

**Half Year Report and Accounts
for the six months ended
30 September 2010**

Financial Summary

- Revenue £14.9million (September 2009: £15.6million)
- Recurring operating profit before net movements on investments £6.3million (September 2009: £5.6million)⁽ⁱ⁾
- Loss before income tax £1.0million (September 2009: £27.6million loss)
- Net liabilities per share 9p (March 2010 : 7p net liabilities)
- Loss per share 1.8p (September 2009: 49.9p loss)

(i) Adjusted for non-recurring management fee income of £1.1million and net property expenses of £0.2million

Key Business Events

- Sovereign Gate, Richmond and 24-26 The Minories, London were sold in April and June respectively, for a combined amount of £10.8million which was in line with valuation.
- Disposal of 50% equity interest in Radial Distribution Limited for £0.5million and receipt of transaction based fees and foregone management fees of £4.1million.⁽ⁱ⁾
- September quarter day cash collection remains at or above 98% within 28 days
- Substantial reduction in voids across the Wholly Owned portfolio to 10.3% (March 2010: 19.4%)
- Only one floor (8,600 sq ft) remains unlet in the Group's flagship City of London office refurbishment, 60 New Broad Street.

(i) £1.1million one-off fees and £3.0million on termination of asset management contract

CHAIRMAN'S STATEMENT

This is the Group's first set of results following the refinancing of its wholly owned portfolio at the end of March 2010. Although net asset value per share has decreased during the six months ended 30 September 2010 from a negative 7p to a negative 9p, this includes the 13p per share impairment of goodwill, explained further below, more than offsetting the 4% increase in the value of our portfolio and the gain from the sale in May of our Radial Distribution joint venture. In addition to the valuation surplus, progress has been made with an improvement in operating profit and a substantial reduction in the void rate.

Results Overview

Operating profit before net movements on investments for the six months to 30 September has increased to £7.2million from £0.6million for the equivalent period last year. Recurring operating profit before net movements on investments for the period was £6.3million compared to £5.6million for the equivalent period last year due to further reductions in operating costs. Recurring operating profit excludes one-off fees received on the disposal of Radial Distribution of £1.1million and the reduction of the leasehold liability provision by £0.2million offset by the movement in other accruals of £0.4million (September 2009: excludes the provision against the leasehold liability portfolio of £4.8million and other one-off costs of £0.2million). Improving property values and the gain on disposal of the Group's interests in Radial Distribution, offset by an impairment of goodwill, resulted in a pre tax loss of £1.0million (September 2009: £27.6million loss). The impairment of goodwill of £7.1million, relating to the asset management business originally acquired by Industrial Funds Limited as part of the acquisition of Ashtenne Holdings, arises from the Group reassessing a number of factors including the maturity of the contract in 2016 and the potential impact on management fees of uncertain capital values given that the fees of this business are based on gross asset values. The directors believe that this is an appropriate carrying value of goodwill as at 30 September 2010.

The net finance expense for the period has increased to £8.6million (September 2009: £4.4million) as a result of the refinancing which includes an increase in margin, interest rate hedging required by the lending banks and the amortisation of related costs. The Group has hedged 52% of its gross debt as at 30 September 2010. The headline cost of net debt is 7.1% of which the cash cost is 2.3%. Group net debt has been reduced to £241.3million as at 30 September 2010 from £253.3million as at 31 March 2010 as a result of completing the disposal of two non-income producing assets. The net cash inflow for the period was £3.0million. The terms relating to the refinanced loan facilities are set out on pages 59 to 67 of the Group's 2010 Annual Report and Accounts. Of the Group's facilities, £163.5million matures in April 2012 and the balance of £85million matures in December 2012. Two of the Group's three facilities have loan to value ('LTV') covenants, of which one has been tested and is compliant and the other is due to be tested in March 2011. It is difficult to estimate the future values of property, and consequently LTV ratios, particularly in light of the potential impact of current European financial turmoil and the austerity measures being introduced by the Government on the UK's economy and financial markets. The Board has discussed with its advisors, at some length, the likely future headroom under these LTV covenants and concluded that, based on best current estimates, the Group will, for the foreseeable future, have adequate headroom. The Group's positive income and cash generation provide adequate headroom for other financial covenants, in particular income cover ratios and debt service cover ratios.

As reported in June, although the exit fees payable when these facilities expire would not be covered on current cash flow projections without a considerable rise in property values, the Board continues to address this issue in order to ensure a solution is found prior to the maturity of the facilities.

I would like to reassure shareholders that, although the Group has net liabilities, mainly due to unrealised revaluation movements, the Board is satisfied that, following a review of appropriately stress tested cash flow projections, the Group will continue to be able to meet its liabilities as and when they fall due for the foreseeable future.

