

Warner Estate Holdings PLC

REBUILDING VALUE THROUGH ASSET MANAGEMENT

Warner Estate Holdings PLC (“Warner Estate” or “Group”), the property investment and management company has today announced its preliminary results for the year ended 31 March 2010.

Financial Summary

- Revenue £32.8million (2009: £42.5million)
- Recurring operating profit before net movements on investments £11.3million (2009: £22.5million)⁽ⁱ⁾
- Loss before income tax £9.7million (2009: £297.1million)
- Net (liabilities)/asset value per share (7)p (2009: 8p)
- Loss per share 16.1p (2009: 528.3p loss)

Key Business Events

- Group refinancing completed with bank facilities in place until between April 2012 and December 2012
- Completion of £131.9million disposal programme
- 97% rental income collected within 28 days of due date
- City of London office refurbishment of 60 New Broad Street complete, 53% let with a further 15% under offer
- Ashtenne Industrial Fund raised equity of £45million and extended its bank facilities to September 2013
- Apia Regional Office Fund extended its bank facilities to December 2012

⁽ⁱ⁾ Adjusted for non-recurring property expenses of £4.5million and non-recurring performance fee income of £1.1million.

Philip Warner, Chairman of Warner Estate commented

“With our refinancing negotiations concluded, we are able to focus on rebuilding value and growing our £1.4billion asset management business. Maintaining income will be paramount and fortunately that plays to the Group’s asset management expertise”.

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For further information contact:

Warner Estate Holdings PLC

Philip Warner, Chairman

Mark Keogh, Finance Director

Robert Game, Property Director

Tel: 020 7907 5100

Web: www.warnerestate.co.uk

City Profile

Jonathan Gillen

Simon Courtenay

Tel: 020 7448 3244

warner@city-profile.com

CHAIRMAN’S STATEMENT

This year has been dominated by refinancing discussions with the Group’s three lenders to extend, amend or renew its banking facilities. These were concluded successfully towards the end of March 2010 and the resulting facilities provide the Group with a stable platform upon which to rebuild value in our property investments, funds and joint ventures and to expand our asset management business.

It was also a year of two distinct halves. Property values have been improving since July 2009 but not enough to reverse in full the decline in the Group’s property values earlier in that year. Although net asset value has fallen over the year from 8p per share at 31 March 2009 to negative 7p, this masks the considerable improvement from the negative 43p reported at the half year. The market has risen further since our year end, which,

together with 6p per share from the sale in May of our Radial Distribution joint venture, referred to below, brings the prospect of a return to positive value that much closer.

Results Overview

Revenue for the year was £32.8million, down from £42.5million last year, reflecting lower rental income following completion of the £131.9million wholly owned asset disposal programme at the beginning of the year, offset by an increase in asset management revenue. Controlling costs has been a priority and following the previous year's reduction in costs of £2.6million, a further £0.9million was cut in the year to March 2010.

The net reduction in revenue flows through to operating profit, before net movements on investments, of £7.9million (2009: £16.5million). As reported last November, net rental income includes a one off provision against the leasehold liability portfolio of £4.2million, one off legal costs of £0.2million and £0.1million derecognition of goodwill following the disposal of JS Real Estate. The net income from asset management activities includes Ashtenne Industrial Fund performance fees of £1.1million relating to 2002 to 2005. Recurring operating profit, which excludes these one off items, was £11.3million (2009: £22.5million, excluding one-off items totalling £6.0million).

The operating loss of £1.2million includes net losses on investments of £9.1million. This is made up of net gains of £14.6million in the six months to March 2010 offset by net losses of £23.7million in the first six months of the year, reflecting movements in the property market over the year. The Group had net liabilities of £4.0million as at 31 March 2010, due to non-cash unrealised revaluation movements. I would like to reassure shareholders that although the Group has net liabilities, it will continue to be able to meet its liabilities as and when they fall due for the foreseeable future.

The Group benefited from low interest rates with the average cost of debt at 3.1% (2009: 3.4%). Interest excluding finance related costs was covered 1.1 times by recurring operating profit (2009: 1.3 times).

The Board regrets very much that it cannot recommend payment of a dividend for this financial year.

Property Review

Local expertise gained from our network of eight regional offices is of real value in a difficult market for the Group's specialist asset management of 444 multi sector assets and 4,149 tenants located throughout the UK.

Income protection and generation are fundamental to performance as is the focus on voids, an important performance indicator. Although at the year end the void rate for the Group's wholly owned properties was 19.4% compared to the IPD benchmark of 10.8%, there has been a substantial reduction since the year end. In the City of London, 60 New Broad Street, the Group's largest void following refurbishment of its six floors of office space in 2009, is now 53% let with 15% under offer, leaving just two floors (17,370 sq ft) available to let. On the retail side, the value fashion chain Primark has combined the last remaining vacant retail unit with the former BHS unit to form a new 30,000 sq ft anchor department store at the Group's Bouverie Place Shopping Centre, Folkestone's prime retail destination. Two predominantly vacant office buildings, in Richmond and the City of London, have been sold which when combined with other completed lettings and with voids currently under offer, will bring down the void rate by almost 50% from 19.4% to 10.7%.

Portfolio wide, tenant insolvency rates have remained low with bad debts representing only 1.3% of last year's rental income. This would have matched last year's 0.1% had it not been for the Focus DIY Creditors' Voluntary Arrangement. Another important performance indicator, rent collection, shows a commendable 97% collected within 28 days of due date.

	Number of Properties	Capital Value £m	Net Rental Income £m	Estimated Rental Value £m	Net Initial Yield %	Equivalent Yield %	Void Rate %
Wholly Owned	47	213.1	12.8	20.3	6.0%	7.9%	19.4%
Agora Shopping Centres JV	8	154.6	12.6	18.2	7.6%	9.5%	6.3%
Agora Max shopping Centres JV	2	88.2	7.9	10.5	8.4%	9.2%	8.8%
Radial Distribution JV	16	206.7	15.9	18.1	7.3%	8.0%	8.4%

Greater London Offices JV	2	72.0	5.8	5.4	7.6%	6.7%	3.3%
Apia Regional Office Fund	16	227.7	15.1	24.3	6.0%	8.6%	16.2%
Ashtenne Industrial Fund	353	676.8	56.8	76.3	8.1%	10.3%	16.2%
Total	444	1,639.1	126.9	173.1	7.4%	9.1%	13.7%

The Group's interest in joint ventures and funds is shown in Note 35 to the Financial Statements.

Following the year end, the Radial Distribution joint venture, included in the above table, was sold. Although this has reduced assets under management to £1.4billion, the Radial assets had performed well during the year and the Group received £0.5million for its 50% share and £3.3million as consideration for the termination of its asset management contract. Neither of these figures is reflected in the balance sheet at 31 March 2010.

Refinancing

As noted above, discussions with the Group's three lenders have been concluded successfully. They provide the Group with facilities appropriate for its requirements until April 2012 in the case of two lenders and December 2012 in the case of the third. Although the exit fees payable when these facilities expire would not be fundable on current cash flow projections without a considerable rise in property values, the Board has been and will continue addressing this issue to ensure a solution is found prior to the facilities' expiry dates. Further detail can be found in Note 22 to the Financial Statements.

During the year, the Ashtenne Industrial Fund, in which the Group has a 6.5% stake, raised equity of £45million and extended its banking facilities to September 2013. The Apia Regional Office Fund, in which the Group holds a 27.4% stake, extended its banking facilities to December 2012. The Group's asset management contracts for these two funds are now in place to 2016 and 2015 respectively.

Board Changes

As announced on 24 May 2010, a number of changes to the Board are scheduled to take effect on 1 July 2010. Now in my 60th year, I have consulted with the Board on relinquishing my executive role and I shall become Non-executive Chairman. Mark Keogh, currently Finance Director, is to become Group Managing Director and Robert Game, currently Property Director, is to become Group Managing Director, Property. During our recent refinancing they demonstrated considerable skill and expertise and I am confident in their ability to lead the management of the Group.

There are two Non-executive changes, also taking effect on 1 July. After nearly 20 years, Bill Broderick will step down as a Non-executive Director. His counsel and expertise have been great assets to the Board and I thank him for his contribution over the years. Keith Holman will be joining us. He brings extensive corporate experience and a strong knowledge of property, having worked with Raglan Properties on its recapitalisation and subsequent privatisation. His corporate banking experience has included HSBC, Lazard Brothers, Barclays Asia and East Asia Warburg and I look forward to his joining the Board's deliberations.

Strategy and Outlook

With the refinancing negotiations concluded as referred to above, we are able to focus on rebuilding value and growing our asset management business, based upon the existing platform of skilled staff managing £1.4billion of property from eight regional offices. Costs have been trimmed to reflect the conditions within which we are operating and the Group is well placed to service both existing mandates and those which we aim to win.

The market has had a good run since last summer but is now showing signs of running out of steam. Although there appears to be a considerable weight of money seeking a property home, the preference is for prime properties and London. Elsewhere, the uncertain economic outlook, limited availability of debt and a weak occupier market will restrain growth.

Maintaining income will be paramount and fortunately that plays to the Group's asset management expertise. We rely on our staff to maximise that expertise and I thank them for their contribution towards overcoming last year's hurdles. I am confident that collectively we shall meet the challenges of the current year.

Philip Warner

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Revenue		32.8	42.5
Rental and similar income		18.7	30.2
Property management expenses		(5.6)	(8.1)
Movement in provision for onerous contracts		(4.2)	(1.9)
Service charge and similar income		3.1	4.7
Service charge expense and similar charges		(4.4)	(5.7)
Net rental income	2	7.6	19.2
Revenue from asset management activities		11.0	7.6
Asset management expenses		(9.2)	(9.1)
Net income/ (expenditure) from asset management activities	2	1.8	(1.5)
Other operating expenses		(1.5)	(1.2)
Operating profit before net movements on investments	2	7.9	16.5
Net loss from fair value adjustments on investment properties and impairment of net investment in finance leases	13/19	(2.8)	(98.8)
Net loss from fair value adjustment on investments	16/17	(6.2)	(60.4)
Loss on sale of investment properties	5	(0.1)	(24.9)
Operating loss		(1.2)	(167.6)
Finance income	6	1.8	3.4
Finance expense	7	(12.2)	(32.9)
Change in fair value of derivative financial instruments	22	2.9	(3.0)
Share of joint ventures' post tax losses	15	(1.0)	(97.0)
Loss before income tax		(9.7)	(297.1)
Taxation - current	8	0.8	(1.0)
Taxation - deferred	8	-	4.3
Loss for the year		(8.9)	(293.8)
		p	p
Loss per share	11	(16.09)	(528.30)
Fully diluted loss per share	11	(15.20)	(518.64)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 £m	2009 £m
Loss for the year	(8.9)	(293.8)
Other comprehensive income / (expense):		
Actuarial losses on retirement benefit obligations	(0.1)	(0.8)
Deferred tax arising on retirement benefit obligations	-	0.2
Total comprehensive expense for the year	(9.0)	(294.4)

STATEMENT OF FINANCIAL POSITION

	Notes	Group 2010	2009	Company 2010	2009
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		£m	£m	£m	£m
ASSETS					
Non-current assets					
Goodwill	12	11.2	11.3	-	-
Investment properties	13	212.2	267.8	-	-
Plant and equipment	14	0.2	0.4	-	-
Investments in joint ventures	15	-	-	-	-
Investments in funds	16	41.3	47.5	-	-
Investments in listed and unlisted shares	17	0.3	0.3	70.6	192.5
Net investment in finance leases	19	2.4	2.4	-	-
Deferred income tax assets	23	0.2	0.2	-	-
Derivative financial assets	22	-	-	-	-
Trade and other receivables	18	2.2	1.0	-	-
		270.0	330.9	70.6	192.5
Current assets					
Trade and other receivables	18	6.5	9.7	68.5	55.1
Current income tax assets		-	-	-	0.3
Cash and cash equivalents		4.5	9.0	0.1	1.2
		11.0	18.7	68.6	56.6
Total assets		281.0	349.6	139.2	249.1
LIABILITIES					
Non-current liabilities					
Borrowings, including finance leases	20/21	(255.1)	(3.6)	-	-
Trade and other payables	25	(2.1)	(4.3)	(0.2)	(0.5)
Derivative financial liabilities	22	(2.5)	(5.4)	-	-
Deferred income tax liabilities	23	-	-	-	-
Retirement benefit obligations	3	(0.8)	(0.9)	-	-
Provisions for other liabilities and charges	24	(4.4)	(1.6)	-	-
		(264.9)	(15.8)	(0.2)	(0.5)
Current liabilities					
Borrowings, including finance leases	20/21	(0.9)	(293.9)	-	-
Trade and other payables	25	(15.8)	(31.7)	(143.0)	(244.4)
Current income tax liabilities		(0.3)	(0.1)	-	-
Provisions for other liabilities and charges	24	(3.1)	(3.9)	-	-
		(20.1)	(329.6)	(143.0)	(244.4)
Total liabilities		(285.0)	(345.4)	(143.2)	(244.9)
Net (liabilities) / assets		(4.0)	4.2	(4.0)	4.2

