Introduction to Mapeley

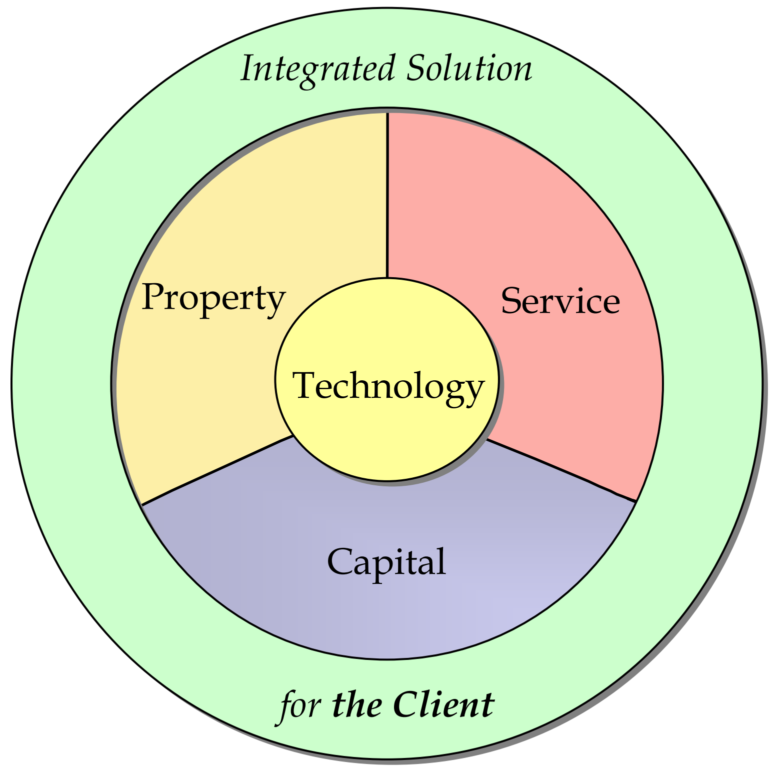
Presentation Outline

- What is Mapeley?
- Mapeley’s Contracts
- How Mapeley Operates

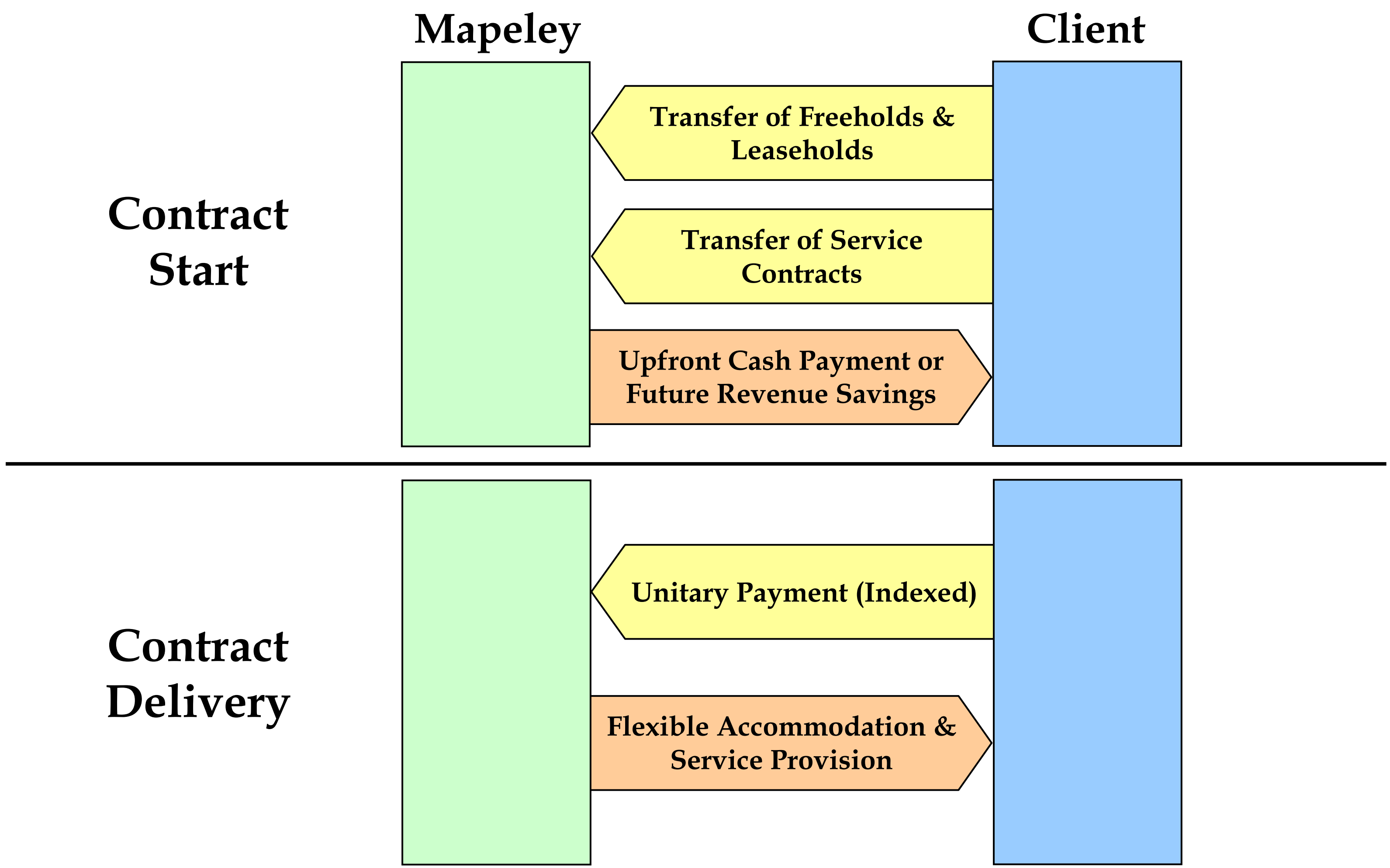
What is Mapeley?