Discussions with each of the Group's joint venture lenders continue; the Directors will provide further updates regarding these discussions as and when appropriate.

I very much regret that no interim dividend will be paid.

Property Review

The market improvement experienced in the early part of this period has flattened out. With a predominantly London and South East portfolio, 88% by value, and limited exposure to government tenants, 2% by contracted rent, the Group's wholly owned portfolio performed well relative to benchmark, with a gain in value of 4% compared with the IPD Monthly Index benchmark increase of 2.4%. The net gain masks the divergence between increases in the values of London and/or well let properties and falls in those of the more secondary properties. The sale of two mainly vacant office buildings contributed to a slight improvement in the average unexpired lease term to 7.1 years, with 68% of contracted income now secure until 2014.

From an earlier high of 24.9% in July 2009, the wholly owned portfolio void rate has improved, falling from 13.4% at the end of September 2010 to 10.3% by estimated rental value (ERV) today. A focused approach to lettings, high tenant retention rates and low failure levels has contributed to this void rate falling back close to the equivalent IPD benchmark of 9.9%. Other notable highlights included the eagerly anticipated opening of the new Primark store in the Group's Bouverie Place Shopping Centre (Folkestone) in September. In the run up to Christmas and beyond this is seen as a key draw, not just to the Centre, but also to the town itself.

The Apia Regional Office Fund acquired seven regional office assets from Scottish Widows Investment Partnership (SWIP), in exchange for an equity holding in the fund and sold an asset to SWIP for cash. Total assets under management, excluding the Radial Distribution joint venture sold during the period, remained broadly constant over the period at £1.4billion and the breakdown between business units is shown in the table below. The capital value of standing investments decreased by 0.2% against the benchmark increase of 2.4% due to price fluctuations in regional office and secondary shopping centre markets. However, active asset management generated an income return of 3.8%, compared to the IPD benchmark's 3.5%, from the annual rent roll of £120million under management. Portfolio wide tenant retention rates are holding up well and rent collection statistics have been maintained at or above 98% within 28 days of due date.

As at 30 September 2010

| | Number of Properties | Capital Value £m | Net Rental Income £m | Estimated Rental Value £m | Net Initial Yield % | Equivalent Yield % | Void Rate % |
|-------------------------------|----------------------|---------------------|-------------------------|------------------------------|------------------------|-----------------------|----------------|
| Wholly Owned | 45 | 210.9 | 13.5 | 19.0 | 6.0 | 7.9 | 13.4 |
| Agora Shopping Centres JV | 8 | 151.1 | 12.7 | 16.9 | 7.6 | 9.5 | 7.9 |
| Agora Max Shopping Centres JV | 2 | 87.8 | 8.2 | 10.5 | 8.8 | 9.3 | 1.5 |
| Greater London Offices JV | 2 | 74.3 | 5.8 | 5.5 | 7.0 | 6.6 | 3.6 |
| Apia Regional Office Fund | 21 | 222.6 | 15.9 | 24.4 | 6.3 | 8.6 | 26.3 |
| Ashtenne Industrial Fund | 368 | 668.2 | 55.9 | 75.7 | 8.5 | 10.1 | 16.6 |
| Total | 446 | 1,414.9 | 112.0 | 152.0 | 7.6 | 9.2 | 14.7 |

Strategy and Outlook

As I reported in June, the Group's primary objective is to seek to grow our asset management business, based upon the existing platform of skilled staff managing £1.4 billion of property. However, we also continue to explore options to strengthen the Group's balance sheet. In the meantime protecting income and controlling costs remain priorities.

The improvement in sentiment in the property market in the early part of this year, brought about by increased demand and some capital growth, appears to have waned as the UK economy waits to assess the impact of the proposed Government austerity measures. This uncertainty is exacerbated by the current turmoil in European financial markets. The effect on property values and income of a potential UK economic downturn is one of the key risks facing the Group. The other principal risks and uncertainties affecting the Group, and the mitigation in place to address them, are set out on page 9 of the 2010 Annual Report and Accounts. With a mixed property portfolio, we can see both upsides and downsides and asset management experience will be more important than ever, an expertise which the Group is well placed to provide.

