

**Half Year Report and Accounts**  
**for the six months ended**  
**30 September 2009**

## SUMMARY

### **Financial Summary**

- Revenue £15.6million (September 2008: £23.5million)
- Recurring profit before tax £0.8million (September 2008: £5.7million)<sup>(i)</sup>
- Realised pre-tax loss £3.4million (September 2008: £3.6million profit)<sup>(ii)</sup>
- Loss before income tax £27.6million (September 2008: £124.7million)
- Net asset value per share negative 43p (March 2009: 8p)
- Losses per share 49.9p (September 2008: 222.0p losses)
- Recurring post-tax earnings per share 1.5p (September 2008: 7.1p)<sup>(i)</sup>

### **Key Business Events**

- Sales of property under management of £131.9million (4.9% below March 2009 values) completes disposal programme
- 28 day cash collection 97%
- Administrative costs savings of £1.4m on a like for like basis with the six month period to September 2008<sup>(iii)</sup>
- City of London office refurbishment of 60 New Broad Street complete, 15% let with a further 30% under offer
- Ashtenne Industrial Fund raised equity of £45million and extended its bank facilities by four years
- Group refinancing discussions continue
- Robert Game appointed Property Director

- (i) Group and share of joint venture results adjusted for fair value movements, profits and losses on sale of investment properties, performance fees and other one-off items
- (ii) Realised pre-tax profit includes share of joint venture pre-tax results and is before fair value movements
- (iii) The Group's total administrative costs in the income statement are allocated to property expenses, asset management expenses and administrative expenses.

## **CHAIRMAN'S STATEMENT**

These results reflect both the additional asset sales made by the Group and the further decline in property values which followed our 31 March year end. Although the sales have reduced the Group's level of debt, they have also reduced net income and profit. The decline adversely affected not only our investment property but also those management fees based upon capital value. On a more positive note, the outlook has improved markedly since we reported in July with yields stabilising and in some instances improving substantially, a trend which is continuing. We are making steady progress with our refinancing discussions.

### **Results Overview**

Recurring profit before tax for the period was £0.8million compared to £5.7million for the equivalent period last year. However, due to reduced property values, the Group made a pre tax loss of £27.6million (September 2008: £124.7million). Net asset value per share fell from 8p at 31 March 2009 to a negative 43p. I would like to reassure shareholders that although the Group has net liabilities, due to unrealised revaluation movements, the Group will continue to be able to meet its liabilities as and when they fall due for the foreseeable future.

Group net debt has been reduced from £285million to £250million at 30 September 2009 as a result of completing our property disposal programme and cash generated from operations. The net cash inflow for the period was £35.8million.

Recurring operating profit for the period, before interest of £4.5million, fell to £5.3million from £15.6million in the corresponding period last year. This was mainly as a result of a reduction in net rental income, due to the property disposals, of £3.9million and lost income of £1.7million from 60 New Broad Street in the City of London, held vacant for refurbishment and referred to further in the Property Review below. The impact of falling property values and disposals within the Ashtenne Industrial Fund and the Apia Regional Office Fund has led to distributions being £3.4million lower as each fund is retaining cash during the current environment. Asset management fees based on capital value are £1.8million lower. Our share of recurring joint venture losses increased by £1.1million, primarily due to interest and costs relating to Agora Max. These have been offset by a reduction in administrative costs of £1.4million against the first half of last year. The Group's total administrative costs in the income statement are allocated to property expenses, asset management expenses and administrative expenses. In addition the Group's interest cost has fallen through repayment of debt and lower LIBOR.

At 30 September 2009 the Group reassessed the value of the provision in respect of the leasehold liability portfolio, having regard for performance in the year to date, current market conditions and variable downside occupational market forecasts. As a result the provision on the balance sheet has been increased to £7.1million. £5.2million has been expensed to the income statement of which £4.8million has been treated as non-recurring. The movement in provision has been separately disclosed on the face of the income statement and the corresponding comparatives have been reclassified for the prior periods.

No interim dividend will be paid.

### **Property Review**

Operating from a platform of seven regional business units, our commitment to provide pan-sector specialist asset management services to existing and new clients continues.

