

**Half Year Report and Accounts  
for the six months ended  
30 September 2008**

## **SUMMARY**

### **Financial Summary**

- Revenue £23.5million (September 2007: £21.9million)
- Recurring profit before performance fees £5.7million (September 2007: £5.1million)
- Realised pre-tax profit £3.6million (September 2007: £11.2million)<sup>(i)</sup>
- Loss before income tax £124.7million (September 2007: £7.7million)
- Net asset value per share 316p (March 2008: 549p)
- Adjusted net asset value per share 320p (March 2008: 557p)<sup>(ii)</sup>
- Losses per share 222.0p (September 2007: 10.7p losses)
- Recurring post-tax earnings per share 7.1p (September 2007: 9.2p)<sup>(iii)</sup>

### **Key Business Events**

- £60 million of revolving borrowing facilities renewed for three years and the loan to value covenant on a further £325million of facilities increased to 80%
- Completion of development at Market Hall, Bolton (Agora joint venture) in September 2008
- Life of Ashtenne Industrial Fund, together with asset management agreement, extended to 2016
- Compulsory purchase order made on the Pallasades shopping centre, Birmingham by Birmingham City Council
- Formal development agreement for town centre regeneration project exchanged with Aylesbury District Council
- Finance Director succession confirmed

(i) Realised pre tax profit includes share of joint venture pre-tax results and is before fair value movements

(ii) Adjusted for deferred tax on fair value gains and fair value adjustments on fixed rate debt

(iii) Adjusted for fair value movements, profits and losses on sale of investment properties and other one-off items

## **CHAIRMAN'S STATEMENT**

The property sector continues to face significant challenges and the Group is not immune from these, particularly the impact of falling property values. Against this background our interim results also reflect the strength of our business model, with its focus on income generation, which will benefit from cuts in Base Rate as they flow through to LIBOR. We shall continue to concentrate on those areas which we can control, primarily, improving the security and quality of our income streams, reducing our property, support and interest costs and maximising our cash collection through close contact with our tenants. Our void levels are low and we have no exposure to development. We maintain a strong working relationship with our bank partners and the Group remains in compliance with both its income cover and loan to value banking covenants. However the Board is ever mindful of the risks facing the business in the current climate and the ongoing uncertainties in our industry. We are being proactive in meeting these challenges and we are confident that by taking appropriate actions, including disposals and securing uncharged assets, we shall mitigate the risks as far as possible. In particular, in order to conserve cash and reduce debt over the coming months, we have decided not to pay an interim dividend this year. As a REIT, the Group is statutorily required to distribute at least 90% of the profits of its property rental business by way of a dividend, known as a Property Income Distribution ('PID'), which last year was 17.5pence per share, and we shall meet this requirement in respect of the full financial year.

### **Results Overview**

Recurring profit before tax for the period was £5.7million compared to £5.1million for the equivalent period last year. However, due to reduced property values, the Group made a pre tax loss of £124.7million (September 2007: £7.7million). Net asset value per share fell from 549p at 31st March 2008 to 316p and adjusted net asset value from 557p to 320p.

The first half of the year has benefitted from cost savings of £0.6million, confirming that the Group is on track to deliver the £1.5million of annualised savings referred to in our 14 August Interim Management Statement. We shall be seeking further reductions in costs with a view to at least doubling those annualised savings during the next financial year. Cash collection has improved for the fourth quarter in succession with 98.2 % of the September quarter day rents collected within 28 days. There was a net cash outflow of £2.1million in the six month period following the injection of £7.0million into the Group's joint venture Agora Max, which outweighed the positive cash flow from operations and net property sales.

### **Property Review**

The relative performance of the Group's property has held up well. Our equity portfolio of £971million outperformed the IPD Monthly Index benchmark for the first six months of the year. Standing investments fell in value by 9.8%, outperforming the benchmark fall of 10.0%, and estimated rental value (ERV) grew by 1.0% to £81.5 million, compared with the benchmark decline of 0.4%. The Group has no disproportionate exposure to any particular tenant. The Government is our largest tenant at 3% of rental income.

The net initial yield of our equity portfolio moved out 59 basis points to 6.36% and equivalent yield moved out 84bps to 7.30%.

Well over 90% of the equity portfolio is occupied with a void rate of 6.7% by ERV, compared with the IPD benchmark of 9.3%. The weighted average lease expiry across the portfolio is 8.6 years compared to 7.0 years in September 2007.