Philip Warner
Chairman

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

| | Notes | Unaudited 6 months ended 30 September 2010 | Unaudited 6 months ended 30 September 2009 | Audited Year ended 31 March 2010 |
|---|-------|--|--|--|
| | | | £m | £m |
| Revenue | | 14.9 | 15.6 | 32.8 |
| Rental and similar income | | 7.6 | 9.1 | 18.7 |
| Property management expenses | | (1.5) | (2.8) | (5.6) |
| Movement in provision for onerous contracts | 14 | 0.2 | (4.8) | (4.2) |
| Service charge and similar income | | 1.7 | 1.7 | 3.1 |
| Service charge expense and similar charges | | (2.4) | (2.2) | (4.4) |
| Net rental income | 2 | 5.6 | 1.0 | 7.6 |
| Revenue from asset management activities | | 5.6 | 4.8 | 11.0 |
| Asset management expenses | | (3.6) | (4.6) | (9.2) |
| Net income from asset management activities | 2 | 2.0 | 0.2 | 1.8 |
| Other operating expenses | | (0.4) | (0.6) | (1.5) |
| Operating profit before net movements on investments | 2 | 7.2 | 0.6 | 7.9 |
| Net profit / (loss) from fair value adjustments on investment properties and impairment of net investment in finance leases | 9 | 7.2 | (15.8) | (2.8) |
| Net loss from fair value adjustment on investments | 11/12 | (1.1) | (7.6) | (6.2) |
| Profit / (loss) on sale of investment properties | | 0.1 | (0.3) | (0.1) |
| Profit on sale of investment in joint ventures | 10 | 0.5 | - | - |
| Profit on termination of asset management contract | 10 | 3.0 | - | - |
| Impairment of goodwill | 8 | (7.1) | - | - |
| Operating profit / (loss) | | 9.8 | (23.1) | (1.2) |
| Finance income | 3 | 0.5 | 1.3 | 1.8 |
| Finance expense | 4 | (9.1) | (5.7) | (12.2) |
| Change in fair value of derivative financial instruments | | (2.2) | 0.9 | 2.9 |
| Share of joint ventures' post tax losses | 10 | - | (1.0) | (1.0) |
| Loss before income tax | | (1.0) | (27.6) | (9.7) |
| Taxation – current | 5 | - | - | 0.8 |
| Taxation – deferred | 5 | - | - | - |
| Loss for the period | | (1.0) | (27.6) | (8.9) |
| Loss per share | 7 | (1.81) | (49.86) | (16.09) |
| Fully diluted loss per share | 7 | (1.66) | (49.03) | (15.20) |

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

| | Unaudited 6 months ended 30 September 2010 | Unaudited 6 months ended 30 September 2009 | Audited Year ended 31 March 2010 |
|--|---|--|--|
| | £m | £m | £m |
| Loss for the period | (1.0) | (27.6) | (8.9) |
| Other comprehensive expense | | | |
| Actuarial losses on retirement benefit obligations | (0.1) | (0.2) | (0.1) |
| Deferred tax arising on retirement benefit obligations | - | - | - |
| Total comprehensive expense for the period | (1.1) | (27.8) | (9.0) |

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Unaudited At 30 September 2010 | Unaudited At 30 September 2009 | Audited At 31 March 2010 |
|--|-------|---|---|-----------------------------------|
| | Notes | £m | £m | £m |
| ASSETS | | | | |
| Non-current assets | | | | |
| Goodwill | 8 | 4.1 | 11.2 | 11.2 |
| Investment properties | 9 | 209.4 | 199.6 | 212.2 |
| Plant and equipment | | 0.2 | 0.3 | 0.2 |
| Investments in joint ventures | 10 | - | - | - |
| Investments in funds | 11 | 40.2 | 39.8 | 41.3 |
| Investments in unlisted shares | 12 | 0.3 | 0.4 | 0.3 |
| Net investment in finance leases | | 2.4 | 2.4 | 2.4 |
| Deferred income tax assets | 13 | 0.2 | 0.2 | 0.2 |
| Trade and other receivables | | 3.1 | 1.6 | 2.2 |
| | | 259.9 | 255.5 | 270.0 |
| Current assets | | | | |
| Trade and other receivables | | 6.3 | 7.3 | 6.5 |
| Cash and cash equivalents | 16 | 7.5 | 7.0 | 4.5 |
| | | 13.8 | 14.3 | 11.0 |
| Total assets | | 273.7 | 269.8 | 281.0 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings, including finance leases | 16 | (246.6) | (3.2) | (255.1) |
| Trade and other payables | | (0.9) | (2.8) | (2.1) |
| Derivative financial liabilities | | (4.7) | (4.5) | (2.5) |
| Retirement benefit obligations | | (0.9) | (1.1) | (0.8) |
| Provisions for other liabilities and charges | 14 | (3.6) | (5.8) | (4.4) |
| | | (256.7) | (17.4) | (264.9) |
| Current liabilities | | | | |
| Borrowings, including finance leases | 16 | (1.1) | (257.0) | (0.9) |
| Trade and other payables | | (18.0) | (14.2) | (15.8) |
| Current income tax liabilities | | (0.1) | (1.0) | (0.3) |
| Provisions for other liabilities and charges | 14 | (2.9) | (3.8) | (3.1) |
| | | (22.1) | (276.0) | (20.1) |
| Total liabilities | | (278.8) | (293.4) | (285.0) |
| Net liabilities | | (5.1) | (23.6) | (4.0) |
| EQUITY | | | | |
| Capital and reserves attributable to the Company's equity holders | | | | |
| Share capital | | 2.8 | 2.8 | 2.8 |
| Reserves | | (7.0) | (25.4) | (5.8) |
| Investment in own shares | | (0.9) | (1.0) | (1.0) |
| Total deficit | | (5.1) | (23.6) | (4.0) |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