Mapeley is a Leading Provider of Long-Term, Flexible & Serviced Space

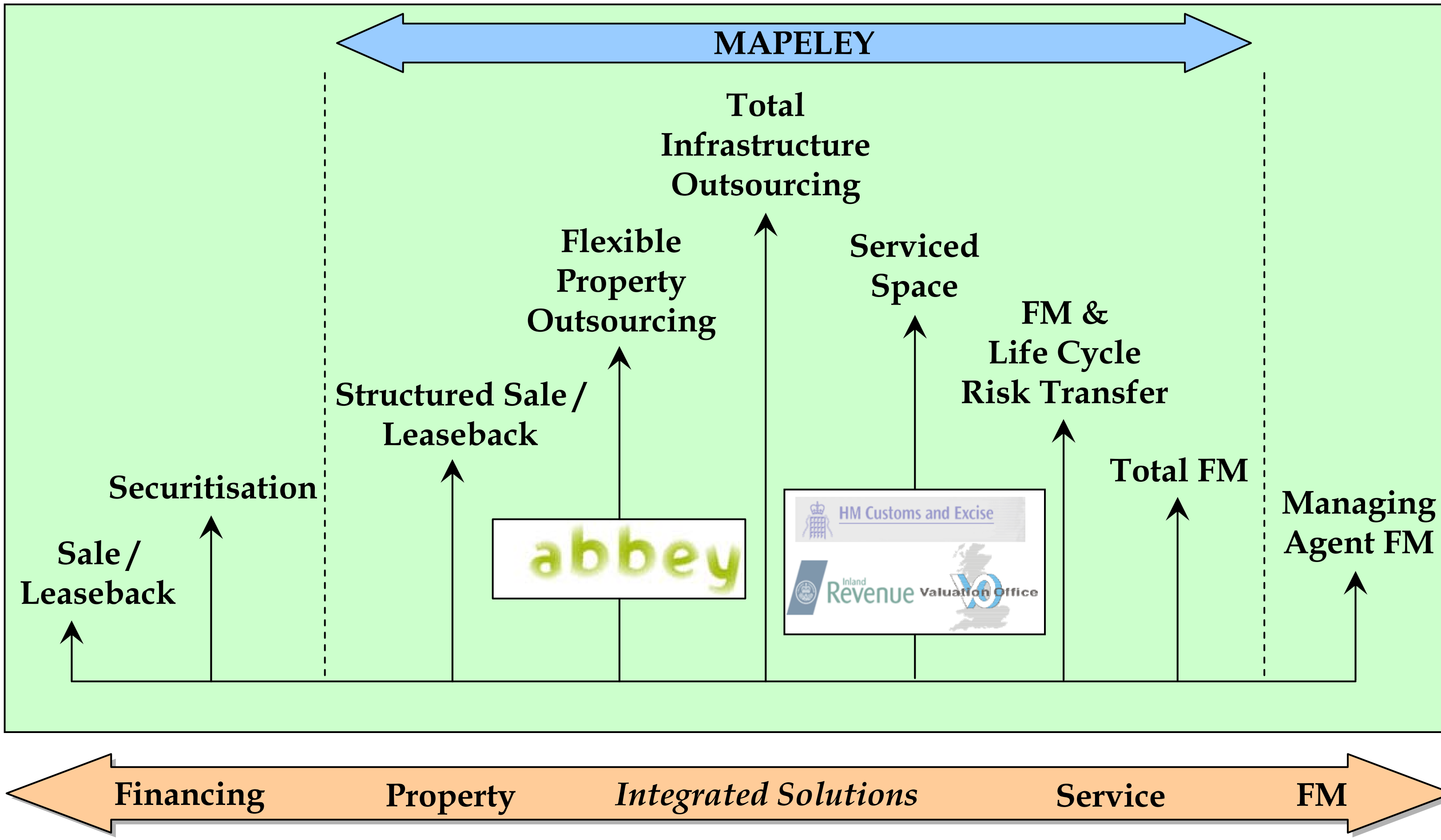
- Provides Capital
- Delivers Services
- Manages Estates
- Owns Assets
- Assumes Liabilities