EQUITY

Capital and reserves attributable to the Company's equity holders

Share capital	26	2.8	2.8	2.8	2.8
Reserves	27	(5.8)	2.5	(5.8)	2.5
Investment in own shares	28	(1.0)	(1.1)	(1.0)	(1.1)
Total (deficit) / equity		(4.0)	4.2	(4.0)	4.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

		Group		Company	
		2010	2009	2010	2009
		£m	£m	£m	£m

Opening equity shareholders' funds	4.2	305.2	4.2	404.8
Total comprehensive expense	(9.0)	(294.4)	(9.0)	(394.0)
Transactions with owners				
Disposal of investment in own shares	0.1	0.1	0.1	0.1
Cost of share based payments	(0.1)	(0.4)	(0.1)	(0.4)
Dividend paid in period	-	(6.3)	-	(6.3)
Warrants issued	0.8	-	0.8	-
Total transactions with owners	0.8	(6.6)	0.8	(6.6)
Closing (deficit) / surplus on equity shareholders' funds	(4.0)	4.2	(4.0)	4.2

CASH FLOW STATEMENTS

For the year ended 31 March 2010

	Notes	Group		Company	
		2010	2009	2010	2009
		£m	£m	£m	£m
Cash flows from operating activities					
Cash generated from operations	30	7.7	12.6	(1.8)	144.2
Interest paid		(11.1)	(19.2)	-	(0.2)
Interest received		0.1	0.5	-	-
UK Corporation tax received / (paid)		1.0	(0.1)	0.4	0.5
Net cash (outflow) / inflow from operating activities		(2.3)	(6.2)	(1.4)	144.5
Cash flows from investing activities					
Purchase of investment properties and capital expenditure		(1.2)	(10.6)	-	-
Sale of investment properties		14.5	87.5	-	-
Net cash acquired from disposal of shares in subsidiary companies		36.9	-	-	-
Return of capital from listed shares		-	1.0	-	-
Loans to joint ventures		-	(7.0)	-	-
Distributions received from funds		1.3	4.1	-	-
Dividends received from subsidiaries		-	-	0.3	-
Net cash inflow from investing activities		51.5	75.0	0.3	-
Cash flows from financing activities					
Dividends paid		-	(6.3)	-	(6.3)
Increase in bank loans		15.7	-	-	-
Repayment of bank loans		(53.2)	(25.4)	-	-
Finance fees paid ⁽¹⁾		(16.2)	(1.9)	-	-
Net cash outflow from financing activities		(53.7)	(33.6)	-	(6.3)
Net (decrease) / increase in cash and cash equivalents*		(4.5)	35.2	(1.1)	138.2
Cash and cash equivalents at beginning of year*		(286.3)	(321.5)	1.2	(137.0)
Less: overdraft facility balances		295.3	-	-	-
Cash and cash equivalents at end of year*		4.5	(286.3)	0.1	1.2

* 2009 comparatives include overdraft facility balances shown in borrowings. On refinancing in 2010, these are classified as bank debt.

⁽¹⁾ Finance fees paid include derivative break costs.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The Financial Statements comprise the consolidated financial statements of Warner Estate Holdings PLC ("the Group") for the year ended 31 March 2010 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial

Reporting Interpretation Committee (“IFRIC”) interpretations endorsed by the European Union (“EU”) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The basis of accounting and format of presentation is subject to change following any further interpretative guidance that may be issued by the International Accounting Standards Board (“IASB”) and IFRIC from time to time.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, which are carried at fair value, and in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these accounts.

The parent company’s financial statements have also been prepared in accordance with IFRS, as applied in accordance with the provisions of the Companies Act 2006. The Directors’ have taken advantage of the exemption offered by Section 408 of the Companies Act not to present a separate consolidated statement of comprehensive income for the parent company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. Although these estimates are based on management’s best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

These 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.

Although the Group has net liabilities, this is due to non-cash unrealised losses on investment property and investments in joint ventures and funds.

The current economic conditions continue to give rise to a number of uncertainties with regards to future income and market valuation movements. However, as a consequence of the recent refinancing of the Group’s debt, the Directors believe the Group is well placed to manage its business risks satisfactorily. The Directors’ continue to monitor working capital levels on a regular basis.

Accordingly, after making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Standards, interpretations and amendments to published standards that effective during the year

The following new Standards, Amendments to Standards and Interpretations have been adopted for the year ended 31 March 2010.

- IAS 1 (revised) ‘Presentation of financial statements’. The revised standard requires ‘non-owner changes in equity’ to be presented separately from ‘owner changes in equity’. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of total comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements: income statement and a statement of comprehensive income.
- IFRS 7 ‘Amendment to fair value disclosures’. This requires the classification of financial hierarchy. The significance of the input determines the classification of the instrument in the fair value hierarchy.
- IFRS 8 ‘Operating segments’. This replaces IAS 14, ‘Segment reporting’, and aligns segment reporting with the requirements of the equivalent US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’.
- IAS 23 (revised) ‘Borrowing costs’ which requires the Group to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
- IAS 40 (amendment) ‘Investment Property’ where if the property is redeveloped it remains under the scope of IAS 40. However property that is under construction or development for future use as investment property is within the scope of IAS 16 until it is complete. The amendment removes such property from the scope of IAS 16 and includes it within the scope of IAS 40 resulting in measurement at fair value (where the fair value model is applied) rather than at cost as is currently the case under IAS 16.

Standards, interpretations and amendments to published standards that are not yet effective

The accounting policies are consistent with those applied in the year ended 31 March 2009, as amended to reflect the adoption of the new Standards, Amendments to Standards and Interpretations which are mandatory for the year ended 31 March 2010. In most cases, these new requirements are not relevant for the Group. This is the case for IFRIC 13 'Customer loyalty programmes relating to IAS 18, Revenue' and IFRIC 14 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new Standards, Amendments to Standards and Interpretations have been issued but are not effective for the year ended 31 March 2010, and have not been adopted early: IFRS 3 (revised) 'Business combinations' (effective from 1 July 2009), IAS 27 (revised) 'Consolidated and separate financial statements' (effective from 1 July 2009), IFRIC 12 'Service concession arrangements' (effective 30 March 2009), IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective 1 July 2009) and IFRIC 17 'Distributions of non cash assets to owners' (effective 1 July 2009). It is anticipated that the adoption of these new Standards and Interpretations in future periods will not have a material impact on the measurement of assets and liabilities included in the financial statements or the Group's income and expenses. The Annual Improvements project also amended various standards; however these have no material impact on the Group.

Reclassification of prior year comparatives

The Group has made a presentational change to the income statement. This change, which has been applied retrospectively, relates to the movement in provision for onerous contracts. This movement is now reported as a separate line item on the face of the income statement instead of being included in 'property expenses'. The change allows readers to make a more accurate assessment of the sustainable earnings capacity of the Group and ensures the comparative information is consistent with the current period.

Consolidation

(a) Subsidiary undertakings

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases. All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated upon consolidation. Uniform accounting policies have been adopted across the Group.

(b) Interests in joint ventures

Interests in jointly controlled entities are accounted for using the equity method. Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. The Group's share of profit of joint ventures represents the Group's share of the joint venture's profit after tax. Joint ventures with net liabilities are carried at nil value in the statement of financial position where there is no commitment to fund the deficit and any distributions are included in the consolidated statement of income for the year.

Segment reporting

Segmental information is disclosed in the notes to the financial statements reflecting management reporting of financial performance and position as used in operational decision making.

Plant and equipment

Plant and equipment is initially measured at cost. After initial recognition, the fixed assets are carried at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Plant and equipment is depreciated by equal annual instalments over their estimated useful lives and are carried at historic cost less accumulated depreciation. The Group estimates a useful life of 3 years for computer equipment and 8 years for other fixtures and fittings.

Where the carrying amount of a fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. After initial recognition, the item is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Goodwill

Business combinations are accounted for by applying the purchase method. The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, recognised in accordance with IFRS 3, Business Combinations, constitutes goodwill, and is recognised as an asset. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, until disposal or termination of the previously acquired business (including planned disposal or termination where there are indications that the value of the goodwill has been permanently impaired), when the profit or loss on disposal or termination will be calculated after charging the book amount of any such goodwill through the consolidated statement of income.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, which is the higher of net realisable value and value in use, the asset is written down to its recoverable amount. Any impairment is recognised in the consolidated statement of income and is not subsequently reversed. Net realisable value is the estimated amount at which an asset can be disposed of, less any direct selling costs.

Value in use is the estimate of the discounted future cash flows generated from the asset's continued use, including those resulting from its ultimate disposal. For the purposes of assessing value in use, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Investment property

(a) Initial recognition

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings, land held under operating leases and buildings held under finance leases. When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

Property that is being constructed or developed for future use as investment property, but which has not previously been classified as such, is classified as property under the course of development. This is recognised at fair value. Interest is capitalised (before tax relief) on the basis of the average rate of interest paid on the relevant debt outstanding until the date of practical completion. On completion the property is transferred to investment property.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

(b) Fair value

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. The Group uses external valuers to determine the fair values of investment properties. These valuations are performed in accordance with the guidance issued by the Royal Institution of Chartered Surveyors. These valuations are reviewed at each financial reporting period end by independent external valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements, unless qualifies as a provision.

(c) Subsequent expenditure

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred. Gross borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. With specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site or property acquired specifically for redevelopment in the short term but only where activities necessary to prepare the asset for redevelopment are in progress.

(d) Changes in fair value and transfers

Changes in fair values are recorded in the consolidated statement of income for investment properties.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as properties under the course of development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

When the Group begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to profit or loss. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are categorised as loans and receivables. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are disclosed in current and non-current liabilities.

Employee benefits

The Group accounts for pensions under IAS 19 'Employee Benefits'. In respect of the defined benefit pension scheme, obligations are measured at discounted present value while scheme assets are measured at their fair value.

The operating and financing costs of this plan is recognised separately in the consolidated statement of comprehensive income. Service costs are spread systematically over the working lives of the employees concerned with the charge for the period included in operating costs in the consolidated statement of comprehensive income.

Financing costs are recognised in the periods in which they arise and are included in interest expense. Actuarial gains and losses arising from either experience differing from previous actuarial assumptions or changes to those assumptions are recognised immediately in the consolidated statement of comprehensive income.

Contributions to defined contribution schemes are expensed as incurred.

Income taxes

The investment property segment of the Group's business converted to a REIT as stated below and is therefore exempt from tax. The asset management segment of the business continues to be subject to tax.

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the statement of financial position date. Tax payable upon realisation of fair value gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred tax is provided using the statement of financial position liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit with the exception of deferred tax on fair value gains where the tax basis used is the accounts historic cost. Provision is made for temporary differences between the carrying value of assets and liabilities in the consolidated financial statements and the values used for tax purposes. Temporary differences are not provided for when they arise from initial recognition of assets and liabilities that do not affect accounting or taxable profit.

When distributions are controlled by the Group, and it is probable the temporary difference will not reverse in the foreseeable future, deferred tax which would arise on the distribution of profits realised in subsidiaries, associates and joint ventures is provided in the same period as the liability to pay the distribution is recognised in the financial statements.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the consolidated statement of income except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority, with a legal right to set off and when the Group intends to settle them on a net basis.

Compliance with the Real Estate Investment Trust ("REIT") taxation regime

On 1 April 2007 the Group converted to a group REIT. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax exempt business; and
- at least 90% of the profit of the property rental business must be distributed.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(a) Onerous contracts

Provision is made in respect of costs incurred on vacant leasehold properties or for leasehold properties sublet at a level which renders the properties loss-making over the length of the lease, being the net cash outflow committed to be incurred over the lives of the leases. Any increase or decrease in the provision is taken to the consolidated statement of income each financial period. The provision is assessed on a property by property basis taking account of individual cash flows. Cash flows are discounted using the risk free rate.