The increased pace of market improvement arrived just too late to impact on the performance of the aggregate portfolio to 30 September 2009. During the six month interim period the total return of standing investments, those held throughout the period, of the £1.6billion we manage across all businesses slowed to a negative 1.6% compared with the IPD Monthly Index benchmark increase of 0.5%.

The capital value of these standing investments fell by 5.8%, a decline of £102million, against the benchmark fall of 3.5%. However focused asset management generated an income return of 4.4%, compared to the IPD of 4.2%, from the annual rent roll of £144million under management. Estimated Rental Value declined by only 2.0% to £181million, compared with the benchmark decline of 4.3%. Our net initial yield moved out 37bp to 8.6% compared to the IPD net initial yield of 7.7% and our equivalent yield is 9.8%, against the IPD of 9.1%.

Our underlying void rate is 13.6% by ERV compared to the benchmark of 12.0%. Since 30 September, we have experienced strong letting activity, which is expected to take the portfolio void rate back below the benchmark. One of the notable letting successes has been the entire fifth floor at the newly refurbished 60 New Broad Street. A real estate fund manager has taken a new ten year lease of this floor and we are confident that further lettings will follow shortly. Further afield our shopping centre asset managers have delivered results with full occupancy in two centres and commercialisation revenue ahead of forecasts.

During the last six months there have been sales of property under management of £131.9million (4.9% below the March 2009 values). We now have 468 properties under management with an average lot size of £3.5million, compared to £3.8million six months ago. The weighted average lease expiry across the aggregate portfolio is 5.7 years, compared to 6.7 years at March 2009. However, the standing investment weighted average remained the same at 6.7 years. Portfolio wide tenant retention rates are holding up well and rent collection statistics have been maintained at or above 97% within 28 days of due date.

## **Refinancing**

As stated in the full year results in July, the Group is currently in discussions with its three lenders, Royal Bank of Scotland, Bank of Scotland and Barclays, to extend and amend its current banking facilities in the case of two and to renew in the case of the third to ensure that the terms of these facilities are appropriate for the Group's requirements. The third facility is in effect being rolled on a periodic basis and the Directors are confident that this will continue until renewal. Each lender has currently reserved its rights to formally request the testing of certain financial covenants and the Directors would not expect the covenants to be met if tested. The discussions are making satisfactory and constructive progress.

The Directors have prepared trading and cash flow forecasts that project that the total facilities requested are not exceeded in the foreseeable future. Acknowledging the uncertainties in the property market and in the economy as a whole, the Directors have stress tested the assumptions in their forecasts with respect to rental income and property costs, overheads, management fee income and related costs and distributions from equity investments in funds. The Directors consider their forecasts to be reasonable, taking into account the above cash flow sensitivities that they have modelled, based on the information available to them at the time of approval of these financial statements.

On 2 October 2009 the Ashtenne Industrial Fund successfully raised £45million of new equity, in order to reduce its senior debt, and refinanced its existing facilities for a further four years with Royal Bank of Scotland and Lloyds Banking Group.

## **Strategy and Outlook**

As I reported in July, the Group's primary objective is to conclude the refinancing negotiations referred to above. Thereafter we shall seek to grow our asset management business, based upon the existing platform of skilled staff managing £1.6billion of property. In the meantime controlling costs and protecting income also remain priorities.

The improvement in sentiment in the property market, brought about by increased demand and some capital growth, is encouraging. This growth will be countered in varying degrees, relative to individual properties, by any risk to rental income. Asset management experience will be more important than ever and the Group is well placed to provide that expertise.