What is Mapeley?



Mapeley's Contracts



Mapeley's Contracts

abbey	**Mapeley Ltd** 170 employees	HM Customs and Excise Inland Revenue Valuation Office
- 0 -	**Subcontractors** 3,500 Employees	**3,500**
1,300	**Properties** 1,900	**600**
0.6m m^2	**Area** 2 million m^2	**1.4m m^2**
24,000	**Occupiers** 114,000	**90,000**
£90m	**Revenue** £300 million	**£210m**

Columbus

Contract Name:	**Abbey**
Contract Type:	Flexible Property Outsourcing.
Portfolio:	The portfolio includes bank branches, call centres, apartments and offices. Abbey transferred all freehold and long and short leasehold properties to Mapeley, including all estate management responsibilities.
Purchase Price:	£457.5 million.
Term:	20 years.
Charge:	Abbey pays against a single quarterly invoice, with the payment indexed at 3% per annum.
Scope:	Abbey initially chose to retain life cycle maintenance risk and FM management, but is now considering to include them in the contract.
Flexibility:	Abbey can vacate properties according to designated "hold" periods without incremental charge and can exercise further "extraordinary flexibility" against a transparent formulaic charge.

Columbus - Drivers

Driver	Result
1. Realise Capital	▪ Abbey registered a £70m gain on the £457.5m sale of the portfolio.
2. Gain Operational Flexibility	▪ Abbey can move out of c. 50% of the portfolio over the life of the contract (see next slide).
3. Find Strategic Partner	▪ The sale of First National in 2002 was achieved at a very low cost due to the high quality of property data and ▪ Abbey is able to revise contractual hold dates.
4. Complete Transaction Quickly	▪ Mapeley was appointed preferred bidder on Sept 6th 2000; ▪ Abbey achieved financial close on Oct 25th 2000; and ▪ Mapeley took over the portfolio on Dec 25th 2000.
5. Transfer Risk	▪ Abbey transferred all third-party rental liability and void costs to Mapeley.
6. Create Cost Certainty	▪ Abbey knows exactly what the invoice will be in any given quarter throughout the 20 year contract.