In July, the life of the Ashtenne Industrial Fund, together with our contract to asset manage it, was extended to 2016. In September, the development at Market Place, Bolton, was opened with over 70% of the space let, thereby completing our current development programme.

### **Finance Review**

Revenue at £23.5million is over 7% ahead of September 2007 (£21.9million). However, this is marginally below the second half of the prior financial year due to disposals of non-core investments. Recurring operating profit increased to £15.6million (2007: £13.8million) whilst interest increased to £9.9million (2007: £8.7million) reflecting the relative increase in LIBOR. However, interest has fallen from £10.8million, for the second half of last year, due to prudent treasury management.

Net debt has increased during the period by £2.0million to £348.7million (March 2008: £346.7million). Joint venture debt, which is non recourse, was £332million. It remains our intention to reduce debt through, inter alia, the continuing programme of sales. Disposals totaled £10.4million in the first half and substantially more are expected in the second half with £9.0million already achieved.

The Group's facilities remain at £415million with an average loan to value covenant of 79% compared to 75% as at March 2008. The cost of increasing the loan to value covenants has been reduced by entering into a further £50million hedge at 3.08% effective from 28 November 2008. The combination of hedges that the Group has in place together with recent falls in LIBOR bring the average interest rate to 4.71 % compared to 5.84% as at March 2008. Taking into account the £25million callable swap at 4.4% that comes into effect from 31 December 2008 and the £25million callable swap at 3.84% effective from 31 March 2009 the Group will be hedged to 99%.

Earlier this month Peter Collins stepped down as Finance Director. Since he joined the Group ten years ago, Peter has played a huge part in building the business, effecting the conversion to a REIT and, more recently, navigating through stormy waters. On behalf of shareholders, I thank him for his invaluable contribution.

## **Strategy and Outlook**

In line with being a REIT, the Group's strategy remains to deliver recurring profit growth through improving the quality and security of its income and judicious management of costs. It is income which is important, the more so in uncertain circumstances, and although values are likely to continue to fall into 2009, the Group remains confident that it can continue to outperform the IPD index by focusing on the asset management basics of revenue enhancement.

We are reducing costs through a structured review programme covering our processes, systems and organisation and we are on track to deliver annualised net savings of £1.5million by the end of this financial year, with more to follow in the next.

The financial markets are beginning to show the first signs of thawing out with the recent base rate changes feeding through to LIBOR; every 50bps movement in LIBOR reduces the Group's interest charge by £1million. However, uncertainty lies in the impact the likely economic recession will have on the occupational market. This may give rise to a significant cash management challenge, particularly in retail. The strength of the Group's cash management processes, systems and tenant knowledge will be of considerable benefit, particularly the economies of scale and expertise arising from the collection of a total managed rent roll of £185million per annum.

Discussions with our relationship banks have commenced regarding the renewal of those facilities reaching maturity in 2010 and 2011. The £30million facility maturing in January 2009 is not being utilised and will not be renewed. Continuous dialogue with our banks has allowed us to increase loan to value covenants to provide a level of insurance against further falls in investment values, although further actions have been initiated to ensure we continue to remain in compliance with our banking covenants. Equally important are our income cover covenants and the recent changes in LIBOR have increased significantly the Group's headroom in relation to these.

The property market is a challenging environment but I am confident that the actions we are taking to reduce debt and costs, whilst maintaining income flows, will allow the Group to weather these difficult times.

**Philip Warner**

**Chairman**

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 September 2008

		<b>Unaudited 6 months ended 30 September 2008</b>	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	Notes	£m	£m	£m
Revenue		23.5	21.9	46.1
Rental and similar income		15.5	13.0	28.7
Property expenses		(5.5)	(2.2)	(5.8)
Service charge and similar income		2.3	1.7	4.3
Service charge expense and similar charges		(2.9)	(2.3)	(5.1)
<b>Net rental income</b>	2	<b>9.4</b>	10.2	22.1
Revenue from asset management activities		5.7	7.2	13.1
Cost of sales of asset management activities		(4.6)	(6.2)	(12.6)
<b>Net income from asset management activities</b>	2	<b>1.1</b>	1.0	0.5
Administrative expenses		(0.5)	(1.3)	(2.0)
<b>Operating profit before net gains on investments</b>	2	<b>10.0</b>	9.9	20.6
Net loss from fair value adjustments on investment properties	8	(49.7)	(11.4)	(50.7)
Net loss from fair value adjustment on investments	10/11	(31.1)	(1.3)	(25.2)
(Loss) / profit on sale of investment properties		(0.6)	6.3	8.1
Profit on sale of finance lease assets		-	0.1	0.1
<b>Operating (loss) / profit</b>		<b>(71.4)</b>	3.6	(47.1)
Finance income	3	4.5	3.7	7.5
Finance expense	4	(10.7)	(9.4)	(21.2)
Change in fair value of derivative financial instruments		(0.4)	0.5	(1.9)
Share of joint ventures' post tax losses	9	(46.7)	(6.1)	(60.8)
<b>Loss before income tax</b>		<b>(124.7)</b>	(7.7)	(123.5)
Taxation – current	5	(1.8)	1.0	2.9
Taxation – deferred	5	3.0	0.7	7.1
<b>Loss for the period</b>		<b>(123.5)</b>	(6.0)	(113.5)
		<b>p</b>	<b>p</b>	<b>p</b>
<b>Basic losses per share</b>	7	<b>(222.03)</b>	(10.67)	(203.61)
<b>Fully diluted losses per share</b>	7	<b>(217.52)</b>	(10.52)	(200.99)