**Philip Warner**

**Chairman**

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 September 2009

	Notes	Unaudited 6 months ended 30 September 2009	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
			£m	£m
Revenue		15.6	23.5	42.5
Rental and similar income		9.1	15.5	30.2
Property expenses		(2.8)	(4.6)	(8.1)
Movement in provision for onerous contracts	13	(4.8)	(0.9)	(1.9)
Service charge and similar income		1.7	2.3	4.7
Service charge expense and similar charges		(2.2)	(2.9)	(5.7)
<b>Net rental income</b>	2	<b>1.0</b>	9.4	19.2
Revenue from asset management activities		4.8	5.7	7.6
Asset management expenses		(4.6)	(4.6)	(9.1)
<b>Net income / (expense) from asset management activities</b>	2	<b>0.2</b>	1.1	(1.5)
Administrative expenses		(0.6)	(0.5)	(1.2)
<b>Operating profit before net gains on investments</b>	2	<b>0.6</b>	10.0	16.5
Net loss from fair value adjustments on investment properties and impairment of net investment in finance leases	8	(15.8)	(49.7)	(98.8)
Net loss from fair value adjustment on investments	10/11	(7.6)	(31.1)	(60.4)
Loss on sale of investment properties		(0.3)	(0.6)	(24.9)
<b>Operating loss</b>		<b>(23.1)</b>	(71.4)	(167.6)
Finance income	3	1.3	4.5	3.4
Finance expense	4	(5.7)	(10.7)	(32.9)
Change in fair value of derivative financial instruments		0.9	(0.4)	(3.0)
Share of joint ventures' post tax losses	9	(1.0)	(46.7)	(97.0)
<b>Loss before income tax</b>		<b>(27.6)</b>	(124.7)	(297.1)
Taxation – current	5	-	(1.8)	(1.0)
Taxation – deferred	5	-	3.0	4.3
<b>Loss for the period</b>		<b>(27.6)</b>	(123.5)	(293.8)
		<b>p</b>	<b>p</b>	<b>p</b>
<b>Basic losses per share</b>	7	<b>(49.86)</b>	(222.03)	(528.30)
<b>Fully diluted losses per share</b>	7	<b>(49.03)</b>	(217.52)	(518.64)

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 September 2009

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
	<b>£m</b>	£m	£m
Loss for the period attributable to equity shareholders	<b>(27.6)</b>	(123.5)	(293.8)
<b>Other comprehensive income / (expense)</b>			
Actuarial losses on retirement benefit obligations	<b>(0.2)</b>	(0.1)	(0.8)
Deferred tax arising on retirement benefit obligations	-	-	0.2
<b>Net loss recognised in equity</b>	<b>(0.2)</b>	(0.1)	(0.6)
<b>Total comprehensive loss attributable to equity shareholders</b>	<b>(27.8)</b>	(123.6)	(294.4)

**UNAUDITED CONSOLIDATED BALANCE SHEET**

		<b>Unaudited At 30 September 2009</b>	Unaudited At 30 September 2008	Audited At 31 March 2009
	Notes	<b>£m</b>	£m	£m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		11.2	11.3	11.3
Investment properties	8	199.6	403.7	267.8
Plant and equipment		0.3	0.4	0.4
Investments in joint ventures	9	-	50.3	-
Investments in funds	10	39.8	76.5	47.5
Investments in listed and unlisted shares	11	0.4	1.1	0.3
Net investment in finance leases		2.4	3.8	2.4
Deferred income tax assets	12	0.2	1.3	0.2
Derivative financial assets		-	1.3	-
Trade and other receivables		1.6	1.4	1.0
		<b>255.5</b>	551.1	330.9
<b>Current assets</b>				
Trade and other receivables		7.3	19.9	9.7
Cash and cash equivalents		7.0	15.8	9.0
		<b>14.3</b>	35.7	18.7
<b>Total assets</b>		<b>269.8</b>	586.8	349.6
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings, including finance leases		(3.2)	(367.7)	(3.6)
Trade and other payables		(2.8)	(7.7)	(4.3)
Derivative financial liabilities		(4.5)	(3.3)	(5.4)
Deferred income tax liabilities	12	-	(2.6)	-
Retirement benefit obligations		(1.1)	(0.2)	(0.9)
Provisions for other liabilities and charges	13	(5.8)	(1.3)	(1.6)
		<b>(17.4)</b>	(382.8)	(15.8)
<b>Current liabilities</b>				
Borrowings, including finance leases		(257.0)	(0.5)	(293.9)
Trade and other payables		(14.2)	(23.6)	(31.7)
Current income tax liabilities		(1.0)	(0.6)	(0.1)
Provisions for other liabilities and charges	13	(3.8)	(3.9)	(3.9)
		<b>(276.0)</b>	(28.6)	(329.6)
<b>Total liabilities</b>		<b>(293.4)</b>	(411.4)	(345.4)
<b>Net (liabilities) / assets</b>		<b>(23.6)</b>	175.4	4.2
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	14	2.8	2.8	2.8
Reserves	14	(25.4)	173.8	2.5
Investment in own shares	14	(1.0)	(1.2)	(1.1)
<b>Total (deficit) / surplus on equity shareholders' funds</b>		<b>(23.6)</b>	175.4	4.2