(b) Share-based payments

The cost of granting share options and other share based remuneration to employees and directors is recognised through the consolidated statement of income with reference to the fair value at the date of the grant. The Group has used the Black-Scholes option valuation model and a stochastic model to establish the relevant costs. The resulting values are amortised through the consolidated statement of income over the vesting period of the options and other grants. The charge is reversed if it appears probable that applicable performance criteria will not be met.

Own shares held in connection with employee share plans or other share based payment arrangements are treated as treasury shares and deducted from equity. No profit or loss is recognised in the consolidated statement of income on their sale, re-issue or cancellation.

(c) Dilapidations

Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition, prior to release by a lessor, provision is made for such dilapidation costs as they are identified.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is stated net of sales taxes and value added taxes. Revenue includes 'Rental and similar income', 'Service charge and similar income' and 'Turnover from asset management activities'. Revenue is recognised as follows:

(a) Rental and similar income

Rental income from operating lease income is recognised on a straight-line basis over the lease term.

When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(b) Service charge and similar income

Service and management charge income is recognised on a gross basis in the accounting period in which the services are rendered. Where the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

(c) Income from asset management activities

Management fees earned are calculated on an accruals basis. Asset management income is recognised in the accounting period in which the services are rendered.

Performance fees are recognised, in line with the asset management contracts, at the end of the performance period to which they relate, based on the outperformance of relevant benchmarks. The performance period is normally three years. Where performance subsequently falls short of these benchmarks, fees are repayable, up to the amount received for the previous two years. Where there is a reasonable likelihood that part of a performance fee will be repaid the estimated repayment will not be recognised until the outcome can be reliably estimated.

Other income

(a) Income from investments

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Distribution income from funds is recognised on an accruals basis.

(b) Income from property disposals

Profits or losses arising from the sale of trading and investment properties are included in the consolidated statement of income of the Group where an exchange of contracts has taken place under which any minor outstanding conditions not affecting the transfer of risks and rewards are entirely within the control of the Group. Profits or losses arising from the sale of trading and investment properties are calculated by reference to their carrying value and are included in operating profit.

(c) Other interest income

Other interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Leases

(a) A Group company is the lessee

(i) Operating lease - leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

- (ii) Finance lease - leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease commencement date at the lower of the fair value of the leased property and the present value of the minimum lease payments. The investment properties acquired under finance leases are carried at their fair value.

The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) A Group company is the lessor

- (i) Operating lease - properties leased out under operating leases are included in investment property in the statement of financial position.
- (ii) Finance lease - when assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable accrues as finance income. Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

Financial instruments and hedging activities

Derivatives

The Group uses derivatives to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. None of the derivatives currently held are designated as hedging instruments and accordingly any gain or loss is recognised in the consolidated statement of income in the period in which it arises.

Hedge accounting

The Group's derivative financial instruments do not qualify for hedge accounting and changes in the fair value of derivative financial instruments are recognised in the consolidated statement of income as they arise.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through the consolidated statement of income, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reviews this designation at each reporting date.

Purchases and sales of investments are recognised on the trade date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through the consolidated statement of income

This category has two sub-categories: financial assets held for trading, and those designated at fair value through the consolidated statement of income at inception. A financial asset is classified in the first category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in the second category are classified as current assets if they are expected to be realised within 12 months of the statement of financial position date.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through the consolidated statement of income' category are included in the consolidated statement of income in the period in which they arise.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other

instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. For unlisted investments in shares, fair value is based on an average spread of price/earnings ratios from comparable companies, discounted for non-marketability. Changing the assumptions to other reasonably possible alternative assumptions would not change the fair value significantly. For investments in funds, fair value is measured as the unit price of the holding at the statement of financial position date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment in trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The changes to the provision are recognised in the consolidated statement of income.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are carried in the company's statement of financial position at cost less any provision for impairment.

Impairment

The carrying amounts of the Group's and Company's financial assets (where applicable) and non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated statement of income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

Borrowings

Borrowings are initially recognised at the fair value of consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Transaction costs are capitalised on the statement of financial position and are amortised over the life of the associated borrowing instrument through the effective rate of interest.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, (net of tax) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Warrants reserve

Warrants issued are classified as non-distributable reserves.

The Group issued warrants to two of its lenders in conjunction with the refinancing entitling them to subscribe for ordinary shares in the Group. These have been accounted for at fair value on the date of issue. As these warrants are related to the refinancing, they have been capitalised as transaction costs and amortised over the life of the associated borrowing as set out in the borrowing accounting policy.

Critical accounting policies and judgements

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the date of the Consolidated Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the Consolidated Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change. The following policies are considered to be of greater complexity and / or particularly subject to the exercise of judgement. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from estimates.

(a) Goodwill

As required by IAS 36, Impairment of Assets, the Group regularly monitors the carrying value of its assets, including goodwill. Impairment reviews compare the carrying values to the present value of future cash flows that are derived from the relevant asset or cash-generating unit. These reviews therefore depend on management estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

(b) Post-employment benefits

Application of IAS 19, Employee Benefits, requires the exercise of judgement in relation to setting the assumptions used by the actuaries in assessing the financial position of each scheme. The Group determines the assumptions to be adopted in discussion with its actuaries, and believe these assumptions to be in line with IAS generally accepted practice.

(c) Provisions

The Group carries statement of financial position provisions in respect of onerous contracts and dilapidations amongst other exposures. Judgement is involved in assessing the exposure in these areas and hence in setting the level of the required provisions.

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group, using third party independent experts, determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group and its third party independent experts consider information from a variety of sources including:

- i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(e) Principal assumptions for management's estimation of fair value of investment properties

If information on current or recent prices of assumptions underlying the discounted cash flow approach investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group and its third party independent use assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the company and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(f) Investments in unlisted shares

The valuation technique is disclosed in the financial assets accounting policy note. These valuations depend on management estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

(g) Derivative financial assets and liabilities

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhancing existing disclosures about fair value measurements and liquidity risk. The amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on profit or earnings per share.

2. SEGMENTAL REPORTING

Business Segments

Operating segments are determined based on the internal reporting and operational management of the Group. The Group is organised into two operating divisions, Property Investment and Asset Management.

Property investment principally involves engaging in acquiring freehold or leasehold properties, including shopping centres in the UK. Properties are held for capital appreciation and the revenue relates to rental income and is measured in a manner consistent with that in the consolidated income statement. Asset management involves managing property assets and receiving a contractual fee for the service.

The operating segments derive their revenue primarily from rental income and management fees.

Unallocated and other activity costs which include the Group's holdings in joint ventures and investments in funds are incurred centrally which are neither directly nor reasonably attributable to the individual segments.

	Property Investment £m	Asset Management £m	Unallocated and other activities £m	Group Total £m
Year ended 31 March 2010				
Rental and similar income	18.7	-	-	18.7
Property management expenses	(5.6)	-	-	(5.6)
Movement in provision for onerous contracts	(4.2)	-	-	(4.2)
Service charge and similar income	3.1	-	-	3.1
Service charge expense and similar charges	(4.4)	-	-	(4.4)
Net rental income	7.6	-	-	7.6
Revenue from asset management activities				
Management fee income	-	9.9	-	9.9
Performance fee income	-	1.1	-	1.1
	-	11.0	-	11.0
Asset management expenses	-	(9.2)	-	(9.2)
Other operating expenses	(0.5)	(1.0)	-	(1.5)
Operating profit before net gain on investments	7.1	0.8	-	7.9
Net loss from fair value adjustments on investment properties and impairment of net investment in finance leases	(2.8)	-	-	(2.8)
Net loss from fair value adjustments on investments	-	-	(6.2)	(6.2)
Loss on sale of investment properties	(0.1)	-	-	(0.1)

Operating profit / (loss)	4.2	0.8	(6.2)	(1.2)
Net interest expense	-	-	(7.5)	(7.5)
Share of joint ventures' post tax losses	-	-	(1.0)	(1.0)
Profit / (loss) before income tax	4.2	0.8	(14.7)	(9.7)
Taxation - current	0.8	-	-	0.8
Taxation - deferred	-	-	-	-
Profit / (loss) for the year	5.0	0.8	(14.7)	(8.9)

Total assets	219.6	13.9	47.5	281.0
Total liabilities excluding borrowings and finance leases	(19.1)	(0.7)	(9.2)	(29.0)
Borrowing, including finance leases	(256.0)	-	-	(256.0)
Net (liabilities) / assets	(55.5)	13.2	38.3	(4.0)
Other segment items:				
Capital expenditure	1.2	-	-	1.2
Depreciation	-	0.2	-	0.2

	Property Investment £m	Asset Management £m	Unallocated and other activities £m	Group Total £m
Year ended 31 March 2009				
Rental and similar income	30.2	-	-	30.2
Property management expenses	(8.1)	-	-	(8.1)
Movement in provision for onerous contracts	(1.9)	-	-	(1.9)
Service charge and similar income	4.7	-	-	4.7
Service charge expense and similar charges	(5.7)	-	-	(5.7)
Net rental income	19.2	-	-	19.2
Revenue from asset management activities				
Management fee income	-	12.2	-	12.2
Performance fee income	-	-	-	-
Performance fee provision	-	(4.6)	-	(4.6)
	-	7.6	-	7.6
Asset management expenses	-	(9.1)	-	(9.1)
Administrative expenses	(0.4)	(0.8)	-	(1.2)
Operating profit / (loss) before net gain on investments	18.8	(2.3)	-	16.5
Net loss from fair value adjustments on investment properties and impairment of net investment in finance leases	(98.8)	-	-	(98.8)
Net loss from fair value adjustments on investments	-	-	(60.4)	(60.4)
Loss on sale of investment properties	(24.9)	-	-	(24.9)
Operating loss	(104.9)	(2.3)	(60.4)	(167.6)
Net interest expense	-	-	(32.5)	(32.5)
Share of joint ventures' post tax losses	-	-	(97.0)	(97.0)
Loss before income tax	(104.9)	(2.3)	(189.9)	(297.1)
Taxation - current	(0.8)	(0.2)	-	(1.0)
Taxation - deferred	(0.6)	-	4.9	4.3
Loss for the year	(106.3)	(2.5)	(185.0)	(293.8)
Total assets	276.6	13.9	59.1	349.6
Total liabilities excluding borrowings and finance leases	(33.3)	(2.7)	(11.9)	(47.9)
Borrowing, including finance leases	(3.6)	-	(293.9)	(297.5)
Net assets / (liabilities)	239.7	11.2	(246.7)	4.2
Other segment items:				
Capital expenditure	9.4	-	-	9.4
Depreciation	-	-	0.2	0.2

All turnover and operating profit has arisen from continuing operations.

- (a) Rents receivable includes £0.3 million (2009: £0.5million charge) which represents rent allocated to rent free periods.
- (b) Service charge and similar income includes monies received from tenants in respect of service charge costs the tenants bear on their properties. Service charge costs not recovered (“void costs”) are included within service charge expense and similar charges of £1.3 million (2009: £1.0million).
- (c) For the year to March 2008 £1.6million provided for potential claw back of performance fees from Apia. In 2009 the claw back was confirmed at £2.5million, a further £0.9million provided. Provision made for the full performance fees of £3.7million from Agora Max.

Reportable segments’ losses after tax are reconciled to total loss for the year as follows:

	2010	2009
	£m	£m
Segments profit / (loss) after tax for reportable segments	5.8	(108.8)
Unallocated:		
Net loss from fair value adjustments on investments	(6.2)	(60.4)
Finance income	1.8	3.4
Finance expense	(12.2)	(32.9)
Change in fair value of derivative financial instruments	2.9	(3.0)
Share of joint ventures’ post tax losses	(1.0)	(97.0)
Taxation – deferred	-	4.9
Total losses per consolidated statement of income	(8.9)	(293.8)

Reportable segments’ assets are reconciled to total assets as follows:

	2010	2009
	£m	£m
Segments assets for reportable segments	233.5	290.5
Unallocated:		
Investments in funds	41.3	47.5
Investments in listed and unlisted shares	0.3	0.3
Debtors	1.0	1.7
Plant and equipment	0.2	0.4
Current income tax assets	-	-
Deferred income tax assets	0.2	0.2
Cash and cash equivalents	4.5	9.0
Total assets per statement of financial position	281.0	349.6

Reportable segments’ liabilities are reconciled to total liabilities as follows:

	2010	2009
	£m	£m
Segments liabilities for reportable segments	275.8	39.6
Unallocated:		
Bank loans and overdrafts	-	293.9
Derivative financial liabilities	2.5	5.4
Retirement benefit obligations	0.8	0.9
Current income tax liabilities	0.3	-
Trade and other payables	5.6	5.6
Total liabilities per statement of financial position	285.0	345.4

The Group is domiciled in the United Kingdom where revenue is generated from property assets and management fee income. All revenue derived from external customers is listed above. All of the Group’s non-current assets, current assets and all liabilities are domiciled in the United Kingdom.