Columbus - Flexibility

Total Assumed Liability	▪ NPV of Abbey's total lease liabilities at contract inception was £489m. ▪ NPV of Abbey's 212 surplus properties was £49m on day one and the average lease expiry on these properties was 2010.
Flexibility Provision	▪ Abbey can vacate properties according to designated "hold" periods without incremental charge and can exercise further "extraordinary flexibility" against a transparent formulaic charge. ▪ Aggregate flexibility over the life of the contract is 50%.
Vacations	▪ Abbey has vacated 364 properties since contract inception, including the 212 surplus properties on day one, totalling 149,000 sq m of space. ▪ Total NPV of these vacated properties was £72m.
Extraordinary Flexibility	▪ Abbey can exercise further "extraordinary flexibility" against a transparent formulaic charge. ▪ Using ex-flex, Abbey has vacated four properties, totalling 45,000 sq m, which has saved them a total of £858,000 in annual rental liabilities.
Acquisitions	▪ Mapeley has acquired five new properties for Abbey since contract inception.
Issues	▪ Difficult to predict business needs accurately over extended periods.

STEPS

Contract Name:	**Inland Revenue, HM Customs and Excise & Valuation Office**
Contract Type:	Serviced Accommodation Outsourcing.
Portfolio:	The portfolio includes call centres, offices, and warehouses across the UK. 35% of the portfolio is freehold and 65% leasehold (by area).
Purchase Price:	£220 million.
Term:	20 years.
Charge:	The Departments makes single monthly Unitary Payment in respect of all their serviced accommodation requirements.
Scope:	Mapeley provides space and services including: • Integrated Help Desk • Cleaning • Security • Maintenance • Utilities • Catering • Health & Safety • Child Care • Removals • Furniture • Vending Service • Landscaping
Flexibility:	The Departments can move out of a given amount of space each year without incremental charge. If needed, further flexibility can be exercised based upon a transparent pricing mechanism.

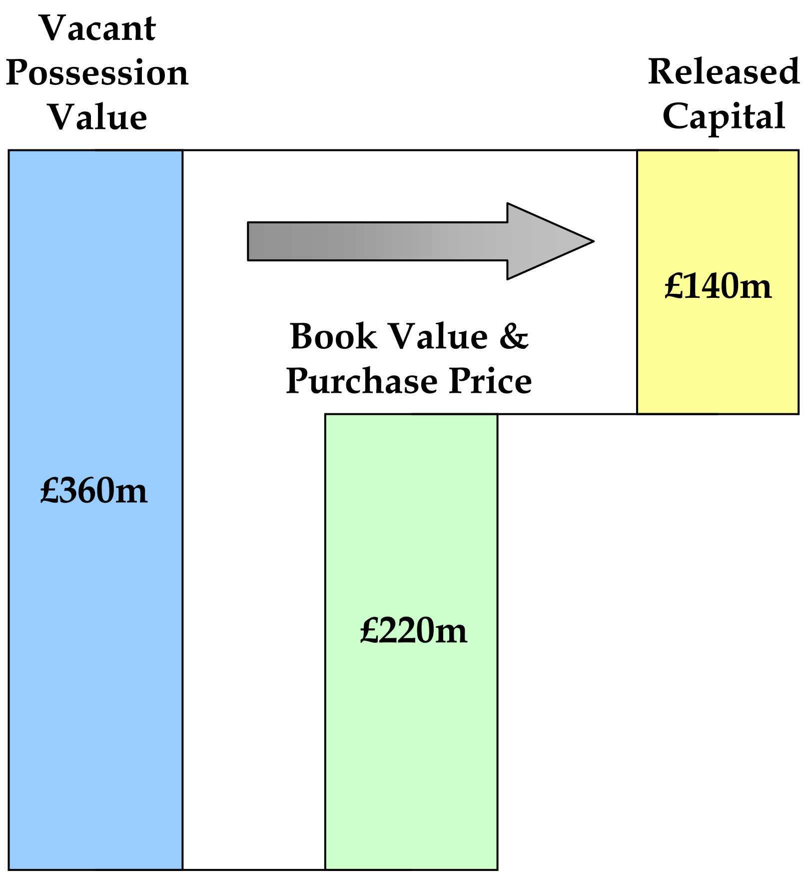
STEPS - Drivers

Driver	Result
1. Reduce Operating Costs	The STEPS contract will save the taxpayer c. **£1 billion** over the life of the contract.
2. Gain Operational Flexibility	Accommodation is better matched to operational needs under the contract.
3. Enhance Service Delivery	For the first time, the Departments have a 24/7 Help Desk, proper maintenance requirements and superior project delivery.
4. Transfer Risk	Mapeley now has all risk associated with the Estate, notably: - property (e.g. rental growth and voids) - whole life maintenance - FM costs.
5. Create Cost Certainty	The Unitary Payment is fixed, indexed broadly to RPI.