| | Share Capital | Share Premium | Share Based Payments | Revaluation Reserve | Other Reserve | Treasury Shares | Retained Earnings | Warrant reserve | Investment in own shares | Total |
|--|------------------|------------------|----------------------------|------------------------|------------------|--------------------|----------------------|--------------------|--------------------------------|---------------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| At 30 September 2009 (unaudited) | 2.8 | 40.7 | 1.5 | (244.6) | 8.0 | (1.5) | 170.5 | - | (1.0) | (23.6) |
| Total comprehensive income for the half year | - | - | - | - | - | - | 18.8 | - | - | 18.8 |
| Movement on realised revaluation | - | - | - | 16.9 | - | - | (16.9) | - | - | - |
| Transactions with owners: | | | | | | | | | | |
| Disposal of investment in own shares | - | - | - | - | - | - | - | - | 0.1 | 0.1 |
| Cost of share based payments | - | - | - | - | - | - | - | - | (0.1) | (0.1) |
| Warrants issued | - | - | - | - | - | - | - | 0.8 | - | 0.8 |
| At 31 March 2010 | 2.8 | 40.7 | 1.5 | (227.7) | 8.0 | (1.5) | 172.4 | 0.8 | (1.0) | (4.0) |
| Total comprehensive expense for the half year | - | - | - | - | - | - | (1.1) | - | - | (1.1) |
| Movement on realised revaluation | - | - | - | 39.8 | - | - | (39.8) | - | - | - |
| Transactions with owners: | | | | | | | | | | |
| Disposal of investment in own shares | - | - | - | - | - | - | - | - | 0.1 | 0.1 |
| Cost of share based payments | - | - | (0.4) | - | - | - | 0.3 | - | - | (0.1) |
| Warrants issued | - | - | - | - | - | - | - | - | - | - |
| At 30 September 2010 (unaudited) | 2.8 | 40.7 | 1.1 | (187.9) | 8.0 | (1.5) | 131.8 | 0.8 | (0.9) | (5.1) |

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2010

| | Note | Unaudited 30 September 2010 £m | Unaudited 30 September 2009 £m | Audited 31 March 2010 £m |
|---|------|---|---|-----------------------------------|
| Cash flows from operating activities | | | | |
| Cash generated from operations | 15 | 2.3 | 1.3 | 7.7 |
| Interest paid | | (3.2) | (5.3) | (11.1) |
| Interest received | | 0.1 | - | 0.1 |
| UK Corporation tax (paid) / received | | (0.2) | 0.9 | 1.0 |
| Net cash outflow from operating activities | | (1.0) | (3.1) | (2.3) |
| Cash flows from investing activities | | | | |
| Purchase of investment properties and related capital expenditure | | (0.5) | (0.3) | (1.2) |
| Sale of investment properties | | 10.6 | 13.4 | 14.5 |
| Net cash received from disposal of shares in subsidiary companies | | - | 36.9 | 36.9 |
| Sale of investments in joint ventures | | 0.5 | - | - |
| Termination of asset management contract | | 3.0 | - | - |
| Distributions received from funds | | - | 0.9 | 1.3 |
| Net cash inflow from investing activities | | 13.6 | 50.9 | 51.5 |
| Cash flows from financing activities | | | | |
| Increase in bank loans | | 1.3 | - | 15.7 |
| Repayment of bank loans | | (10.3) | - | (53.2) |
| Finance fees paid | | (0.6) | (12.0) | (16.2) |
| Net cash outflow from financing activities | | (9.6) | (12.0) | (53.7) |
| Net increase / (decrease) in cash and cash equivalents* | | 3.0 | 35.8 | (4.5) |
| Cash and cash equivalents at beginning of period* | | 4.5 | (286.3) | (286.3) |
| Less: overdraft facility balances | | - | - | 295.3 |
| Cash and cash equivalents at end of period* | 16 | 7.5 | (250.5) | 4.5 |

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

UNAUDITED NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION & ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial statements for the six months ended 30 September 2010 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union ("EU"), and on the basis of accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 March 2010.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010 were approved by the Board of Directors on 18 June 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial information has been reviewed, not audited.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with IFRSs as adopted by the EU.