The parent company is a holding company and does not operate in any segments.

	2010	2009
	£m	£m
Operating profit is stated after charging:		
Depreciation – owned assets	0.2	0.2
Operating lease charges – occupied properties	0.9	0.9

During the year the following amounts were charged to the consolidated statement of income in respect of auditors' remuneration:

	2010	2009
	£m	£m
Remuneration to the principal auditor in respect of audit fees:		
Statutory audit of the company and consolidated accounts	0.2	0.1
Remuneration to the principal auditor in respect of other services:		
Statutory audit of subsidiary accounts	0.1	0.3
Non-audit services: Taxation	0.1	0.1
	0.4	0.5

In addition £0.1million was charged by the Auditors for audit services to the joint ventures (2009: £0.1million) and £0.1million for tax work (2009: £0.1million).

3. EMPLOYEES

	2010	2009
	£m	£m
Staff costs		
Wages and salaries	6.1	8.4
Social security costs	0.7	1.0
Other pension costs	0.6	0.7
Other staff costs	0.4	0.1
Share based payment costs	0.1	0.4
	7.9	10.6

The amounts above are net of £0.9million (2009: £1.2million) relating to staff costs recharged to certain joint ventures and funds.

	2010	2009
	Number	Number
The average number of persons employed during the year was:		
Directors	3	3
Management and administrative	135	165
Repairs and service	29	34
	167	202

The parent company had no employees during the year (2009: Nil).

Retirement Benefit Obligations

The Group operates and contributes to pension schemes for certain Directors and employees and makes some discretionary allowances. The costs charged to the consolidated statement of income for the year to 31 March 2010 in respect of these amounted to £0.3 million (2009: £0.7million). Pension premiums paid in advance were £nil (2009: £0.1million).

The Group operates a funded defined benefit scheme in the UK, The Warner Estate Group Retirement Benefits Scheme. The costs charged to the consolidated statement of income for the year to 31 March 2010 in respect of these amounted to £0.3million (2009: £0.1million). A full valuation was carried out at 1 April 2009. The values at 31 March 2010 were updates of the 1 April 2009 valuation carried out by a qualified independent actuary.

It has been agreed with the Trustees that the Group contributes 37.7% of pensionable salary plus £0.2million per annum.

The discount rate used to calculate the funding target is equal to the yield on fixed interest gilts of appropriate term at the valuation date plus 2% per annum for active and deferred members over the period to retirement. The inflation assumption is derived from the difference between the yield on fixed interest gilts and the yield on indexed-linked gilts at the valuation date.

Warner Estate Holdings PLC employs a building block approach in determining the long term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the 31 March 2010.

Actuarial gains and losses are recognised through the Consolidated Statement of Changes in Equity.

The following assumptions were made by the Group:

	2010	2009
	% per annum	% per annum
Discount rate	5.55	6.50
Rate of increase in pensionable salaries	3.95	3.60
Rate of increases to pensions in payment	3.65	3.40
Price inflation	3.95	3.60

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 29 years if they are male and for a further 30 years if they are female. For a member who retires in future at age 60 the assumptions are that they will live on average for a further 31 years after retirement if they are male and for a further 32 years after retirement if they are female.

The market value of the assets of the Scheme together with the expected rates of return at the beginning and end of the year were as follows:

	Long-term rate of return expected at 31 March 2010	Value at 31 March 2010	Long-term rate of return expected at 31 March 2009	Value at 31 March 2009
	%	£m	%	£m
Equities	8.40	0.70	7.90	0.40
Fixed interest bonds	5.55	0.10	6.50	0.10
Insured assets	5.55	5.00	6.50	4.50
Cash	0.65	0.10	1.70	0.10
Total	7.30	5.90	7.10	5.10

None of the scheme assets are property related.

Reconciliation of Funded Status to Statement of Financial Position

	Value at 31 March 2010	Value at 31 March 2009
	£m	£m
Fair value of Scheme assets	5.9	5.1
Present value of non-insured defined benefit of obligations	(1.7)	(1.4)
Liability in respect of insured pensioners	(5.0)	(4.6)
Liability recognised in the statement of financial position	(0.8)	(0.9)
Related deferred tax asset	0.2	0.2
Net pension liability	(0.6)	(0.7)

Changes to the Present Value of the Defined Benefit Obligation

	£m	£m
Opening defined benefit obligation	6.0	5.6
Current service cost	-	-
Interest cost	0.4	0.4
Actuarial profits on Scheme liabilities*	0.7	0.5
Contributions by plan participants	-	-
Net benefits paid out	(0.4)	(0.5)
Closing defined benefit obligation	6.7	6.0

*Includes changes to the actuarial assumptions.

Changes to the Fair Value of Scheme Assets

	2010 £m	2009 £m
Opening fair value of Scheme assets	5.1	5.5
Expected return on assets	0.4	0.4
Actuarial gains / (losses) on Scheme assets	0.6	(0.3)
Contributions by the employer	0.2	0.1
Contributions by plan participants	-	-
Net benefits paid out	(0.4)	(0.6)
Closing fair value of Scheme assets	5.9	5.1

Actual Return on Scheme Assets

	2010 £m	2009 £m
Expected return on Scheme assets	0.4	0.4
Actuarial gains / (losses) on Scheme assets	0.6	(0.3)
Actual return on Scheme assets	1.0	0.1

Analysis of Consolidated Statement of Comprehensive Income Charge

	2010 £m	2009 £m
Current service cost	-	-
Interest cost	0.4	0.3
Expected return on scheme assets	(0.3)	(0.4)
Expense / (Income) recognised in consolidated statement of comprehensive income	0.1	(0.1)

Current service cost is recognised within property management and asset management expenses. Interest cost and expected return on plan assets are recognised in finance income.

Analysis of Amounts Recognised in Consolidated Statement of Comprehensive Income

	2010 £m	2009 £m
Total actuarial losses	(0.1)	(0.8)
Related deferred tax	-	0.2
Total loss in consolidated statement of comprehensive income	(0.1)	(0.6)
Cumulative amount of losses recognised in consolidated statement of comprehensive income	(1.2)	(1.1)

History of Asset Values, Defined Benefit Obligation, Surplus / (Deficit) in Scheme and Experience Gains and Losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of Scheme assets	5.9	5.1	5.5	5.8	5.8
Defined benefit obligation	(6.7)	(6.0)	(5.6)	(6.2)	(6.3)
Deficit in Scheme	(0.8)	(0.9)	(0.1)	(0.4)	(0.5)

Experience gains / (losses) on Scheme assets	0.6	(0.3)	(0.5)	(0.1)	0.7
Experience gains / (losses) on Scheme liabilities	0.1	(0.2)	0.1	0.1	0.1

The estimated amounts of contributions expected to be paid to the Scheme during the year to March 2011 are £0.3million.

4. DIRECTORS' REMUNERATION

A summary of Directors' remuneration, including disclosures required by the Companies Act 2006 and those specified by the Financial Services Authority, is contained in the Report and Accounts which will be published in due course

5. LOSS ON SALE OF INVESTMENT PROPERTIES

	2010	2009
	£m	£m
Net deficit over book value and fair value gains	(0.1)	(24.9)

This includes disposal costs in relation to the disposal of assets and liabilities in JS Real Estate Limited. Further disclosure is made in note 34.

6. FINANCE INCOME

	2010	2009
	£m	£m
Income from investments		
Distributions from funds (see note 16)	0.7	3.2
Return of capital from listed investments	-	0.5
Interest receivable and similar income:		
From joint ventures	(0.3)	0.5
Provision against interest receivable from joint ventures	1.3	(1.3)
	1.0	(0.8)
Other interest	0.2	0.4
Other finance income		
Expected return on pension scheme assets	0.3	0.4
Interest on pension scheme liabilities	(0.4)	(0.3)
	(0.1)	0.1
	1.8	3.4

Dividends from listed investments, unlisted investments and distributions from funds represent income from financial assets at fair value through the consolidated statement of income.

In 2009 a provision was made against interest receivable on loan notes from Greater London Offices Limited. This provision was reversed in 2010 as the interest was repaid in full.

Other interest represents income from financial assets categorised as loans and receivables.

7. FINANCE EXPENSE

	2010	2009
	£m	£m
Interest payable on loans and overdrafts	10.1	17.3
Charges in respect of cost of raising finance	1.9	15.4
	12.0	32.7
Less: Interest capitalised	-	-
	12.0	32.7
Interest payable under finance leases	0.2	0.2

Interest payable on loans and overdrafts and charges in respect of raising finance represent expenses on financial liabilities at amortised cost.

8. TAXATION

	2010	2009
	£m	£m
Current tax		
UK corporation tax:		
Current at 28% (2009: 28%)	-	0.9
(Over) / under provision in respect of prior year's tax charge	(0.8)	0.1
	(0.8)	1.0
Deferred taxation	-	(4.3)
	(0.8)	(3.3)
<hr/>		
The tax on the group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits or losses of the consolidated entities as follows:	2010	2009
	£m	£m
(Loss) / profit on ordinary activities before taxation	(9.7)	(297.1)
Tax @ 28% (2009: 28%)	(2.7)	(83.2)
Effect of REIT exemption		
Net operating losses / (profits) after net finance costs	0.4	(1.2)
Realised profit on disposal of investment properties	-	6.8
Fair value losses on investment properties	0.8	27.7
Tax (release) / charge on finance cost ratio	(0.8)	0.8
	0.4	34.1
Share of joint ventures' post tax losses	0.3	27.2
Losses carried forward, no deferred tax asset provided	0.2	4.8
Non-taxable (expenditure) / income	(0.7)	0.6
Disallowable expenses	0.8	(0.2)
Fair value (gains) / losses of derivative financial instruments	(0.8)	1.4
Fair value losses on investments	1.7	11.9
Underprovision in respect of prior years	-	0.1
	(0.8)	(3.3)

9. LOSS OF WARNER ESTATE HOLDINGS PLC

The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 from presenting its own statement of income. Loss attributable to members includes £9.0million (2009: £394.0million loss) which has been dealt with in the accounts of the Company.

10. DIVIDENDS

Group and Company	2010	2009
	£m	£m
On Ordinary 5p shares		
Final 11.25p at 31 March 2008 paid 19 September 2008	-	6.3
	-	6.3

No final dividend is proposed by the Board.

11. EARNINGS PER SHARE

Losses per share of 16.09p (2009: 528.30p) are calculated on the losses for the year of £8.9million (2009: £293.8million) and the weighted average of 55,332,560 (2009: 55,592,011) shares in issue throughout the year.

Diluted losses per share of 15.20p (2009: 518.64p) are calculated on the loss for the year as above divided by the weighted average number of shares in issue, being 58,534,466 (2009: 56,627,895) 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:

	2010	2009
Earnings per share: weighted average number of shares	55,332,560	55,592,011
Weighted average ordinary shares to be issued under employee incentive arrangements	770,027	1,035,884
Weighted average warrants for ordinary shares to be issued	2,431,879	-
Diluted earnings per share: weighted average number of shares	58,534,466	56,627,895

12. GOODWILL

	£m
Group	
Cost	
At 31 March 2009	11.3
Additions	-
At 31 March 2010	11.3
Derecognition	(0.1)
At 31 March 2010	11.2
Net book value at 31 March 2010	11.2
Net book value at 31 March 2009	11.3

Goodwill is not amortised but is subject to an annual impairment test. Goodwill of £11.2million is allocated to the cash generating unit (“CGU”) defined as the asset management business owned by Industrial Funds Limited. The derecognition of £0.1million relates to the goodwill allocated to the CGU defined as the property investment business owned by JS Real Estate Limited. The amount of £0.1million has been included in property management expenses in the consolidated statement of income. The review was carried out on the disposal of the business. The recoverable amount of the asset management business has been used to assess whether the goodwill is impaired. The recoverable amount has been valued on the basis of multiplying the funds under management by an applicable percentage. The percentage applied is derived from research into comparable companies and transactions. Management do not believe that a reasonably possible change in the percentage applied would cause need for impairment.