**UNAUDITED CONSOLIDATED BALANCE SHEET**

		<b>Unaudited At 30 September 2008</b>	Unaudited At 30 September 2007	Audited At 31 March 2008
	Notes	£m	£m	£m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		11.3	11.3	11.3
Investment properties	8	403.7	482.6	458.6
Properties under the course of development		-	24.9	-
Plant and equipment		0.4	0.5	0.5
Investments in joint ventures	9	50.3	145.4	90.0
Investments in funds	10	76.5	119.5	98.9
Investments in listed and unlisted shares	11	1.1	13.1	9.8
Net investment in finance leases		3.8	3.8	3.8
Deferred income tax assets	12	1.3	0.6	1.9
Derivative financial assets		1.3	1.1	0.6
Trade and other receivables		1.4	-	0.6
		<b>551.1</b>	<b>802.8</b>	<b>676.0</b>
<b>Current assets</b>				
Trade and other receivables		19.9	36.1	27.5
Current income tax assets		-	-	1.2
Cash and cash equivalents		15.8	25.2	55.5
		<b>35.7</b>	<b>61.3</b>	<b>84.2</b>
<b>Total assets</b>		<b>586.8</b>	<b>864.1</b>	<b>760.2</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings, including finance leases		(367.7)	(300.2)	(350.5)
Trade and other payables		(7.7)	(12.2)	(9.9)
Derivative financial liabilities		(3.3)	(0.3)	(2.2)
Deferred income tax liabilities	12	(2.6)	(10.9)	(6.2)
Retirement benefit obligations		(0.2)	(0.2)	(0.1)
Provisions for other liabilities and charges	13	(1.3)	(3.3)	(1.4)
		<b>(382.8)</b>	<b>(327.1)</b>	<b>(370.3)</b>
<b>Current liabilities</b>				
Borrowings, including finance leases		(0.5)	(88.1)	(55.5)
Trade and other payables		(23.6)	(27.1)	(26.0)
Current income tax liabilities		(0.6)	(0.9)	-
Provisions for other liabilities and charges	13	(3.9)	-	(3.2)
		<b>(28.6)</b>	<b>(116.1)</b>	<b>(84.7)</b>
<b>Total liabilities</b>		<b>(411.4)</b>	<b>(443.2)</b>	<b>(455.0)</b>
<b>Net assets</b>		<b>175.4</b>	<b>420.9</b>	<b>305.2</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	14	2.8	2.8	2.8
Reserves	14	173.8	416.7	303.6
Investment in own shares	14	(1.2)	(1.1)	(1.2)
<b>Equity shareholders' funds</b>		<b>175.4</b>	<b>418.4</b>	<b>305.2</b>
Minority interest	16	-	2.5	-
<b>Total equity</b>		<b>175.4</b>	<b>420.9</b>	<b>305.2</b>

**UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

For the six months ended 30 September 2008

	<b>Unaudited</b>	Unaudited	Audited
	<b>6 months</b>	6 months	Year
	<b>ended</b>	ended	ended
	<b>30 September</b>	30 September	31 March
	<b>2008</b>	2007	2008
	<b>£m</b>	£m	£m
Loss for the period attributable to equity shareholders	<b>(123.5)</b>	(6.0)	(113.5)
Actuarial (losses) / profit on retirement benefit obligations	<b>(0.1)</b>	0.1	0.2
Deferred tax arising on retirement benefit obligations	<b>-</b>	-	(0.1)
Total recognised income and expense for the period	<b>(123.6)</b>	(5.9)	(113.4)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2008