STEPS Flexibility

Designations	Buildings were designated as follows: Core - Departments intend to stay for 20 years. Intermediate - Departments intend to stay to a specific date. Flexible - Departments intend to vacate on 12 months notice. Surplus - Empty on day one.
Flexibility Provision	The Departments can move out of 15,000 sq m each year without incremental charge. Aggregated flexibility over the life of the contract is 45% of the original Estate.
Extra Ordinary Flexibility	If needed, further flexibility can be exercised based upon a transparent pricing mechanism. The Departments have left 2,000 sq m under ex-flex.
Vacations	The Departments will have vacated 41 properties by March 2004, totalling 42,000 sq m of space.
Acquisitions	Mapeley has agreed to acquire 31 new properties for the Departments, totalling 91,000 sq m of space.
Issues	▪ Mapeley access to core business. ▪ Internecine battles on the client side.

STEPS – Capital Release



£100m Immediate 10 year annual revenue reduction

£20m Investment in BPR savings

£20m Eliminate backlog maintenance

How Mapeley Operates

The Virtual Organisation

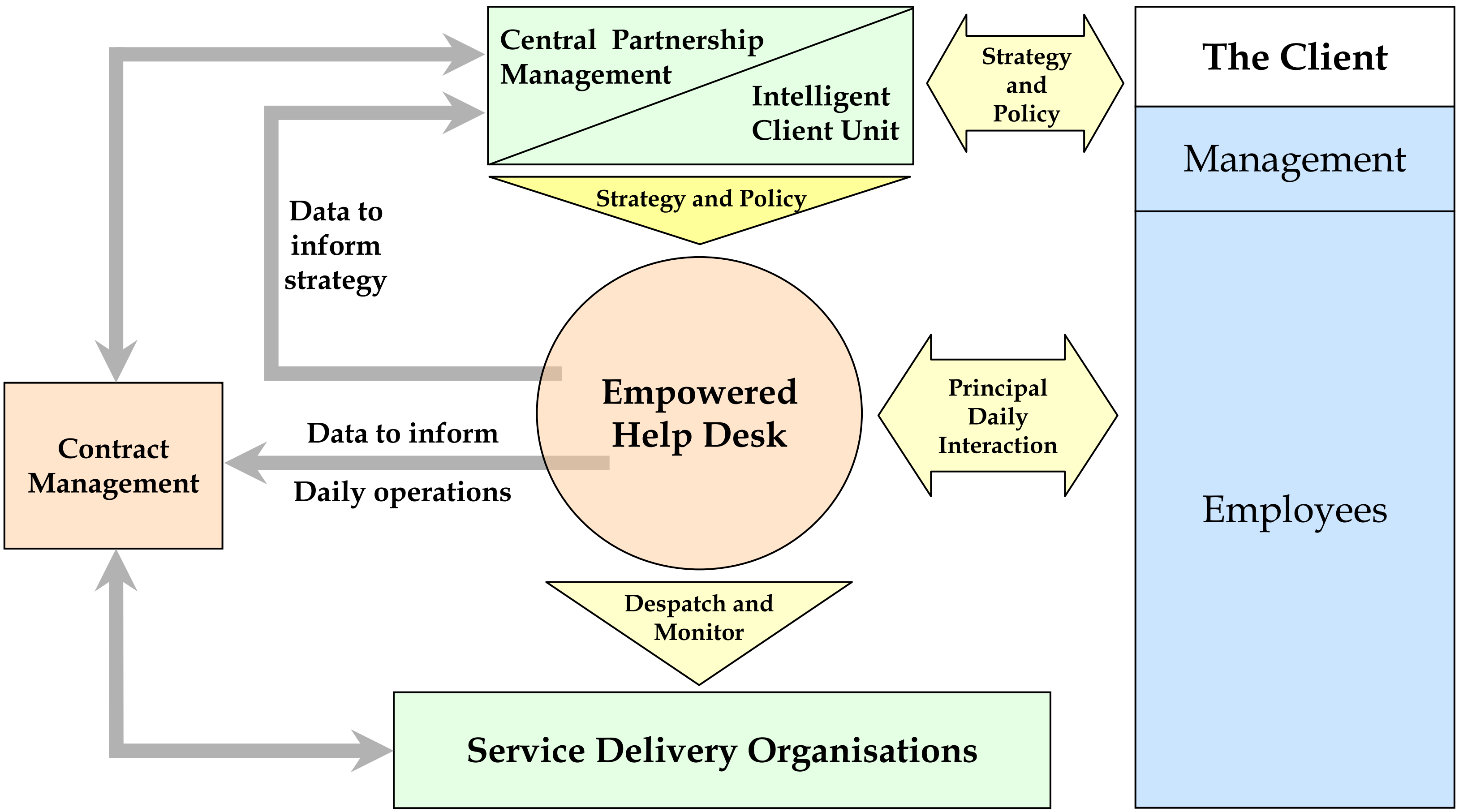
New Business
Contract P&L
Customer Liaison
Continuous Improvement