13. INVESTMENT PROPERTIES

	Freehold	Leasehold with over 50 years unexpired	Total Investment Properties
	£m	£m	£m
Group			
At 31 March 2009	204.2	63.6	267.8
Capital expenditure	0.3	0.9	1.2
Disposals	(54.0)	-	(54.0)
Reclassification	(10.5)	10.5	-
Net losses from fair value adjustments on investment property	(0.8)	(2.0)	(2.8)
At 31 March 2010	139.2	73.0	212.2

Disposals during the year include the disposal of JS Real Estate Limited with a book value of £39million (see note 34).

The Group’s investment portfolio was valued externally principally by Cushman & Wakefield Healey & Baker and CB Richard Ellis on an open market basis in accordance with the recommended guidelines of the Royal Institution of Chartered Surveyors as at 31 March 2010.

Investment properties were valued as follows:

	£m
Cushman & Wakefield	152.0
CB Richard Ellis	61.1
	213.1

A reconciliation of investment property valuations to the statement of financial position carrying value of property is shown below:

	2010	2009
	£m	£m
Investment property at market value as determined by external valuers	213.1	267.5
Add minimum payment under head leases separately included as a creditor in the statement of financial position	3.3	3.7
Less accrued lease incentives separately accrued as a debtor in the statement of financial position	(1.9)	(1.1)
Less properties treated as finance lease assets	(2.3)	(2.3)
Statement of financial position carrying value of investment property	212.2	267.8

All repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred. Therefore, no costs in respect of repairs and maintenance are included within the above figures (2009: £nil)

On an historical cost basis the investment properties which have been included above at valuation would have been shown at cost as £309.2million (2009: £369.9million).

Investment properties valued at £213.1million are used as security for Group loans.

14. PLANT AND EQUIPMENT

	2010	2009
	£m	£m
Group		
Cost		
Opening balance at 1 April	1.5	1.5
Additions	-	-
Disposals	(1.0)	-
Closing balance at 31 March	0.5	1.5
Depreciation		
Opening balance at 1 April	1.1	1.0
Charge for year	0.2	0.1
Disposals	(1.0)	-
Closing balance at 31 March	0.3	1.1
Net book value at 31 March	0.2	0.4

Plant and equipment include plant, machinery, fixtures, fittings, motor vehicles and equipment.

15. INVESTMENTS IN JOINT VENTURES

Group	£m
Share of joint ventures	
At 31 March 2009	-
Share of post-tax losses for the year	(4.6)
Provision against loan receivable	3.6

	(1.0)
Net equity movements	1.0
At 31 March 2010	-

	2010	2009
Group share	£m	£m
Unlisted shares at cost	99.3	94.7
Group's share of post acquisition retained losses and reserves	(99.3)	(94.7)
	-	-
Amounts owed by joint ventures	-	-
	-	-

Included in share of joint ventures' gross assets and liabilities are:

	Agora Shopping Centres	Radial Distribution Limited	Agora Max Limited	Greater London Offices Limited	Others	Total
	(a)	(b)	(c)	(d)	(e)	
	£m	£m	£m	£m	£m	£m
Year to 31 March 2010						
Group share of results						
Revenue	7.8	8.5	4.6	2.9	-	23.8
Operating profit before net gains on investments	5.6	7.9	3.4	2.5	-	19.4
Net (loss) / profit from fair value adjustments on investment properties	(6.4)	5.1	0.4	0.2	-	(0.7)
Loss on sale of investment properties	-	-	-	-	-	-
Operating (loss) / profit	(0.8)	13.0	3.8	2.7	-	18.7
Net finance expense	(6.2)	(6.0)	(7.0)	(1.9)	-	(21.1)
Change in fair value of derivative financial instruments	3.2	1.8	2.9	0.7	-	8.6
(Loss) / profit before income tax	(3.8)	8.8	(0.3)	1.5	-	6.2
Taxation – current	-	-	-	-	-	-
Taxation – deferred	-	-	-	-	-	-
Adjustments due to net liabilities	3.8	(8.8)	0.3	(6.1)	-	(10.8)
Loss for the year	-	-	-	(4.6)	-	(4.6)
Amounts receivable by Group						
Asset management fees	0.9	0.6	0.4	0.3	0.1	2.3
Interest receivable	-	-	-	0.4	-	0.4
Group share of						
Non-current assets						
Investment properties	80.9	97.9	43.6	35.3	-	257.7
Finance lease assets	-	2.9	-	-	-	2.9
Derivative financial assets	-	-	-	-	-	-
Deferred income tax assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
	80.9	100.8	43.6	35.3	-	260.6
Current assets						
Finance lease assets	-	0.3	-	-	-	0.3
Other current assets	4.3	8.1	3.5	2.3	0.2	18.4
	4.3	8.4	3.5	2.3	0.2	18.7
Total assets	85.2	109.2	47.1	37.6	0.2	279.3
Non-current liabilities						
Derivative financial liabilities	(9.6)	(2.3)	(3.3)	(4.0)	-	(19.2)
Deferred income tax liabilities	-	-	-	-	-	-

Borrowings, including finance leases	(4.5)	(108.5)	(69.2)	(35.7)	-	(217.9)
Other non-current liabilities	(0.2)	(0.2)	-	-	-	(0.4)
	(14.3)	(111.0)	(72.5)	(39.7)	-	(237.5)
Current liabilities						
Borrowings, including finance leases	(91.3)	-	-	-	-	(91.3)
Other current liabilities	(3.9)	(4.1)	(5.7)	(1.3)	(0.2)	(15.2)
	(95.2)	(4.1)	(5.7)	(1.3)	(0.2)	(106.5)
Total liabilities	(109.5)	(115.1)	(78.2)	(41.0)	(0.2)	(344.0)
	(24.3)	(5.9)	(31.1)	(3.4)	-	(64.7)
Adjustment due to net liabilities	24.3	5.9	31.1	3.4	-	64.7
Share of net assets	-	-	-	-	-	-

Included in share of joint ventures' gross assets and liabilities are:

	Agora Shopping Centres	Radial Distribution Limited	Agora Max Limited	Greater London Offices Limited	Others	Total
	(a)	(b)	(c)	(d)	(e)	
	£m	£m	£m	£m	£m	£m
Year to 31 March 2009						
Group share of results						
Revenue	12.0	8.8	12.1	3.8	-	36.7
Operating profit before net gains on investments	5.5	8.2	7.0	2.6	-	23.3
Net loss from fair value adjustments on investment properties	(46.3)	(31.1)	(28.3)	(13.2)	-	(118.9)
Loss on sale of investment properties	-	-	(21.9)	-	-	(21.9)
Operating loss	(40.8)	(22.9)	(43.2)	(10.6)	-	(117.5)
Net finance expense	(4.8)	(6.7)	(7.5)	(2.5)	-	(21.5)
Change in fair value of derivative financial instruments	(11.7)	(4.2)	(9.7)	(4.2)	-	(29.8)
Loss before income tax	(57.3)	(33.8)	(60.4)	(17.3)	-	(168.8)
Taxation – current	-	(0.2)	-	-	-	(0.2)
Taxation – deferred	(0.6)	0.1	1.1	(0.4)	-	0.2
Adjustments due to net liabilities	20.5	14.6	30.9	9.4	-	75.4
Loss for the year	(37.4)	(19.3)	(28.4)	(8.3)	-	(93.4)
Amounts receivable by Group						
Asset management fees	0.7	0.2	1.3	0.3	-	2.5
Interest receivable	-	-	-	0.5	-	0.5
Group share of						
Non-current assets						
Investment properties	86.9	92.9	43.1	35.1	-	258.0
Finance lease assets	-	2.9	-	-	-	2.9
Derivative financial assets	-	-	-	-	-	-
Deferred income tax assets	-	-	-	-	-	-
Other non-current assets	1.8	0.8	0.7	1.3	-	4.6
	88.7	96.6	43.8	36.4	-	265.5
Current assets						
Finance lease assets	-	0.3	-	-	-	0.3
Other current assets	2.8	5.3	46.5	0.9	0.2	55.7
	2.8	5.6	46.5	0.9	0.2	56.0
Total assets	91.5	102.2	90.3	37.3	0.2	321.5
Non-current liabilities						
Derivative financial liabilities	(12.9)	(4.0)	(6.1)	(4.7)	-	(27.7)
Deferred income tax liabilities	-	-	-	-	-	-
Borrowings, including finance leases	(94.1)	(108.4)	(110.4)	(39.5)	-	(352.4)

Other non-current liabilities	(0.5)	(0.5)	-	-	-	(1.0)
	(107.5)	(112.9)	(116.5)	(44.2)	-	(381.1)
Current liabilities						
Borrowings, including finance leases	-	-	-	-	-	-
Other current liabilities	(4.5)	(3.9)	(4.7)	(2.5)	(0.2)	(15.8)
	(4.5)	(3.9)	(4.7)	(2.5)	(0.2)	(15.8)
Total liabilities	(112.0)	(116.8)	(121.2)	(46.7)	(0.2)	(396.9)
	(20.5)	(14.6)	(30.9)	(9.4)	-	(75.4)
Adjustment due to net liabilities	20.5	14.6	30.9	9.4	-	75.4
Share of net assets	-	-	-	-	-	-

- (a) Agora Shopping Centres was set up on 5 March 2003 and subsequently acquired the Pyramids, Birkenhead on 25 June 2003 and The Grange, Birkenhead on 30 September 2004. On 7 March 2006, The Pyramids, Birkenhead and The Grange, Birkenhead were disposed of into the Agora Max joint venture group.
- (b) Fairway Industrial Limited was set up on 29 August 2003 and changed its name to Radial Distribution Limited on 14 October 2004. The investment was disposed of on 17 May 2010.
- (c) Agora Max Limited was set up on 16 September 2005 and subsequently acquired The Pallasades, Birmingham on 25 October 2005. The Pyramids and The Grange, both in Birkenhead, were acquired from Agora Shopping Centres on 7 March 2006. The Pallasades, Birmingham was disposed of on 31 March 2009.
- (d) Greater London Offices Limited was set up on 28 September 2006 and subsequently acquired Old Broad Street and Central House, London. On 20 August 2009, £3.6million loan notes issued to the Group by Greater London Offices Limited were repaid in full and the proceeds used to subscribe to additional equity.
- (e) Net assets relate to investments in smaller joint ventures acquired through Ashtenne.

Joint venture investment properties are valued by DTZ Debenham Tie Leung, CB Richard Ellis and King Sturge.

All joint ventures are incorporated in the United Kingdom (refer to note 35 for further information).

16. INVESTMENTS IN FUNDS

Group

	£m
As at 1 April 2009	47.5
Net loss from fair value adjustments	(6.2)
At 31 March 2010	41.3

Fund Information:

	AIF	Apia	Others	Total
	(a)	(b)	(c)	
	£m	£m	£m	£m
Year to 31 March 2010				
Distributions receivable	0.3	0.4	-	0.7
Net assets at 31 March 2010	240.0	93.1	-	333.1
Percentage share at 31 March 2010	6.52%	27.43%	-	33.95%
Group share of net assets	15.7	25.6	-	41.3

Fund Information:

	AIF	Apia	Others	Total
	(a)	(b)	(c)	
	£m	£m	£m	£m

Year to 31 March 2009

Distributions receivable	1.8	1.4	-	3.2
Net assets at 31 March 2009	261.1	111.1	-	
Percentage share at 31 March 2009	6.52%	27.43%	-	
Group share of net assets	17.0	30.5	-	47.5

- (a) The Group invested £12million in the Ashtenne Industrial Fund in August 2005 and a £23.1million investment was acquired on the purchase of the remaining 50% of Industrial Funds Limited.
- (b) Apia was set-up on 7 June 2005 and the Group invested an initial £44.1million. A further £10.0million was invested in December 2005, of which £0.9million was disposed of in March 2006, and £0.4million in May 2006. It is treated as an investment rather than an associate as the Group does not have the power to exert significant control as a Trustee which is independent of the Group is responsible for the strategic decisions of the unit trust.
- (c) This relates to minority interest holdings in Agora Max Unit Trust, Agora Max Birkenhead Unit Trust and The Pallasades Birmingham Unit Trust.