	<b>Unaudited</b>	Unaudited	Audited
	<b>6 months</b>	6 months	Year
	<b>ended</b>	ended	ended
	<b>30 September</b>	30 September	31 March
	<b>2008</b>	2007	2008
	<b>£m</b>	£m	£m
Opening equity shareholders' funds	<b>305.2</b>	432.7	432.7
Share premium on shares issued	<b>-</b>	0.1	0.3
Acquisition of investment in own shares	<b>-</b>	(0.3)	(0.5)
Disposal of investment in own shares	<b>-</b>	-	0.1
Cost of share based payments	<b>0.1</b>	0.1	0.8
Deferred tax arising on share based payments	<b>-</b>	(0.6)	(0.8)
Acquisition of treasury shares	<b>-</b>	(1.5)	(1.5)
	<b>305.3</b>	430.5	431.1
Total recognised income and expense for the period	<b>(123.6)</b>	(5.9)	(113.4)
Dividend paid in period	<b>(6.3)</b>	(6.2)	(12.5)
Closing equity shareholders' funds	<b>175.4</b>	418.4	305.2

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2008

	Notes	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
<b>Cash flows from operating activities</b>				
Cash (outflows) / inflows from operations	15	4.4	(10.3)	6.9
Interest paid		(10.7)	(9.2)	(20.9)
Interest received		0.4	1.0	2.1
UK Corporation tax received		-	2.3	0.4
<b>Net cash outflow from operating activities</b>		<b>(5.9)</b>	<b>(16.2)</b>	<b>(11.5)</b>
<b>Cash flows from investing activities</b>				
Purchase of investment properties and related capital expenditure		(5.5)	(106.5)	(112.2)
Sale of investment properties		19.6	46.1	62.5
Purchase of plant and equipment		-	(0.1)	(0.1)
Loans to joint ventures		(7.0)	-	-
Dividends received from funds		3.3	2.8	6.0
Dividends received from joint ventures		-	-	0.8
<b>Net cash inflow / (outflow) from investing activities</b>		<b>10.4</b>	<b>(57.7)</b>	<b>(43.0)</b>
<b>Cash flows from financing activities</b>				
Issue of shares		-	0.1	0.3
Purchase of own shares for AESOP scheme		-	(0.3)	(0.2)
Disposal of own shares for share option scheme		0.1	-	0.1
Purchase of treasury shares		-	(1.5)	(1.5)
Dividends paid		(6.3)	(6.2)	(12.6)
Increase in bank loans		-	7.4	8.8
Repayment of bank loans		(0.4)	(14.4)	(41.2)
<b>Net cash outflow from financing activities</b>		<b>(6.6)</b>	<b>(14.9)</b>	<b>(46.3)</b>
<b>Net decrease in cash and cash equivalents*</b>		<b>(2.1)</b>	<b>(88.8)</b>	<b>(100.8)</b>
Cash and cash equivalents at beginning of period		(321.5)	(220.7)	(220.7)
<b>Cash and cash equivalents at end of period</b>		<b>(323.6)</b>	<b>(309.5)</b>	<b>(321.5)</b>

\* Includes overdraft facility balances shown in borrowings

## UNAUDITED NOTES TO THE FINANCIAL STATEMENTS

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation**

The unaudited interim consolidated financial statements of the Group for the six months to 30 September 2008 have been prepared in accordance with Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 Interim Financial Reporting, as adopted by the EU, and on the basis of accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 March 2008.

These unaudited interim consolidated financial statements do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The unaudited interim consolidated financial statements should be read in conjunction with the statutory accounts for the year ended 31 March 2008 that have been delivered to the Registrar of Companies and include an audit report which was unqualified and did not contain a statement under either Section 237(2) or 237(3) of the Companies Act 1985. This includes the principle risks and uncertainties on page 62 of the Annual Report and Accounts and these have remained valid.

These unaudited interim consolidated financial statements have been prepared on a going concern basis, which assumes the Group will continue to be able to meet its liabilities when they fall due, for the foreseeable future. The Directors have produced profit forecasts and cash flow forecasts which indicate that the Group can continue as a going concern. In preparing those forecasts, the Directors have taken into account the following key business risks and uncertainties:

- The current general uncertainties facing the property industry regarding the financial and economic markets;
- The increased pressure to remain in compliance with our banking covenants due to adverse movements in property valuations;
- The possibility of not achieving our property sales programme; and
- The possibility of not being able to bring in as additional bank security certain uncharged assets.