There is no material seasonal impact on the Group's financial performance.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Group will continue to be able to meet its liabilities as and when they fall due, for the foreseeable future.

Accounting policies

Except as described below, the condensed consolidated interim financial statements have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in note 1 of the Group's Annual Report for the year ended 31 March 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new or revised Accounting Standards or interpretations are effective for the financial year beginning 1 April 2010 but do not have a material impact on the Group's interim figures:

- IFRS 1 (revised) 'First time adoption'
- IFRS 3 (revised) 'Business combinations'
- IAS 27 (revised), 'Consolidated and Separate Financial Statements'
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on Eligible hedged items
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- IFRIC 17 'Distribution of Non-cash Assets to Owners'
- IFRIC 18, 'Transfer of assets from customers'

The following Accounting Standards or Interpretations are not yet effective and have not been early adopted by the Group:

- Annual improvements 2009
- Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions'
- Amendments to IFRS 1 for additional exemptions
- IFRIC 15, 'Arrangements for construction of real estates'
- Amendments IAS 32 Financial instruments: Presentation on classification of rights issues

2. SEGMENTAL REPORTING

BUSINESS SEGMENTS

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

| | Property Investment | Asset Management | Unallocated and other activities | Total |
|---|------------------------|---------------------|-------------------------------------|---------|
| | £m | £m | £m | £m |
| Six months to 30 September 2010 (unaudited) | | | | |
| Rental and similar income | 7.6 | - | - | 7.6 |
| Property management expenses | (1.5) | - | - | (1.5) |
| Movement in provision for onerous contracts | 0.2 | - | - | 0.2 |
| Service charge and similar income | 1.7 | - | - | 1.7 |
| Service charge expense and similar charges | (2.4) | - | - | (2.4) |
| Net rental income | 5.6 | - | - | 5.6 |
| Revenue from asset management activities | | | | |
| Management fee income | - | 5.6 | - | 5.6 |
| Performance fee income | - | - | - | - |
| | - | 5.6 | - | 5.6 |
| Asset management expenses | - | (3.6) | - | (3.6) |
| Other operating expenses | (0.1) | (0.3) | - | (0.4) |
| Operating profit before net gain on investments | 5.5 | 1.7 | - | 7.2 |
| Net profit from fair value adjustments on investment properties | 7.2 | - | - | 7.2 |
| Net loss from fair value adjustments on investments | - | - | (1.1) | (1.1) |
| Profit on sale of investment properties | 0.1 | - | - | 0.1 |
| Profit on sale of investments in joint ventures | - | - | 0.5 | 0.5 |
| Profit on termination of asset management contract | - | 3.0 | - | 3.0 |
| Impairment of goodwill | - | (7.1) | - | (7.1) |
| Operating profit / (loss) | 12.8 | (2.4) | (0.6) | 9.8 |
| Net interest expense | - | - | (10.8) | (10.8) |
| Share of joint ventures' post tax losses | - | - | - | - |
| Profit / (loss) before income tax | 12.8 | (2.4) | (11.4) | (1.0) |
| Taxation – current | - | - | - | - |
| Taxation – deferred | - | - | - | - |
| Profit / (loss) for the period | 12.8 | (2.4) | (11.4) | (1.0) |
| Total assets | 217.3 | 6.3 | 50.1 | 273.7 |
| Total liabilities excluding borrowings and finance leases | (21.5) | 1.4 | (11.0) | (31.1) |
| Borrowing, including finance leases | (3.3) | - | (244.4) | (247.7) |
| Net assets / (liabilities) | 192.5 | 7.7 | (205.3) | (5.1) |
| Other segment items: | | | | |
| Capital expenditure | 0.5 | - | - | 0.5 |
| Depreciation | - | - | - | - |