Units held in AIF valued at £9.0million and the units in Apia valued at £25.6 million are used as security for Group loans.

17. INVESTMENTS IN LISTED AND UNLISTED SHARES

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Subsidiary undertakings (a)	-	-	70.6	192.5
Unlisted investments (b)	0.3	0.3	-	-
	0.3	0.3	70.6	192.5

(a) SUBSIDIARY UNDERTAKINGS

Shares in subsidiary undertakings	
	£m
Cost	
At 31 March 2009	192.5
Additions	0.2
Disposals	(107.1)
Impairments	(15.0)
At 31 March 2010	70.6

Investments are reviewed at least annually for impairment. Where there exists an indication of impairment an assessment of the recoverable amount is performed. The recoverable amount is based on the higher of the investments continued value in use or its fair value less cost to sell. The impairment charge taken above arose due to the carrying value of the asset exceeding its recoverable amount. This was determined based on the assets' fair value less cost to sell. Fair value is derived from the subsidiaries' net asset value at the statement of financial position date. Please refer to note 35 for further information on subsidiary undertakings.

(b) UNLISTED INVESTMENTS

	Group	Company
	£m	£m
At 31 March 2009	0.3	-
Net movements	-	-
At 31 March 2010	0.3	-

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade receivables	2.3	2.8	-	-
Amounts owed by Group undertakings	-	-	67.5	54.8
Other debtors	1.4	3.9	-	0.1
Prepayments and accrued income	2.8	3.0	1.0	0.2
	6.5	9.7	68.5	55.1
Amounts falling due after more than one year:				
Other debtors	2.2	1.0	-	-
Total trade and other receivables	8.7	10.7	68.5	55.1

Other debtors include rent deposits from tenants of £0.4million used as collateral. In the event of tenant default, these rent deposits can be offset against any outstanding debts.

Amounts owed by Group undertakings are unsecured and have no fixed date of repayment. They are interest free except for interest recharges for REIT compliance purposes; to ensure the interest charge is in the correct group entity.

Amounts owed by Group undertakings are reviewed at least annually for impairment. Where there exists an indication of impairment an assessment of the recoverable amount is performed. The recoverable amount is based on the fair value which is derived from the Group undertakings' net asset value and their ability to repay their debts. A write back of impairment of £3.1million (2009: 234.8million) has been taken to the Company's consolidated statement of income during the year against amounts owed by Group undertakings.

19. NET INVESTMENT IN FINANCE LEASES

Group	2010			2009		
	Gross investment in finance lease	Unearned finance income	Net investment in finance lease	Gross investment in finance lease	Unearned finance income	Net investment in finance lease
	£m	£m	£m	£m	£m	£m
Within one year	0.2	(0.2)	-	0.2	(0.2)	-
Between two and five years	0.8	(0.8)	-	0.8	(0.8)	-
Later than five years	13.9	(10.1)	3.8	14.1	(10.3)	3.8
Impairment	-	-	(1.4)	-	-	(1.4)
Total	14.9	(11.1)	2.4	15.1	(11.3)	2.4

The Group has leased out an investment property under a finance lease of 61 years in duration. This is accounted for as a finance lease receivable rather than an investment property and is equal to the total of the discounted future lease payments and the discounted unguaranteed residual value of the property. The unguaranteed residual value of the remaining buildings comprising the investment property is £2.4 million (2009: £2.4million). The carrying value of the Group's finance lease receivables has been impaired to approximate to the fair value due to the reduction in the fair value during the prior year. The fair value is determined by reference to the open market value of the investment property which has been leased out. The asset is part of the property investment segment.

20. BORROWINGS, INCLUDING FINANCE LEASES

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Amounts falling due after more than				

one year:				
Bank loans	251.9	-	-	-
Finance lease obligations (see note 21)	3.2	3.6	-	-
	255.1	3.6	-	-
Amounts falling due within one year:				
Bank overdrafts	-	293.8	-	-
Bank loans	0.8	-	-	-
Finance lease obligations (see note 21)	0.1	0.1	-	-
	0.9	293.9	-	-
Total borrowings, including finance leases				
Cash and cash equivalents	(4.5)	(9.0)	(0.1)	(1.2)
Net borrowings	251.5	288.5	(0.1)	(1.2)

Bank loans and overdrafts are secured on certain properties valued at £213.1million as detailed in note 13 and by floating charges on unit holdings in the Apia Regional Office Fund and the Ashtenne Industrial Fund, valued at £25.6million and £9.0million respectively, as set out in note 16.

Bank loans and overdrafts	2010	2009
	£m	£m
Group		
Within one year or on demand	0.8	295.3
Between one and two years	1.0	-
Between two and five years	256.0	-
	257.8	295.3
Future finance costs	(5.1)	(1.5)
	252.7	293.8
Company		
Within one year on demand	-	-
Between two and five years	-	-
	-	-

As stated in note 22, the Group's operations are predominantly in the UK and therefore bank borrowings are denominated in Sterling. The Group's average cost of debt at the year end was 3.05% (2009: 3.44%). The proportions of debt held on fixed or floating rate debt, together with the hedging in place at 31 March 2010, are set out in note 22. A comparison of the fair values to carrying values of financial assets and liabilities is also set out in note 22.

21. FINANCE LEASE OBLIGATIONS

Group

	2010			2009		
	Minimum lease payments under finance leases	Future finance charges on finance leases	Present value of minimum finance lease obligations	Minimum lease payments under finance leases	Future finance charges on finance leases	Present value of minimum finance lease obligations
	£m	£m	£m	£m	£m	£m
Within one year	0.3	(0.2)	0.1	0.3	(0.2)	0.1
Between two and five years	1.2	(0.9)	0.3	1.3	(1.0)	0.3
Later than five years	10.4	(7.5)	2.9	14.7	(11.4)	3.3

Total	11.9	(8.6)	3.3	16.3	(12.6)	3.7
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The fair value of the Group's finance lease obligations approximate to the carrying value.

Finance lease obligations are in respect of leased investment properties.

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

22. FINANCIAL RISK MANAGEMENT

On 26 March 2010 the Group entered into new debt facilities with two lenders and extended and amended its existing facility with a third lender. In respect of one facility the Group will pay an exit fee equal to 5.0% of the outstanding loan on the maturity date. In respect of another facility the Group will pay an exit fee at maturity that approximates to 20% of the excess of the value of properties secured against the facility over the debt at that time. The Group is obliged to amortise one of the facilities at £0.3million per quarter.

One facility has no loan to value ('LTV') covenant. Another facility has no LTV covenant for 12 months following which it will have an LTV covenant of 117.5%. The third facility has an initial LTV covenant of 113%. The LTV covenants on the two latter facilities will reduce over the term of the respective facilities. One facility has two interest cover covenants set at 125%, based on rental income, and 175%, based on total income. Another facility has an initial facility debt service cover ratio covenant of 135% and an initial Group debt service cover ratio covenant of 108%; each of the two debt service cover ratio covenants will vary over time.

Until the new finance arrangements were entered into, the lenders had reserved their rights to test certain financial covenants. The Directors would not have expected these financial covenants to be met if tested.

Treasury Policy

The Group enters into derivative transactions such as interest rate swaps and caps in order to manage the financial risks arising from the Group's activities. The main financial risks arising from the Group's financing structure are liquidity risk and interest rate risk. The policies for managing each of these risks and the principal effects of these policies on the results for the year are set out below.

Liquidity Risk

The Group's policy is to ensure that there are always sufficient working capital facilities available to meet the requirements of the business, through efficient treasury and cash management and strict credit control. The Group's earliest scheduled debt maturity is April 2012.

Capital expenditure to be incurred by the Group is funded on a case by case basis.

The tables below set out the maturity analysis of the Group's financial liabilities based on undiscounted contractual obligations.

Group	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
2010	£m	£m	£m	£m	£m
Bank loans and overdrafts	0.7	1.0	256.1	-	257.8
Trade and other payables ⁽¹⁾	12.2	1.4	0.7	-	14.3
Finance lease liabilities	0.3	0.3	0.9	10.4	11.9
Current income tax liabilities	0.3	-	-	-	0.3
Other provisions ⁽²⁾	3.2	1.2	2.6	1.1	8.1
	16.7	3.9	260.3	11.5	292.4
Interest on bank loans and overdrafts	5.7	5.8	16.6	-	28.1
Cash outflows from gross settled derivatives	1.5	1.6	3.3	-	6.4
	23.9	11.3	280.2	11.5	326.9

(1) Excludes deferred income of £3.6million

(2) Includes future finance charges of £0.6million

The table does not include the exit fees on the debt facilities described above. The contractual amount required to pay at maturity to the holder of the obligation cannot be estimated as they are based on a date in the future.

Group					
2009	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
Bank loans and overdrafts	295.3	-	-	-	295.3
Trade and other payables ⁽¹⁾	28.3	2.8	1.4	-	32.5
Finance lease liabilities	0.3	0.3	1.0	14.7	16.3
Current income tax liabilities	0.1	-	-	-	0.1
Other provisions ⁽²⁾	3.9	1.0	0.6	0.3	5.8
	327.9	4.1	3.0	15.0	350.0
Interest on bank loans and overdrafts	6.6	-	-	-	6.6
Cash outflows from gross settled derivatives	2.2	0.8	2.5	16.2	21.7
	336.7	4.9	5.5	31.2	378.3

(1) Excludes deferred income of £3.5million

(2) Includes future finance charges of £0.3million

Company					
2010	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
Bank loans and overdrafts	-	-	-	-	-
Trade and other payables	143.5	0.2	-	-	143.7
	143.5	0.2	-	-	143.7
Interest on bank loans and overdrafts	-	-	-	-	-
Cash inflows from gross settled derivatives	-	-	-	-	-
	143.5	0.2	-	-	143.7

Company					
2009	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
Bank loans and overdrafts	-	-	-	-	-
Trade and other payables	244.4	0.3	0.2	-	244.9
	244.4	0.3	0.2	-	244.9
Interest on bank loans and overdrafts	-	-	-	-	-
Cash inflows from gross settled derivatives	-	-	-	-	-
	244.4	0.3	0.2	-	244.9

Interest Rate Risk

The Group is exposed to market price risk through interest rate movements. The Group's policy is to manage the risk arising from changes in interest rates by hedging a proportion of the floating rate debt to provide certainty as to how much the interest cost will be, such that in the long term any fluctuations in interest rates will have little or no impact on reported profits. The Group monitors the level of floating debt on a regular

basis together with interest rate expectations in order to form a view as to when it may be appropriate to enter into further hedging. The Group is, however, exposed to market price risk in respect of the fair value of its fixed rate financial instruments. During the year the Group cancelled a £25million swap and 3 swaps of £20million, £50million and £19million expired. On completion of the Group's refinancing it has taken out 2 swaps of £25million each effective from 31 March 2010. Two further swaps started on 28 May 2010. In addition the Group has taken out a £40million swaption exercisable on 12 April 2011 and a £25million swaption exercisable on 31 March 2012.

The amount of debt fixed through swaps effective as at 31 March 2010, equates to 19% (2009: 39%) of Group debt, and the remainder is floating. The floating debt is linked to LIBOR.

The Group is exposed to fair value interest rate risk on its derivative financial instruments and cash flow interest rate risk on floating rate bank loans and revolving credit facilities. The forecast cash and borrowings profile of the Group is monitored regularly to assess the mix of fixed and floating rate debt and the Group uses interest rate derivatives where appropriate to reduce its exposure to changes in interest rates and the economic environment.

At 31 March 2010, the Group's floating rate debt was £257.8million (2009: £295.3million). Of this, £50million (2009: £114.4million) has been hedged with derivative instruments. The total amount of £50million (2009: £114.4million) is hedged by swaps and callable swaps.

The derivative instruments are used to hedge the variability of cash flows from debt instruments. The fair values of derivatives are determined by discounting the future cash flows using the mid point of the relevant yields curves prevailing on the reporting dates. The derivatives are held for hedging purposes and provide protection against the effects of the rising short term interest rates. None of the total hedging in place at 31 March 2010, (2009: £95.0million) may be called at the Bank's discretion within the next five years.

The Group has elected not to designate the hedge contracts as being effective hedges for accounting purposes and therefore changes in the fair value of the hedge contracts are taken to the consolidated statement of income.

Interest Rate Sensitivity

The table below shows the Group's sensitivity to movements in interest rates. The Group has considered the movements in interest rates over the last two years and has concluded that a 0.5% increase or decrease is a reasonable benchmark.