Property
Procurement
Help Desk
Finance/IT/H&S
New Ways of Working

Framework Contractors
- MacLellan(FM)
- Acumen (FM)
- BSG (IT)
- MJF (Space Planning)

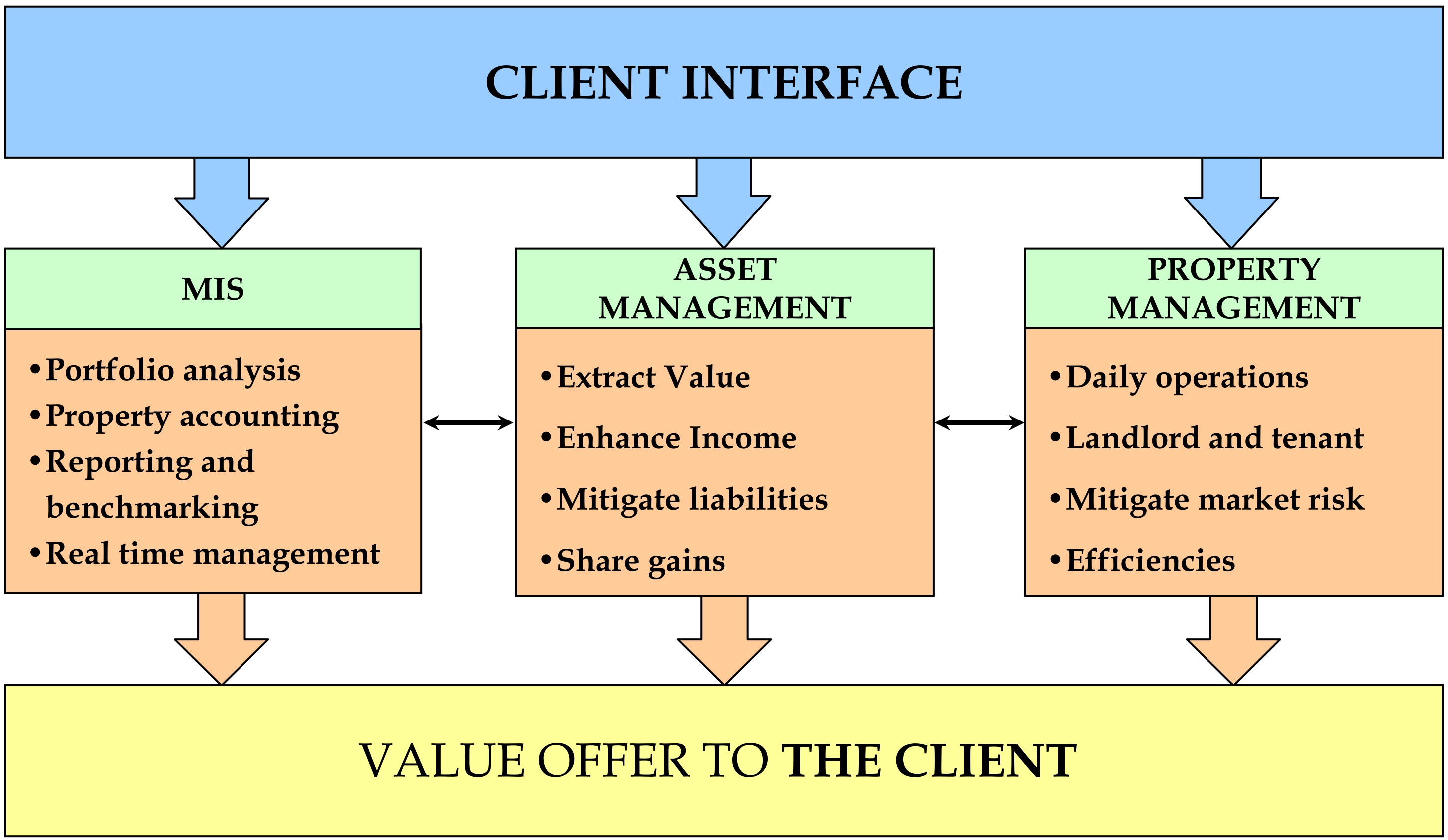
How Mapeley Operates

Service Delivery Model



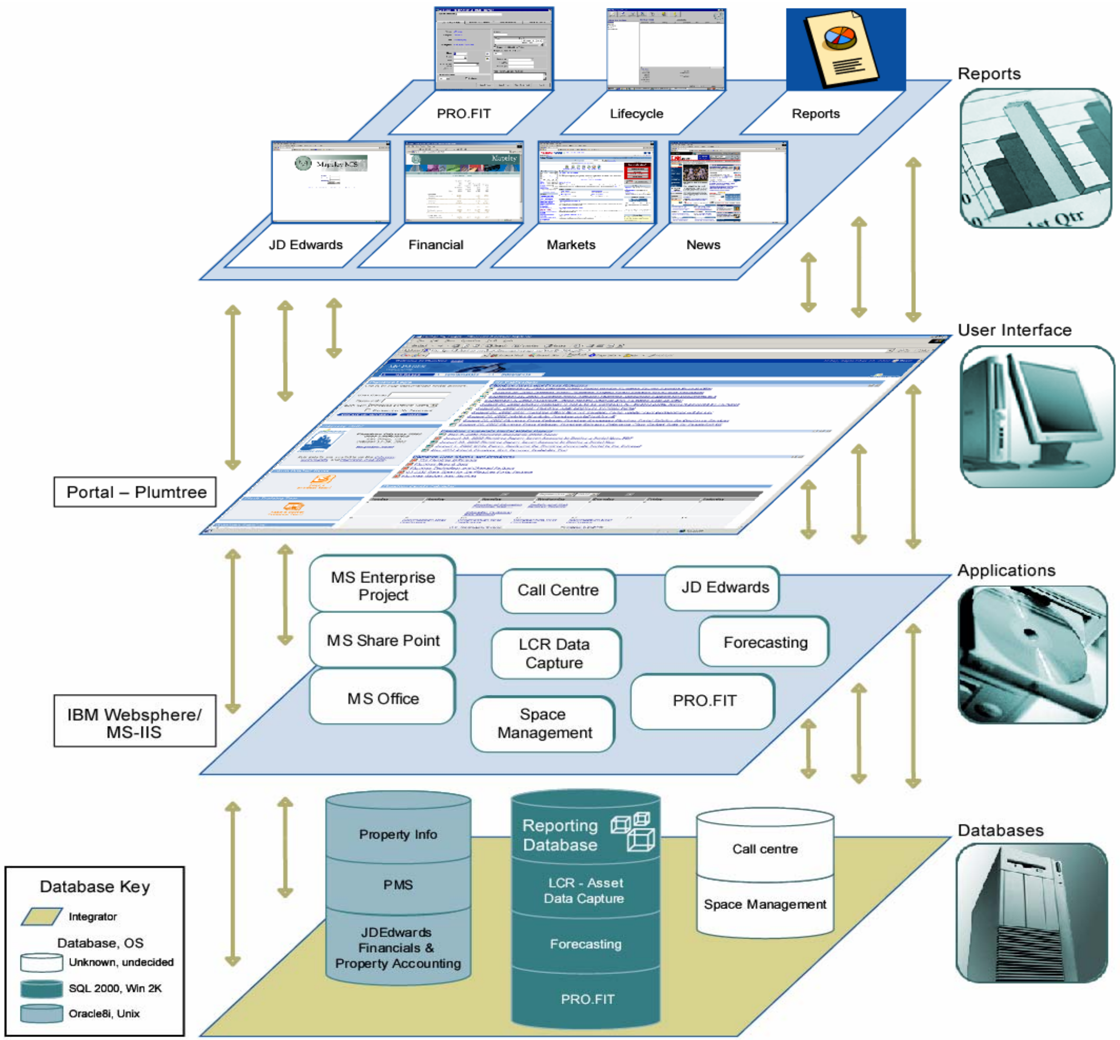
How Mapeley Operates

Property Management



How Mapeley Operates

Systems



Appendix – **Soros Real Estate Partners**

- Soros Real Estate Partners ("SREP") is a global real estate private equity business formed in 1999 by George Soros, Frank Sica and Richard Georgi, together with an experienced team of real estate investment professionals.
- SREP currently manages $1.6 billion of committed capital and is actively investing on behalf of Soros Real Estate Investors, C.V. ("SREI" or the "Fund"), a $1 billion real estate private equity fund that targets real estate and real estate-related assets in Western Europe and Japan.
- SREP is also committed to the U.S. market through its management of $600 million in real estate assets owned by Quantum Realty Holdings and the Soros family.
- SREP is lead by Richard Georgi, its Global Managing Partner, Richard Mully, its European Managing Partner and Dang Phan, its Chief Operating Officer and Managing Partner.
- In total, SREP has 20 real estate private equity professionals located in offices in London, Tokyo and New York.

Appendix – **Fortress Investment Group**

- Fortress Investment Group LLC (Fortress) is a global alternative investment and asset management company based in New York.