Having taken these uncertainties into account, the Directors believe it is appropriate to prepare the accounts on a going concern basis, as they believe the Group will remain within its banking covenants. Accordingly, the unaudited interim consolidated financial statements do not include the adjustments that would result from a failure to remain a going concern.

## 2. SEGMENTAL REPORTING

### BUSINESS SEGMENTS

For management purposes the Group is organised into two operating divisions, Property Investment and Asset Management:

	Property Investment	Asset Management	Unallocated and other activities	Total
	£m	£m	£m	£m
<b>Six months to 30 September 2008 (unaudited)</b>				
Rental and similar income	15.5	-	-	15.5
Property management expenses	(5.5)	-	-	(5.5)
Service charge and similar income	2.3	-	-	2.3
Service charge expense and similar charges	(2.9)	-	-	(2.9)
Net rental income	9.4	-	-	9.4
Revenue from asset management activities				
Management fee income	-	6.6	-	6.6
Performance fee provision	-	(0.9)	-	(0.9)
	-	5.7	-	5.7
Asset management expenses	-	(4.6)	-	(4.6)
Administrative expenses	(0.2)	(0.3)	-	(0.5)
Operating profit / (loss) before net gain on investments	9.2	0.8	-	10.0
Net loss from fair value adjustments on investment properties	(49.7)	-	-	(49.7)
Net loss from fair value adjustments on investments	-	-	(31.1)	(31.1)
Profit on sale of investment properties	(0.6)	-	-	(0.6)
Operating profit / (loss)	(41.1)	0.8	(31.1)	(71.4)
<b>Total assets</b>	<b>417.0</b>	<b>19.4</b>	<b>150.4</b>	<b>586.8</b>
<b>Total liabilities excluding borrowings and finance leases</b>	<b>(26.9)</b>	<b>(0.4)</b>	<b>(15.9)</b>	<b>(43.2)</b>
<b>Borrowing, including finance leases</b>	<b>(3.7)</b>	<b>-</b>	<b>(364.5)</b>	<b>(368.2)</b>
<b>Net assets / (liabilities)</b>	<b>386.4</b>	<b>19.0</b>	<b>(230.0)</b>	<b>175.4</b>
Other segment items:				
Capital expenditure	5.8	-	-	5.8
Depreciation	-	-	0.1	0.1

2. SEGMENTAL REPORTING (CONT.)

	Property Investment	Asset Management	Unallocated and other activities	Total
	£m	£m	£m	£m
<b>Six months to 30 September 2007 (unaudited)</b>				
Rental and similar income	13.0	-	-	13.0
Property management expenses	(2.2)	-	-	(2.2)
Service charge and similar income	1.7	-	-	1.7
Service charge expense and similar charges	(2.3)	-	-	(2.3)
Net rental income	10.2	-	-	10.2
Revenue from asset management activities				
Management fee income	-	7.2	-	7.2
Performance fee income	-	-	-	-
	-	7.2	-	7.2
Asset management expenses	-	(6.2)	-	(6.2)
Administrative expenses	(0.3)	(1.0)	-	(1.3)
Operating profit / (loss) before net gain on investments	9.9	-	-	9.9
Net loss from fair value adjustments on investment properties	(11.4)	-	-	(11.4)
Net loss from fair value adjustments on investments	-	-	(1.3)	(1.3)
Profit on sale of investment properties	6.3	-	-	6.3
Profit on sale of finance lease assets	0.1	-	-	0.1
Operating profit / (loss)	4.9	-	(1.3)	3.6
<b>Total assets</b>	<b>531.6</b>	<b>23.1</b>	<b>309.4</b>	<b>864.1</b>
<b>Total liabilities excluding borrowings and finance leases</b>	<b>(28.0)</b>	<b>(6.8)</b>	<b>(20.1)</b>	<b>(54.9)</b>
<b>Borrowing, including finance leases</b>	<b>(3.8)</b>	<b>-</b>	<b>(384.5)</b>	<b>(388.3)</b>
<b>Net assets / (liabilities)</b>	<b>499.8</b>	<b>16.3</b>	<b>(95.2)</b>	<b>420.9</b>
Other segment items:				
Capital expenditure	7.8	-	-	7.8
Depreciation	-	-	0.1	0.1