2010		Interest Rate Swaps	Group Callable Swaps	Residual Debt	Total	Company Total
	Net debt	£50.0m	-	£207.8m	£257.8m	-
	Average Rate	3.24%	-	4.82%	4.51%	-
		£m	£m	£m	£m	£m
	Fair Value	(2.5)	-	-	(2.5)	-
Sensitivity	Rise of 50bps	0.8	-	-	0.8	-
	Fall of 50bps	(0.8)	-	-	(0.8)	-
	Interest Rate	-	-	(1.0)	(1.0)	-
Sensitivity	Rise of 50bps	-	-	1.0	1.0	-
	Fall of 50bps	-	-	-	-	-
2009		Interest Rate Swaps	Group Callable Swaps	Residual Debt	Total	Company Total
	Net debt	£19.4	£95.0	£180.9	£295.3	-
	Average Rate	5.97%	3.18%	2.33%	3.44%	-
		£m	£m	£m	£m	£m

	Fair Value	(0.2)	(5.2)	-	(5.4)	-
Sensitivity	Rise of 50bps	-	1.8	-	1.8	-
	Fall of 50bps	-	(1.8)	-	(1.8)	-
	Interest Rate					
Sensitivity	Rise of 50bps	-	-	(0.9)	(0.9)	-
	Fall of 50bps	-	-	0.9	0.9	-

The total sensitivity to interest rate increases and decreases is the total impact on both the consolidated statement of income and consolidated changes in equity. This is based on debt balances and prevailing interest rates at the year end.

At 31 March 2010 the fair value of the Group's derivative instruments resulted in a £2.5million net liability (2009: £5.4million net liability). Had the LIBOR been 0.5% higher, the fair value would have been reduced by £0.8million (2009: £1.8million). Had LIBOR been 0.5% lower, the fair value would have been increased by £0.8 million (2009: £1.8million).

In 2009 the Group repaid fixed rate liabilities of £25.2million at a rate of 5.52%.

At 31 March 2010, the residual floating rate debt amounted to £207.8million (2009: £180.9million). If short term interest rates had been 0.5% higher the annualised cost to the Group would have been £1.0million higher (2009: £0.9million). Had short term rates been 0.5% lower the Group would have benefited by the same amount.

Foreign Currency Risk

The Group has no material foreign currency exposure as the Group's operations are predominantly in the UK and therefore virtually all revenue and costs are denominated in Sterling.

Credit Risk

The Group has no significant concentration of credit risk as exposure is spread over a large number of counterparties.

The credit risk in liquid funds and derivative financial instruments is limited due to the counterparties being banks with high credit ratings assigned by international credit rating agencies. As at the statement of financial position date, the carrying value of loans, cash and the fair values of swaps and caps approximates to this credit risk exposure.

The maximum amount the Group is exposed to on investments in funds and unlisted investments is the carrying values in the statement of financial position. Investments in funds are with reputable counterparties. Financial information is issued by all investments on a regular basis which is reviewed by management.

The Group is exposed to credit risk in respect of its trade receivables. Potential customers are evaluated for creditworthiness and, where necessary, collateral is secured in the form of rent deposits. There is no concentration of credit risk within the lease portfolio to either business sector or individual company as the Group has a well spread and diverse customer base.

At 31 March 2010, trade and other receivables consisting of rents and asset management fees receivable, of £3.7million (2009: £7.6million) were past due but not impaired. These relate to customers for whom there is no recent history or indication of default. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.

The ageing analysis of these trade receivables is as follows:

Group	2010	2009
	£m	£m
Up to three months	3.6	6.4
Three to six months	0.1	1.2
	3.7	7.6

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by Group Treasury.

Counterparty	Credit rating	Group 2010 £m
Bank #1	AA	1.0
Bank #2	AA	1.1
Bank #3	A+	2.4
		4.5

Capital Risk Management

The current capital structure of the Group is considered appropriate and consists of a mix of equity and net debt. Equity comprises issued capital, reserves and retained earnings as disclosed in notes 26 and 27. Debt primarily comprises long-term bank loans and overdrafts from banks as disclosed in Note 20.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to optimise return to shareholders, and it aims to maintain a prudent mix between debt and equity financing. The Group is not subject to any externally imposed capital requirements. There have been no changes in the capital structure since the prior period.

Derivative Financial Instruments

Gains and Losses on Derivatives held to Manage Debt

The Group uses interest rate derivatives to manage its interest rate profile. Changes in the fair value of these derivatives are recognised in the consolidated statement of income. An analysis of these derivatives and gains / (losses) thereon is as follows:

Group

	Derivative financial assets £m	Derivative financial liabilities £m	Total £m
Fair value at 31 March 2009	-	5.4	5.4
Change in fair value of derivative financial instruments taken out during the year	-	2.5	2.5
Fair value of derivative financial instruments cancelled/expired during the year	-	(5.4)	(5.4)
Fair value at 31 March 2010	-	2.5	2.5

Financial Instruments - Categories

	Group			
	2010		2009	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Fair value through profit or loss – held for trading				
Derivative financial assets	-	-	-	-
Fair value through profit or loss – designated on inception				
Investments in funds	41.3	41.3	47.5	47.5
Investments in listed and unlisted shares	0.3	0.3	0.3	0.3
Net investment in finance leases	2.4	2.4	2.4	2.4
Loans and receivables				
Trade and other receivables ⁽¹⁾	7.5	7.5	8.9	8.9
Cash and cash equivalents	4.5	4.5	9.0	9.0

Financial liabilities

Fair value through profit or loss – held for trading

Derivative financial liabilities	(2.5)	(2.5)	(5.4)	(5.4)
Amortised cost				
Borrowings	(257.8)	(257.8)	(295.3)	(295.3)
Trade and other payables ⁽²⁾	(14.3)	(14.3)	(32.5)	(32.5)
Finance lease obligations	(3.3)	(3.3)	(3.7)	(3.7)

(1) Excludes prepayments of £1.2million (2009: £1.8million)

(2) Excludes deferred income of £3.6million (2009: £3.5million)

Company

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
Financial assets				
Loans and receivables				
Trade and other receivables ⁽¹⁾	67.5	67.5	54.9	54.9
Cash and cash equivalents	0.1	0.1	1.2	1.2

Financial liabilities

Amortised cost

Borrowings	-	-	-	-
Trade and other payables	143.2	143.2	244.9	244.9

(1) Excludes prepayments of £1.0million (2009: £0.2million)

The table below presents the Group's assets and liabilities recognised at fair value.

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Investments				
Investments in funds	-	-	41.3	41.3
Investments in unlisted shares	-	-	0.3	0.3
Total assets	-	-	41.6	41.6
Derivative financial liabilities				
Fair value through profit or loss	-	(2.5)	-	(2.5)
Total liabilities	-	(2.5)	-	(2.5)

Fair value hierarchy

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation techniques are used, maximising the use of observable market data, either directly from market prices or derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

The table below presents a reconciliation of level 3 fair value measurements for the year:

	Investments in funds £m	Investments in unlisted shares £m	Total £m
At 1 April 2009	47.5	0.3	47.8
Unrealised losses ⁽¹⁾	(6.2)	-	(6.2)
At 31 March 2010	41.3	0.3	41.6

⁽¹⁾ Unrealised losses of £6.2million are included in net loss from fair value adjustment on investments in the consolidated statement of income.

23. DEFERRED INCOME TAX

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred taxation assets				
Deferred taxation arising from unrealised derivative financial instruments valuations	-	-	-	-
Deferred taxation arising from retirement benefit obligations	0.2	0.2	-	-
Deferred taxation arising from share based payments	-	-	-	-
Unrealised property and investment valuations	-	-	-	-
	0.2	0.2		
Deferred taxation liabilities				
Deferred taxation arising from the temporary differences noted below:				
Unrealised property and investment valuations	-	-	-	-
	-	-	-	-

The movement in deferred tax assets and liabilities during the year is as follows:

	Group				Company		
	Unrealised fair value gains £m	Derivative financial instruments £m	Retirement benefit obligations £m	Share Based Payments £m	Total £m	Share Based Payments £m	Total £m
Deferred tax assets at 31 March 2009	-	-	0.2	-	0.2	-	-
Charged to consolidated statement of comprehensive income	-	-	-	-	-	-	-
Charged to reserves	-	-	-	-	-	-	-
Total impact	-	-	-	-	-	-	-
Deferred tax assets at 31 March 2010	-	-	0.2	-	0.2	-	-

	Unrealised fair value gains £m	Group Total £m
Deferred tax liabilities at 31 March 2009	-	-
Credited to consolidated statement of comprehensive income	-	-
Total impact	-	-
Deferred tax liabilities at 31 March 2010	-	-

24. OTHER PROVISIONS

	Onerous contracts £m	Performance fees £m	Total £m
Group			
At 31 March 2009	3.0	2.5	5.5

Charged to consolidated statement of comprehensive income:	4.2	-	4.2
Utilised during the year	(1.4)	(0.8)	(2.2)
At 31 March 2010	5.8	1.7	7.5

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

	Group	
	2010	2009
	£m	£m
Non-current	4.4	1.6
Current	3.1	3.9
	7.5	5.5

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 remaining lease lengths range between 1 and 11 years.

The provision represents the net cash flows on the properties as calculated by DTZ Debenham Tie Leung.

The key assumptions used are:

Rental growth rate	1.00% per annum
Inflation rate	0.00% per annum
Discount rate	3.06%

The performance fee provision is repayable on demand. £0.8million was repaid during the year; the remaining balance is expected to be repaid within the next 12 months.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade payables	0.9	1.0	0.1	0.1
Amounts owed to Group undertakings	-	-	141.5	242.6
Other taxation and social security	1.7	1.1	-	-
Other payables	6.0	8.4	0.9	1.4
Accruals and deferred income	7.2	21.2	0.5	0.3
	15.8	31.7	143.0	244.4
Amounts falling due after more than one year:				
Other payables	2.1	4.3	0.2	0.5
Total trade and other payables	17.9	36.0	143.2	244.9

Amounts owed to Group undertakings are unsecured and have no fixed date of repayment. They are interest free except for interest recharges for REIT compliance purposes; to ensure the interest charge is in the correct group entity.

26. SHARE CAPITAL

Group and Company	2010	2009
	£m	£m
Authorised		
80,000,000 Ordinary shares of 5p	4.0	4.0
Allotted, called up and fully paid		
Ordinary shares of 5p		

Warner Estate Holdings PLC 1995 Share Option Scheme

At 31 March 2010 there were share options to subscribe for Ordinary shares under the Warner Estate Holdings Plc 1995 Share Option Scheme as follows:

At 303.5p per share exercisable between 16 August 2004 and 15 August 2011	77,515 shares
At 319p per share exercisable between 17 July 2005 and 16 July 2012	88,403 shares
At 367.5p per share exercisable between 27 June 2006 and 26 June 2013	141,357 shares
At 495p per share exercisable between 8 July 2007 and 7 July 2014	150,521 shares
	<hr/> 457,796 shares

	2010		2009	
	Number	Average exercise price p	Number	Average exercise price p
At 1 April	457,796	389.2	515,636	387.9
Options expired/lapsed	-	-	(57,840)	377.5
At 31 March	<hr/> 457,796	<hr/> 389.2	<hr/> 457,796	<hr/> 389.2

All of the options outstanding at 31 March 2010 (2009: 457,796) were exercisable.

Warner Estate Holdings PLC Performance Share Plan

At 31 March 2010 there were share options to subscribe for Ordinary shares at nil cost under the Warner Estate Holdings Plc Performance Share Plan as follows:

Exercisable between 31 July 2010 and 30 January 2011	201,754 shares
Exercisable between 14 July 2011 and 13 January 2012	568,273 shares
	<hr/> 770,027 shares

	2010		2009	
	Number	Average exercise price p	Number	Average exercise price p
At 1 April	1,035,884	-	582,006	-
Options granted	-	-	704,413	-
Options exercised	(5,248)	-	(18,934)	-
Options expired/lapsed	(138,732)	-	(123,742)	-
Options forfeited	(121,877)	-	(107,859)	-
At 31 March	<hr/> 770,027	<hr/> -	<hr/> 1,035,884	<hr/> -

None of the options outstanding at 31 March 2010 were exercisable (2009: 8,146).

The average share price during the year was 37.3p (2009: 118.0p).

