the ING Covent Garden Partnership where it plays a significant role in

the day to day hands on management of the portfolio as well as contributing to the strategic business plan. Establishing and managing the London Industrial Partnership will continue to enhance this part of the Rugby business.



Chocolatey Truffles advert/recipe

## Babes in Arms Charity Ball 2002

One of the many recipes from personalities and not so well known personalities that appeared in the Babes in Arms Souvenir Chocolate Cookery Book a copy of which was given to all the guests. The Charity Ball is held in the Autumn, every two years, at the Dorchester Hotel, London.

The Charity Ball was supported by Nestle and Rugby Estates

## THANKS TO...

Blue Sky Planning  
HBOS  
Merrill Lynch  
Gibbon Lawson Mckee  
Roxburgh and Company  
FPD Savills  
Pyle Owen and Partners  
EA Shaw  
Slater Michael  
Tods Murray  
Jones Lang LaSalle  
King Sturge  
Howes and Holden  
CB Hillier Parker  
Ernst and Young  
Solomon Taylor and Shaw  
Deloitte and Touche  
DTZ Tie Leung  
Colliers CRE  
Borges Salmon  
Ian Lerner and Co  
Nabarro Nathanson  
Financial Dynamics  
Private Property and Investment Co  
Daniel Smith  
Richard Susskind and Company  
Hodnett Martin Smith  
Workman and Partners  
Christie and Company  
Ashton Independent  
Hicks Baker  
Fryer Gilbert and Jepps  
Holt Walters  
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Kohn Pedersen Fox  
Tishman Speyer Properties  
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SDP  
HEAT  
Brown Harknett  
Macfarlanes  
Merrill Lynch  
DE and J Levy  
ING Real Estate  
Houston Lawrence  
Burks Green  
RBS Natwest  
Hurford Salvi Carr  
CWM  
Christian Garnett and Company  
Strutt and Parker  
Norton Rose  
FHP Management Services  
The Royal Berkshire Shooting School  
Cooper Rose  
ICP Developments Ltd  
Hornagold & Hills



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**SIGNIFICANT SALES IN 1989/90, SIGNIFICANT SALES IN 2002/03**