- Fortress was founded in 1998 by a group of senior investment professionals: Wesley R. Edens, Robert I. Kauffman, Randal A. Nardone and Erik P. Nygaard.
- Fortress currently manages over $3 billion of private equity on behalf of prominent institutional investors, and invests primarily in financial and real estate related assets on a domestic and international basis.
- Fortress's principals have over 60 years of collective investment experience and have worked together for approximately 14 years.
- In the past six years alone, the principals have directed the acquisition and management of approximately $20 billion of financial and real estate-related assets and companies in approximately 85 transactions in North America and Europe.
- The principals have financed and monetized many of these investments through the issuance of over $11 billion (principal amount) of fixed income securities.

Appendix – **Fortress Investment Group**

- The Fortress management team has acquired a variety of asset types across the credit spectrum.
- Investments have included preferred and common stock investments in private and publicly traded finance and real estate-related companies; assets acquired through government privatisations; assets acquired through bankruptcies and restructurings; purchases of residential and commercial mortgage loans; and opportunistic financings.
- Fortress was founded on the investment philosophy of adding value through a combination of corporate mergers and acquisitions, restructuring, real estate and capital markets expertise and a highly disciplined investment process.
- Fortress is headquartered in New York, with offices in London and Rome.
- Fortress employs over 90 people worldwide.

Appendix – **Delancey**

- Delancey is one of the UK's leading private property investment, trading and development companies with gross assets under management of approximately £700 million.
- Delancey has been a major shareholder in Mapeley since October 2000 and continues to play an active role in its growth and development.
- Delancey has an entrepreneurial approach to investing and developing property, based on strong financial controls.
- The Company has had considerable success in developing relationships with a number of institutional property investors and continues to form partnerships, joint ventures and investments to maximise the quality and levels of returns to its shareholders.
- Delancey's portfolio of investment and development properties is based in Central London, principally focused on major Office and Shopping Centre properties.
- It also comprises selective corporate investments in the Property Services, Development and Car Park sectors.

Appendix – **Delancey**

- Delancey's management comprises a dedicated team of professionals whose expertise encompasses property investment, development and financing.
- It is this strong skill set and experience which enables the Company to be opportunistic in its investment decisions.
- In May 2001, Delancey's management took the company private through a £274 million MBO which was completed with significant support from major shareholders.