The key assumptions used in valuing the fair value of share based payments are as follows (also see directors' remuneration report):

Exercise price £nil

Share price	Price at date of grant
Expected term	3 years
Expected volatility ⁽¹⁾	25% for awards granted on 30 July 2007, 22% for awards granted on 21 February 2007, 38.5% for awards granted on 14 July 2008, 19% for all other awards
Expected dividend yield	Dividends paid in the 12 months prior to grant calculated as a percentage of the share price on the date of grant
Risk free interest rate	Not applicable as exercise price is £nil
Model used	Black-Scholes

⁽¹⁾ Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the expected term for each award (i.e. 3 years). The formula calculates the ratio of each day's price to the preceding value, which gives a "dimensionless" figure. The final step is to calculate the standard deviation of the logs of these ratios and to annualise this figure.

27. OTHER RESERVES

	Share Premium £m	Share Based Payments £m	Warrants ⁽¹⁾ Reserve £m	Revaluation Reserve £m	Other ⁽²⁾ Reserve £m	Treasury Shares £m	Retained ⁽³⁾ Earnings £m	Total £m
Group								
At 31 March 2009	40.7	1.8	-	(234.5)	8.0	(1.5)	188.0	2.5
Retained loss for the year	-	-	-	-	-	-	(8.9)	(8.9)
Realised on disposal of investment properties	-	-	-	15.9	-	-	(15.9)	-
Net loss from fair value adjustment on investment properties	-	-	-	(2.8)	-	-	2.8	-
Share of joint ventures' net loss from fair value adjustment on investment properties	-	-	-	(11.6)	-	-	11.6	-
Net gain from fair value adjustment on unlisted investments	-	-	-	(6.2)	-	-	6.2	-
Change in fair value of derivative financial instruments	-	-	-	2.9	-	-	(2.9)	-
Change in fair value of joint ventures' derivative financial instruments	-	-	-	8.6	-	-	(8.6)	-
Actuarial losses on pension scheme assets	-	-	-	-	-	-	(0.1)	(0.1)
Cost of share based payments	-	(0.3)	-	-	-	-	0.2	(0.1)
Warrants issued	-	-	0.8	-	-	-	-	0.8
At 31 March 2010	40.7	1.5	0.8	(227.7)	8.0	(1.5)	172.4	(5.8)

⁽¹⁾ 2,808,713 share warrants were issued on 26 March 2010 and have been accounted for at fair value on that date.

⁽²⁾ Other reserves consist of a capital redemption reserve and a merger reserve.

⁽³⁾ The closing balance on retained earnings reserve includes £0.6million liability (2009: £0.7million) stated after a deferred tax asset of £0.2million (2009: £0.2million) in respect of the Group's defined benefit pension scheme as set out in note 3 to the accounts.

	Non-distributable Reserves			Distributable Reserves			
	Share Premium £m	Share Based Payments £m	Warrants Reserve £m	Other Reserve £m	Treasury Shares £m	Retained Earnings £m	Total £m
Company							
At 31 March 2009	40.7	1.8	-	7.0	(1.5)	(45.5)	2.5
Retained loss for the year	-	-	-	-	-	(9.0)	(9.0)
Transfer	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Cost of share based payments	-	(0.3)	-	-	-	0.2	(0.1)
Warrants issued	-	-	0.8	-	-	-	0.8

At 31 March 2010	40.7	1.5	0.8	7.0	(1.5)	(54.3)	(5.8)
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28. INVESTMENT IN OWN SHARES

Group and Company

	Number	Cost
	'000	£m
At 31 March 2009	548.2	1.1
Additions	338.2	-
Disposals	(141.6)	(0.1)
At 31 March 2010	744.8	1.0

Additions relate to the Inland Revenue Approved All-Employee Share Ownership Plan.

Included in investment in own shares are shares relating to the Inland Revenue Approved All-Employee Share Ownership Plan, as follows:

	2010			2009		
	Number	Cost	Market value	Number	Cost	Market value
	'000	£m	£m	'000	£m	£m
Partnership shares purchased by employees held in Trust	322.9	-	0.1	207.6	-	-
Matching and Free shares not yet vested	393.5	0.8	0.1	304.4	1.0	0.1
	716.4	0.8	0.2	512.0	1.0	0.1

The vesting of Matching and Free shares is conditional on meeting the conditions of the scheme which are summarised in the Report and Accounts which will be published in due course.

29. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

Transactions between the company and subsidiaries, which are related parties, have been eliminated on consolidation for the Group. Compensation of key management personnel is disclosed in the Report and Accounts which will be published in due course.

Transactions between the parent company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2010	2009
		£m	£m
JS Real Estate Limited	Dividend	45.5	-
Vere Street Investments Limited	Dividend	3.0	-
Lancaster Holdings Limited	Dividend	-	10.9
Lotkeep Limited	Dividend	-	3.4

Balances outstanding between the parent company and its subsidiaries are shown below:

Subsidiary	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	2010	2009	2010	2009
	£m	£m	£m	£m
Ashtenne Holdings Limited	-	-	(0.1)	(0.1)
Cardiff and Provincial Properties Limited	-	-	(12.1)	(11.9)
Clay Estates Limited	-	-	(79.6)	(79.6)
Clay Group Limited	-	-	-	(5.1)
Industrial Funds Limited	-	-	(4.6)	(3.2)
JS Real Estate Limited	-	-	-	(64.6)
Lancaster Holdings Limited	-	-	(0.1)	-
Middleton (Jersey) One Limited	-	-	-	(0.5)
Skipper Offices Limited	-	-	-	(0.7)

Vere Street Investments Limited	-	-	-	(3.0)
Warner Estate (AIF) Limited	-	-	(2.1)	(1.6)
Warner Estate Asset Management Limited	-	-	(2.9)	(0.3)
Warner Estate Development (Folkestone) Limited	21.8	20.5	-	-
Warner Estate Investments Limited	-	-	(15.2)	(52.5)
Warner Estate (Jersey) Limited	13.6	0.7	-	-
Warner Estate, Limited	23.1	33.6	-	-
Warner Estate Management Limited	9.0	-	-	(2.8)
Warner Estate Property Management Limited	-	-	(24.8)	(16.7)
	67.5	54.8	(141.5)	(242.6)

No fees were paid in respect of contracts, which provided services in the ordinary course of business to the Group, and in which Directors have or had interests.

During the year there were loan transactions between the Group and joint ventures, as set out in note 15. Interest payable on these loans and management charges, payable by the joint ventures, are also set out in note 15.

30. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Operating profit before net gains on investments	7.9	16.5	0.5	0.4
Depreciation of plant and equipment	0.2	0.1	-	-
De-recognition of goodwill	0.1	-	-	-
Decrease / (increase) in trade and other receivables	1.1	5.5	(4.9)	139.1
(Decrease) / increase trade and other payables	(1.6)	(9.5)	2.6	4.7
Cash generated from operations	7.7	12.6	(1.8)	144.2

31. CONTINGENT LIABILITIES

	2010	2009
	£m	£m
Contingent liabilities in respect of guarantees given by the Company in respect of borrowings of its subsidiaries as follows:		
Bank overdrafts	176.3	215.0
	176.3	215.0

These liabilities have not been recognised on the statement of financial position. The Company has given letters of support to various subsidiary undertakings.

32. OPERATING LEASE COMMITMENTS

	2010	2009
	£m	£m
Group		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	0.2	0.2
Expiring between two and five years	0.6	0.6
Expiring after five years	1.2	1.3
	2.0	2.1

33. OPERATING LEASES GRANTED

The Group earns rental income by leasing its investment properties to tenants under operating leases.

At the statement of financial position date, the Group had contracted with tenants to receive the following future minimum lease payments:

	2010	2009
	£m	£m
Group		
Within one year	13.9	15.8
Expiring between two and five years	48.0	48.6
Expiring after five years	57.3	61.8
	119.2	126.2

34. DISPOSALS

The entire share capital of JS Real Estate Limited was disposed of on 2 April 2010. JS Real Estate Limited was principally involved in property investment.

Disposal of JS Real Estate Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets / (liabilities) disposed of			
Investment property	38,970	-	38,970
Trade and other receivables	356	-	356
Cash and cash equivalents	186	-	186
Trade and other payables	(2,361)	-	(2,361)
Current income tax liabilities	(47)	-	(47)
	37,104	-	37,104
Consideration	37,104	-	37,104
Satisfied by			
Cash consideration	37,104	-	37,104
Cash consideration	37,104	-	37,104

JS Real Estate Limited contributed £nil to revenue and £nil to the Group's profit before taxation for the period between 1 April 2009 and the date of disposal.

35. FIXED ASSET INVESTMENTS

	Issued Share Capital	Percentage Held
Principal Subsidiary Companies	£	
Holding and Services		
*Apia Asset Management Limited:	£1 Ordinary Shares	100
*Ashtenne Asset Management Limited:	10p Ordinary Shares	100
*Ashtenne Holdings Limited:	20p Ordinary Shares	100
Industrial Funds Limited:	£1 A Ordinary Shares	100
	£1 B Ordinary Shares	100

*Radial Distribution Asset Management Limited:	£1 Ordinary Shares	1	100
Warner Estate Management Limited:	£1 Ordinary Shares	2	100
*Warner Active Management No 2 Limited:	£1 Ordinary Shares	1	100
*Warner Active Management No 4 Limited:	£1 Ordinary Shares	1	100
*Warner Advisors (Jersey) Limited (Jersey):	£1 Ordinary Shares	1	100
Warner Estate Asset Management Limited:	10p Ordinary Shares	1,636,000	100
Warner Estate Property Management Limited:	10p Ordinary Shares	3,987,000	100
*Warner Estate (AM:PM) Limited:	£1 Ordinary Shares	1	100

Property Investment

Lancaster Holdings Limited:	£1 Ordinary Shares	100	100
	£1 Deferred Shares	100	100
Lancaster Investments Limited:	£1 Shares	1,000	100
Warner Estate Development (Folkestone) Limited:	£1 Ordinary Shares	1	100
Warner Estate Investments Limited:	£1 Ordinary Shares	1	100
Warner Estate Property Limited:	£1 Ordinary Shares	40,000,000	100

Other Investment

Cardiff and Provincial Properties Limited:	25p Ordinary Shares	162,000	100
Warner Estate, Limited:	£1 Ordinary Shares	1	100
*Warner Estate (AIF) Limited (Jersey):	£1 Ordinary Shares	1	100
	£1 Redeemable Preference Shares	12,000,000	100
*Warner Estate (GLO) Limited (Jersey):	£1 Ordinary Shares	1	100
Warner Estate Joint Ventures Limited:	£1 Ordinary Shares	1	100

Joint Ventures

Property Investment

*Agora Shopping Centres Limited:	£1 A Ordinary Shares	7,323,013	100
	£1 B Ordinary Shares	7,323,013	-
*Agora Max Limited:	£1 A Ordinary Shares	32,538,535	100
	£1 B Ordinary Shares	32,538,535	-
*Apia Regional Office Fund (General Partner) Limited:	£1 A Ordinary Shares	25,000	-
	£1 B Ordinary Shares	25,000	100
*Greater London Offices Limited:	£1 A Ordinary Shares	5,091,332	100
	£1 B Ordinary Shares	5,091,332	-
*Radial Distribution Limited:	£1 A Ordinary Shares	8,345,419	100
	£1 B Ordinary Shares	8,345,419	-

Principal Other Investments

Investment in Shares

*Ashtenne Industrial (General Partner) Limited:	£1 A Ordinary Shares	120	-
	£1 B Ordinary Shares	60	100

Investment in Funds

*Apia Regional Office Fund Unit Trust (Jersey):	£1 Units	190,532,109	27.43
*Ashtenne Industrial Fund Unit Trust (Jersey):	£1 Units	358,695,267	6.52

* Held through a subsidiary company

All companies are incorporated in the UK and registered in England unless otherwise indicated.

The companies listed above are those subsidiary undertakings whose results or financial position, in the opinion of the Directors principally affected the figures in the Group's financial statements. The Company has taken advantage of s410(2) and (3) Companies Act 2006 in not listing all its subsidiary and joint venture undertakings. All of the subsidiaries have been consolidated in the Group financial statements.

Full listings of all the subsidiaries are available from the Company Secretary at the registered office.

36. POST BALANCE SHEET EVENTS

On 14 May 2010, the Group disposed of its 50% share in Radial Distribution Limited for consideration amounting to £0.5million. The Group received consideration amounting to £3.3million for the termination of the related asset management contract.