2. SEGMENTAL REPORTING (CONT.)

	Property Investment	Asset Management	Unallocated and other activities	Total
	£m	£m	£m	£m
<b>Year ended 31 March 2008 (audited)</b>				
Rental and similar income	28.7	-	-	28.7
Property management expenses	(5.8)	-	-	(5.8)
Service charge and similar income	4.3	-	-	4.3
Service charge expense and similar charges	(5.1)	-	-	(5.1)
Net rental income	22.1	-	-	22.1
Turnover from asset management activities				
Management fee income	-	14.0	-	14.0
Performance fee income	-	0.7	-	0.7
Performance fee provision	-	(1.6)	-	(1.6)
	-	13.1	-	13.1
Asset management expenses	-	(12.6)	-	(12.6)
Administrative expenses	(0.4)	(1.6)	-	(2.0)
Operating profit / (loss) before net gain on investments	21.7	(1.1)	-	20.6
Net loss from fair value adjustments on investment properties	(50.7)	-	-	(50.7)
Net loss from fair value adjustments on investments	-	-	(25.2)	(25.2)
Profit on sale of investment properties	8.1	-	-	8.1
Profit on sale of finance lease assets	0.1	-	-	0.1
Operating loss	(20.8)	(1.1)	(25.2)	(47.1)
Total assets	477.7	19.3	263.2	760.2
Total liabilities excluding borrowings and finance leases	(26.8)	(1.8)	(20.4)	(49.0)
Borrowing, including finance leases	(3.8)	-	(402.2)	(406.0)
Net assets / (liabilities)	447.1	18.4	(160.3)	305.2
Other segment items:				
Capital expenditure	14.2	-	-	14.2
Depreciation	-	-	0.2	0.2

All turnover and operating profit has arisen from continuing operations.

3. FINANCE INCOME

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£m	£m	£m
Income from investments			
Distributions from funds	3.7	2.9	6.1
	3.7	2.9	6.1
Interest receivable and similar income:			
From joint ventures	0.4	0.3	0.6
Other interest	0.4	0.5	0.7
Other finance income			
Expected return on pension scheme assets	0.2	0.2	0.4
Interest on pension scheme liabilities	(0.2)	(0.2)	(0.3)
	-	-	0.1
	4.5	3.7	7.5

#### 4. FINANCE EXPENSE

	<b>Unaudited</b> <b>6 months ended</b> <b>30 September</b> <b>2008</b>	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2007
	<b>£m</b>	£m	£m
Interest payable on loans and overdrafts	10.2	9.9	21.3
Charges in respect of cost of raising finance	0.4	0.2	0.8
	10.6	10.1	22.1
Less: Interest capitalised	-	(0.8)	(1.2)
	10.6	9.3	20.9
Interest payable under finance leases	0.1	0.1	0.3
	10.7	9.4	21.2

#### 5. TAXATION

The taxation charge for the period has been estimated from the expected taxable profits of the Group after taking account of capital allowances available.

#### 6. DIVIDENDS

	<b>Unaudited</b> <b>6 months ended</b> <b>30 September</b> <b>2008</b>	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	<b>£m</b>	£m	£m
On Ordinary 5p shares			
Final 11.25p at 31 March 2008 paid 19 September 2008	<b>6.3</b>	-	-
Final 11.0p at 31 March 2007 paid 21 September 2007	-	6.2	6.2
Interim 11.25p at 30 September 2007 paid 22 February 2008	-	-	6.3
	<b>6.3</b>	6.2	12.5

#### 7. EARNINGS PER SHARE

Basic losses per share of 222.03p (six months to 30 September 2007: losses 10.67p; year to 31 March 2008: losses 203.61p) are calculated on the loss for the period of £123.5million (six months to 30 September 2007: loss £6.0million; year to 31 March 2008: loss £113.5million) and the weighted average of 55,633,832 (six months to 30 September 2007: 55,840,016; year to 31 March 2008: 55,759,748) shares in issue throughout the period.

Diluted losses per share of 217.52p (six months to 30 September 2007: losses 10.52p; year to 31 March 2008: losses 200.99p) are based on the loss for the period as above divided by the weighted average number of shares in issue, being 56,786,473 (six months to 30 September 2007: 56,678,166; year to 31 March 2008: 56,485,386) after the dilutive impact of share options granted.