2. SEGMENTAL REPORTING (CONT.)

| | Property Investment | Asset Management | Unallocated and other activities | Total |
|---|------------------------|---------------------|-------------------------------------|---------|
| | £m | £m | £m | £m |
| Six months to 30 September 2009 (unaudited) | | | | |
| Rental and similar income | 9.1 | - | - | 9.1 |
| Property management expenses | (2.8) | - | - | (2.8) |
| Movement in provision for onerous contracts | (4.8) | - | - | (4.8) |
| Service charge and similar income | 1.7 | - | - | 1.7 |
| Service charge expense and similar charges | (2.2) | - | - | (2.2) |
| Net rental income | 1.0 | - | - | 1.0 |
| Revenue from asset management activities | | | | |
| Management fee income | - | 4.8 | - | 4.8 |
| Performance fee income | - | - | - | - |
| | - | 4.8 | - | 4.8 |
| Asset management expenses | - | (4.6) | - | (4.6) |
| Other operating expenses | (0.1) | (0.5) | - | (0.6) |
| Operating profit / (loss) before net gain on investments | 0.9 | (0.3) | - | 0.6 |
| Net loss from fair value adjustments on investment properties | (15.8) | - | - | (15.8) |
| Net loss from fair value adjustments on investments | - | - | (7.6) | (7.6) |
| Loss on sale of investment properties | (0.3) | - | - | (0.3) |
| Operating loss | (15.2) | (0.3) | (7.6) | (23.1) |
| Net interest expense | - | - | (3.5) | (3.5) |
| Share of joint ventures' post tax losses | - | - | (1.0) | (1.0) |
| Loss before income tax | (15.2) | (0.3) | (12.1) | (27.6) |
| Taxation – current | - | - | - | - |
| Taxation – deferred | - | - | - | - |
| Loss for the period | (15.2) | (0.3) | (12.1) | (27.6) |
| Total assets | 206.4 | 13.3 | 50.1 | 269.8 |
| Total liabilities excluding borrowings and finance leases | (20.5) | (2.9) | (9.8) | (33.2) |
| Borrowing, including finance leases | (3.3) | - | (256.9) | (260.2) |
| Net assets / (liabilities) | 182.6 | 10.4 | (216.6) | (23.6) |
| Other segment items: | | | | |
| Capital expenditure | 0.3 | - | - | 0.3 |
| Depreciation | - | - | 0.1 | 0.1 |

2. SEGMENTAL REPORTING (CONT.)

| | Property Investment | Asset Management | Unallocated and other activities | Total |
|--|------------------------|---------------------|-------------------------------------|---------|
| | £m | £m | £m | £m |
| Year ended 31 March 2010 (audited) | | | | |
| 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 |
| Turnover 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 |

All turnover and operating profit has arisen from continuing operations.

3. FINANCE INCOME

| | Unaudited 6 months ended 30 September 2010 | Unaudited 6 months ended 30 September 2009 | Audited Year ended 31 March 2010 |
|---|---|--|--|
| | £m | £m | £m |
| Income from investments | | | |
| Distributions from funds | 0.4 | 0.3 | 0.7 |
| Interest receivable and similar income: | | | |
| From joint ventures | - | - | (0.3) |
| Provision against interest receivable from joint ventures | - | 1.0 | 1.3 |
| | - | 1.0 | 1.0 |
| Other interest | 0.1 | - | 0.2 |
| Other finance income | | | |
| Expected return on pension scheme assets | 0.2 | 0.2 | 0.3 |
| Interest on pension scheme liabilities | (0.2) | (0.2) | (0.4) |
| | - | - | (0.1) |
| | 0.5 | 1.3 | 1.8 |

4. FINANCE EXPENSE

| | Unaudited 6 months ended 30 September 2010 | Unaudited 6 months ended 30 September 2009 | Audited Year ended 31 March 2010 |
|---|---|--|--|
| | £m | £m | £m |
| Interest payable on bank loans and overdrafts | 7.6 | 4.4 | 10.1 |
| Charges in respect of cost of raising finance | 1.3 | 1.2 | 1.9 |
| | 8.9 | 5.6 | 12.0 |
| Interest payable under finance leases | 0.2 | 0.1 | 0.2 |
| | 9.1 | 5.7 | 12.2 |

5. TAXATION

The taxation charge for the period has been estimated from the expected taxable profits of the Group's non-REIT activities after taking account of capital allowances available.

6. DIVIDENDS

| | Unaudited 6 months ended 30 September 2010 | Unaudited 6 months ended 30 September 2009 | Audited Year ended 31 March 2010 |
|-----------------------|---|--|--|
| | £m | £m | £m |
| On Ordinary 5p shares | - | - | - |
| | - | - | - |

7. EARNINGS PER SHARE

Basic losses per share of 1.81p (six months to 30 September 2009: losses 49.86p; year to 31 March 2010: losses 16.09p) are calculated on the loss for the period of £1.0million (six months to 30 September 2009: loss £27.6million; year to 31 March 2010: loss £8.9million) and the weighted average of 55,190,142 (six months to 30 September 2009: 55,365,194; year to 31 March 2010: 55,332,560) shares in issue throughout the period.