A reconciliation of the weighted average number of shares used to calculate earnings per share and to that used to calculate diluted earnings per share is shown below:

	<b>Unaudited</b> <b>6 months</b> <b>ended</b> <b>30 September</b> <b>2008</b>	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
Earnings per share: weighted average number of shares	55,633,832	55,840,016	55,759,748
Weighted average ordinary shares to be issued under employee incentive arrangements	1,152,641	838,150	725,638
Diluted earnings per share: weighted average number of shares	56,786,473	56,678,166	56,485,386

**8. INVESTMENT PROPERTIES**

	Freehold	Leasehold with over 50 years unexpired	Total Investment Properties
	£m	£m	£m
At 1 April 2008 (audited)	359.4	99.2	458.6
Capital expenditure	3.1	2.7	5.8
Disposals	(10.9)	-	(10.9)
Exchange differences	(0.1)	-	(0.1)
Net loss from fair value adjustments on investment property	(35.9)	(13.8)	(49.7)
<b>At 30 September 2008 (unaudited)</b>	<b>315.6</b>	<b>88.1</b>	<b>403.7</b>

**9. JOINT VENTURES**

	Unaudited At 30 September 2008	Unaudited At 30 September 2007	Audited At 31 March 2008
	£m	£m	£m
Share of joint ventures			
At 1 April	<b>90.0</b>	151.5	151.6
Share of loss for the period	<b>(46.7)</b>	(6.1)	(60.8)
Net equity movements	-	-	14.6
Net loan movements	<b>7.0</b>	-	(15.4)
At 30 September / 31 March	<b>50.3</b>	145.4	90.0
Unlisted shares at cost	<b>87.7</b>	72.8	87.7
Group's share of post acquisition retained (losses) / profits and reserves	<b>(48.0)</b>	53.7	(1.3)
	<b>39.7</b>	126.5	86.4
Amounts owed by joint ventures	<b>10.6</b>	18.9	3.6
	<b>50.3</b>	145.4	90.0

Amounts owed by / (due to) joint ventures comprise:	Unaudited At 30 September 2008	Unaudited At 30 September 2007	Audited At 31 March 2008
	£m	£m	£m
Agora Shopping Centres Limited	-	2.6	-
Radial Distribution Limited	-	0.1	-
Agora Max Limited	<b>7.0</b>	21.4	-
Greater London Offices Limited	<b>3.6</b>	4.2	3.6
Others	-	(1.1)	-
	<b>10.6</b>	27.2	3.6

## 10. INVESTMENTS IN FUNDS

	<b>£m</b>
As at 31 March 2008 (audited)	98.9
Net loss from fair value adjustments	(22.4)
<b>At 30 September 2008 (unaudited)</b>	<b>76.5</b>
AIF	31.3
Apia	44.8
Other	0.4
<b>At 30 September 2008 (unaudited)</b>	<b>76.5</b>

## 11. INVESTMENTS IN LISTED AND UNLISTED SHARES

	<b>Unaudited</b>	Unaudited	Audited
	At	At	At
	<b>30 September</b>	30 September	31 March
	<b>2008</b>	2007	2008
	<b>£m</b>	£m	£m
Listed investments	<b>0.8</b>	0.8	0.5
Unlisted investments	<b>0.3</b>	12.3	9.3
	<b>1.1</b>	13.1	9.8

## 12. DEFERRED TAXATION

	<b>Unaudited</b>	Unaudited	Audited
	At	At	At
	<b>30 September</b>	30 September	31 March
	<b>2008</b>	2007	2008
	<b>£m</b>	£m	£m
<b>Deferred taxation assets</b>			
Deferred taxation arising from:			
Unrealised derivative financial instruments valuations	<b>0.9</b>	0.1	0.6
Retirement benefit obligations	-	0.1	-
Share based payments	<b>0.1</b>	0.4	0.3
Unrealised property and investment valuations	<b>0.3</b>	-	1.0
	<b>1.3</b>	0.6	1.9
<b>Deferred taxation liabilities</b>			
Deferred taxation arising from:			
Unrealised derivative financial instruments valuations	<b>(0.2)</b>	-	-
Unrealised property and investment valuations	<b>(2.4)</b>	(10.9)	(6.2)
	<b>(2.6)</b>	(10.9)	(6.2)

### 13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Onerous contracts	Performance fees	Total
	£m	£m	£m
At 31 March 2008 (audited)	3.0	1.6	4.6
Charge to consolidated income statement	1.2	0.9	2.1
Utilised during the period	(1.5)	-	(1.5)
<b>At 30 September 2008 (unaudited)</b>	<b>2.7</b>	<b>2.5</b>	<b>5.2</b>

Provisions have been analysed between current and non-current as follows:

	Unaudited At 30 September 2008	Unaudited At 30 September 2007	Audited At 31 March 2008
	£m	£m	£m
Non-current	1.3	3.3	1.4
Current	3.9	-	3.2
	<b>5.2</b>	<b>3.3</b>	<b>4.6</b>

The onerous lease provision is made in relation to onerous leases on properties which are vacant or sublet at a level which renders the properties loss-making over the remaining life of the lease. The provision represents the Directors' estimate of the net cash flows on the properties.

### 14. CAPITAL AND RESERVES

	Reserves				Total
	Share Capital	Non- distributable reserves	Distributable reserves	Investment in own shares	
	£m	£m	£m	£m	£m
At 31 March 2008 (audited)	2.8	35.3	268.3	(1.2)	305.2
Retained loss for the period	-	-	(123.5)	-	(123.5)
Realised on disposal of investment properties	-	0.7	(0.7)	-	-
Net loss from fair value adjustment on investment properties	-	(49.7)	49.7	-	-
Share of joint ventures' net loss from fair value adjustment on investment properties	-	(46.3)	46.3	-	-
Net loss from fair value adjustment on listed investments	-	0.3	(0.3)	-	-
Net loss from fair value adjustment on unlisted investments	-	(31.4)	31.4	-	-
Change in fair value of derivative financial instruments	-	(0.4)	0.4	-	-
Share of change in fair value of joint ventures' derivative financial instruments	-	(0.2)	0.2	-	-
Dividends paid	-	-	(6.3)	-	(6.3)
Actuarial gain on pensions scheme assets	-	-	(0.1)	-	(0.1)
Cost of share based payments	-	0.1	-	-	0.1
<b>At 30 September 2008 (unaudited)</b>	<b>2.8</b>	<b>(91.6)</b>	<b>265.4</b>	<b>(1.2)</b>	<b>175.4</b>

**15. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW**

	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2008</b>	2007	2008
	<b>£m</b>	£m	£m
Operating profit before net gains on investments	<b>10.0</b>	9.9	20.6
Depreciation of plant and equipment	<b>0.1</b>	0.1	0.2
(Increase) / decrease in trade and other receivables	<b>(1.8)</b>	2.0	9.0
Decrease in trade and other payables	<b>(3.9)</b>	(22.3)	(22.9)
Cash inflows / (outflows) from operations	<b>4.4</b>	(10.3)	6.9

**16. MINORITY INTEREST**

This represents investments held by The F15 Partnership in Balmcrest Estates Limited. The company paid out a final dividend during the year ended 31 March 2008 and is now in members' voluntary liquidation.

**17. RELATED PARTY TRANSACTIONS**

In accordance with IAS 27 "Consolidated and Separate Financial Statements," transactions between the company and subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions and balances between the Group and joint ventures are set out in note 9.

Remuneration of key management personnel:

	<b>Unaudited</b>	Unaudited	Audited
	<b>Six months ended</b>	Six months ended	Year ended
	<b>30 September</b>	30 September	31 March
	<b>2008</b>	2007	2008
	<b>£m</b>	£m	£m
Short-term employee benefits	<b>0.5</b>	1.0	1.0
Post-employee benefits	<b>0.1</b>	0.1	0.2
Share based payments	<b>0.1</b>	-	0.3
	<b>0.7</b>	1.1	1.5

## **DIRECTORS' STATEMENT OF RESPONSIBILITIES**

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and gives a true and fair view of the assets, liabilities, financial position and loss of the Group, and that the Half Yearly Report herein includes a fair review of the information as required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules.

The Directors of Warner Estate Holdings PLC are as stated in the Group's Annual Report for the year ended 31 March 2008, with the addition of Mr. M. Keogh who was appointed Finance Director on 20 November 2008.

By the order of the Board

D J Lanchester

Secretary

27 November 2008

## **INDEPENDENT REVIEW REPORT TO WARNER ESTATE HOLDINGS PLC**

### **Introduction**

We have been engaged by the company to review the condensed set of interim consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of interim consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Emphasis of Matter - going concern**

In arriving at our Review Conclusion, which is not qualified, we have considered the adequacy of the disclosures made in the Basis of preparation note within the interim consolidated financial statements concerning the Group's ability to continue as a going concern. These disclosures indicate that there is a material uncertainty as to whether the Group may breach its loan to value banking covenants at 31 March 2009 which may cast significant doubt about the Group's ability to continue as a going concern.

PricewaterhouseCoopers LLP  
Chartered Accountants  
27 November 2008  
London

Notes:

- (a) The maintenance and integrity of the Warner Estate Holdings PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.