Diluted losses per share of 1.66p (six months to 30 September 2009: losses 49.03p; year to 31 March 2010: losses 15.20p) are based on the loss for the period as above divided by the weighted average number of shares in issue, being 59,755,173 (six months to 30 September 2009: 56,289,379; year to 31 March 2010: 58,534,466) 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:

| | Unaudited 6 months ended 30 September 2010 | Unaudited 6 months ended 30 September 2009 | Audited Year ended 31 March 2009 |
|---|---|--|--|
| Earnings per share: weighted average number of shares | 55,190,142 | 55,365,194 | 55,332,560 |
| Weighted average ordinary shares to be issued under employee incentive arrangements | 2,293,753 | 924,195 | 770,027 |
| Weighted average warrants for ordinary shares to be issued | 2,271,278 | - | 2,431,879 |
| Diluted earnings per share: weighted average number of shares | 59,755,173 | 56,289,389 | 58,534,466 |

8. GOODWILL

| | £m |
|--|-------------|
| Cost | |
| At 31 March 2010 (audited) | 11.2 |
| Additions | - |
| At 30 September 2010 | 11.2 |
| Impairment | |
| At 31 March 2010 (audited) | - |
| Charge for period | (7.1) |
| At 30 September 2010 | - |
| Net book value at 30 September 2010 | 4.1 |
| Net book value at 31 March 2010 (audited) | - |

Goodwill is not amortised but is subject to an annual impairment test. Goodwill of £4.1million is allocated to the cash generating unit ("CGU") defined as the asset management business originally acquired by Industrial Funds Limited. The recoverable amount of the asset management business has been used to assess whether the goodwill is impaired. The recoverable amount of the CGUs has been calculated based on the value-in-use calculations. These calculations use cash flow projections based on financial projections approved by management covering the period to the termination of the asset management contract.

The impairment arises from the Group reassessing a number of factors including the maturity of the contract in 2016 and the potential impact on management fees of uncertain capital values given that the fees of this business are based on gross asset values.

9. INVESTMENT PROPERTIES

| | Freehold | Leasehold with over 50 years unexpired | Total Investment Properties |
|---|--------------|---|--------------------------------|
| | £m | £m | £m |
| At 1 April 2010 (audited) | 139.2 | 73.0 | 212.2 |
| Capital expenditure | 0.1 | 0.4 | 0.5 |
| Disposals | (10.5) | - | (10.5) |
| Net gain from fair value adjustments on investment property | 4.1 | 3.1 | 7.2 |
| At 30 September 2010 (unaudited) | 132.9 | 76.5 | 209.4 |

10. JOINT VENTURES

| | Unaudited At 30 September 2010 | Unaudited At 30 September 2009 | Audited At 31 March 2010 |
|--|---|---|-----------------------------------|
| | £m | £m | £m |
| Share of joint ventures | | | |
| At 1 April | - | - | - |
| Share of loss for the period | - | (4.6) | (4.6) |
| Provision against loan receivable | - | 3.6 | 3.6 |
| | - | (1.0) | (1.0) |
| Net equity movements | - | 1.0 | 1.0 |
| At 30 September / 31 March | - | - | - |
| Unlisted shares at cost | 73.4 | 99.3 | 99.3 |
| Group's share of post acquisition retained losses and reserves | (73.4) | (99.3) | (99.3) |
| | - | - | - |

On 17 May 2010, the Group sold its investment in Radial Distribution Limited which had a book value of £nil. The net proceeds were £0.5million. The Group's share of results has been included to the disposal date. On this date, the Group's associated asset management agreement was terminated and the Group received consideration of £3.0million.

There are no outstanding loan balances between the Group and its joint ventures.

11. INVESTMENTS IN FUNDS

| | £m |
|---|-------------|
| As at 31 March 2010 (audited) | 41.3 |
| Net loss from fair value adjustments | (1.1) |
| At 30 September 2010 (unaudited) | 40.2 |
| AIF | 15.8 |
| Apia | 24.4 |
| At 30 September 2010 (unaudited) | 40.2 |

12. INVESTMENTS IN UNLISTED SHARES

| | Unaudited At 30 September 2010 | Unaudited At 30 September 2009 | Audited At 31 March 2010 |
|----------------------|---|---|-----------------------------------|
| | £m | £m | £m |
| Unlisted investments | 0.3 | 0.4 | 0.3 |
| | 0.3 | 0.4 | 0.3 |

13. DEFERRED TAXATION

| | Unaudited At 30 September 2010 | Unaudited At 30 September 2009 | Audited At 31 March 2010 |
|--|---|---|-----------------------------------|
| | £m | £m | £m |
| Deferred taxation assets | | | |
| Deferred taxation arising from: | | | |
| Retirement benefit obligations | 0.2 | 0.2 | 0.2 |
| | 0.2 | 0.2 | 0.2 |
| Deferred taxation liabilities | | | |
| Deferred taxation arising from: | | | |
| Unrealised derivative financial instruments valuations | - | - | - |
| Unrealised property and investment valuations | - | - | - |
| | - | - | - |

14. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | Onerous contracts | Performance fees | Total |
|---|-------------------|------------------|------------|
| | £m | £m | £m |
| At 31 March 2010 (audited) | 5.8 | 1.7 | 7.5 |
| Credit to consolidated income statement | (0.2) | - | (0.2) |
| Utilised during the period | (0.8) | - | (0.8) |
| At 30 September 2010 (unaudited) | 4.8 | 1.7 | 6.5 |

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

| | Unaudited At 30 September 2010 | Unaudited At 30 September 2009 | Audited At 31 March 2010 |
|-------------|---|---|-----------------------------------|
| | £m | £m | £m |
| Non-current | 3.6 | 5.8 | 4.4 |
| Current | 2.9 | 3.8 | 3.1 |
| | 6.5 | 9.6 | 7.5 |

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

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW

| | Unaudited | Unaudited | Audited |
|--|---------------------|--------------|----------|
| | At | At | At |
| | 30 September | 30 September | 31 March |
| | 2010 | 2009 | 2010 |
| | £m | £m | £m |
| Operating profit before net gains on investments | 7.2 | 0.6 | 7.9 |
| Depreciation of plant and equipment | - | 0.1 | 0.2 |
| De-recognition of goodwill | - | 0.1 | 0.1 |
| (Increase) / decrease in trade and other receivables | (0.3) | 1.0 | 1.1 |
| Decrease in trade and other payables | (4.6) | (0.5) | (1.6) |
| Cash inflows from operations | 2.3 | 1.3 | 7.7 |

16. BORROWINGS, CASH AND CASH EQUIVALENTS

| | Unaudited | Unaudited | Audited |
|---|---------------------|--------------|----------|
| | At | At | At |
| | 30 September | 30 September | 31 March |
| | 2010 | 2009 | 2010 |
| | £m | £m | £m |
| Amounts falling due after more than one year: | | | |
| Bank loans | 247.7 | - | 257.0 |
| Future finance costs | (4.3) | - | (5.1) |
| | 243.4 | - | 251.9 |
| Finance lease obligations | 3.2 | 3.2 | 3.2 |
| | 246.6 | 3.2 | 255.1 |
| Amounts falling due within one year: | | | |
| Bank overdrafts | - | 257.5 | - |
| Bank loans | 1.0 | - | 0.8 |
| Future finance costs | - | (0.6) | - |
| | 1.0 | 256.9 | 0.8 |
| Finance lease obligations | 0.1 | 0.1 | 0.1 |
| | 1.1 | 257.0 | 0.9 |
| Total borrowings, including finance leases | 247.7 | 260.2 | 256.0 |
| Cash and cash equivalents at end of period | 7.5 | 7.0 | 4.5 |

17. RELATED PARTY TRANSACTIONS

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

Details of transactions and balances between the Group and joint ventures are set out in note 10.

Remuneration of key management personnel:

| | Unaudited Six months ended 30 September 2010 £m | Unaudited Six months ended 30 September 2009 £m | Audited Year ended 31 March 2009 £m |
|------------------------------|--|---|---|
| Short-term employee benefits | 0.3 | 0.5 | 0.8 |
| Post-employee benefits | - | 0.1 | 0.1 |
| Share based payments | - | - | - |
| | 0.3 | 0.6 | 1.2 |

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors confirm that to the best of their knowledge, these condensed consolidated interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and gives a true and fair view of the assets, liabilities, financial position and loss of the Group, and that the Half Yearly Report herein includes a fair review of the information as required by 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules.

The Directors of Warner Estate Holdings PLC are as stated in the Group's Annual Report for the year ended 31 March 2010, with the addition of Mr. K A Holman who was appointed Non-Executive Director on 1 July 2010 replacing Mr. W R Broderick.

The Chairman's Statement on pages 2 to 3 refers to important events which have taken place in the period.

The principal risks and uncertainties facing the business are as set out on page 9 of the Annual Report and Accounts.

Any material related party transactions which have taken place in the period are set out in note 17.

By the order of the Board

D J Lanchester

Secretary

29 November 2010

INDEPENDENT REVIEW REPORT TO WARNER ESTATE HOLDINGS PLC

Introduction

We have been engaged by the company to review the condensed consolidated interim financial statements in the Half Year Report and Accounts for the six months ended 30 September 2010, which comprises the Unaudited Consolidated Income Statement, the Unaudited Consolidated Statement of Comprehensive Income, the Unaudited Consolidated Statement of Financial Position, the Unaudited Consolidated Statement of Changes in Equity, the Unaudited Consolidated Cash Flow Statement and related notes. We have read the other information contained in the Half Year Report and Accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Directors' responsibilities

The Half Year Report and Accounts is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report and Accounts in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial statements in the Half Year Report and Accounts have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the Half Year Report and Accounts for the six months ended 30 September 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
29 November 2010
London

Notes:

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