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2009

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
		£m	£m
<b>Opening equity shareholders' funds</b>	<b>4.2</b>	305.2	305.2
Loss for the period attributable to equity shareholders	<b>(27.6)</b>	(123.5)	(293.8)
Other comprehensive income / (expense):			
Actuarial losses on retirement benefit obligations	<b>(0.2)</b>	(0.1)	(0.8)
Deferred tax arising on retirement benefit obligations	-	-	0.2
<b>Total comprehensive expense</b>	<b>(27.8)</b>	(123.6)	(294.4)
Transactions with owners			
Acquisition of investment in own shares	-	-	-
Disposal of investment in own shares	-	-	0.1
Cost of share based payments	-	0.1	(0.4)
Dividend paid in period	-	(6.3)	(6.3)
<b>Total transactions with owners</b>	-	(6.2)	(6.6)
Closing (deficit) / surplus on equity shareholders' funds	<b>(23.6)</b>	175.4	4.2

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2009

	Notes	Unaudited 30 September 2009 £m	Unaudited 30 September 2008 £m	Audited 31 March 2009 £m
<b>Cash flows from operating activities</b>				
Cash inflows from operations	15	1.3	4.4	12.6
Interest paid		(5.3)	(10.7)	(19.2)
Interest received		-	0.4	0.5
UK Corporation tax received / (paid)		0.9	-	(0.1)
<b>Net cash outflow from operating activities</b>		<b>(3.1)</b>	<b>(5.9)</b>	<b>(6.2)</b>
<b>Cash flows from investing activities</b>				
Purchase of investment properties and related capital expenditure		(0.3)	(5.5)	(10.6)
Sale of investment properties		13.4	19.6	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)	(7.0)
Distributions received from funds		0.9	3.3	4.1
<b>Net cash inflow from investing activities</b>		<b>50.9</b>	<b>10.4</b>	<b>75.0</b>
<b>Cash flows from financing activities</b>				
Disposal of own shares for share option scheme		-	0.1	-
Dividends paid		-	(6.3)	(6.3)
Repayment of bank loans		-	(0.4)	(25.4)
Finance fees paid		(12.0)	-	(1.9)
<b>Net cash outflow from financing activities</b>		<b>(12.0)</b>	<b>(6.6)</b>	<b>(33.6)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>35.8</b>	<b>(2.1)</b>	<b>35.2</b>
Cash and cash equivalents at beginning of period		(286.3)	(321.5)	(321.5)
<b>Cash and cash equivalents at end of period</b>	<b>16</b>	<b>(250.5)</b>	<b>(323.6)</b>	<b>(286.3)</b>

## 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 2009 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 2009.

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 2009 were approved by the Board of Directors on 31 July 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, contained an emphasis of matter paragraph but 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 2009, 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. The Directors have produced cash flow forecasts which indicate that the Group can continue as a going concern. In preparing those forecasts, the Directors have taken into account the following key business risks and uncertainties:

- the need for continued support from the Group's lenders. Discussions with the Group's three lenders, Royal Bank of Scotland, BoS and Barclays (together the "Lenders") for the extension and amendment of current banking facilities on terms appropriate for the current and foreseeable operating environment. One facility that expired in May 2009 continues to be rolled forward on a periodic basis. The Directors have a reasonable expectation that negotiations with the Lenders will be satisfactorily concluded;
- the Lenders have reserved their rights to test certain financial covenants. The Directors would not expect these financial covenants to be met if tested as at 27 November 2009. The Directors have a reasonable expectation that the Lenders will amend the existing agreements and the new facility in such a way that is appropriate for the current and foreseeable operating environment; and
- the macro-economic and financial pressures facing the property sector and their impact on the Group's cash flow forecasts, revenue streams and related costs.

Having taken into account these risks and uncertainties the Directors have concluded that, based on the cash flow forecast, whilst material uncertainty exists which may cast significant doubt over the ability of the Group to continue as a going concern, it is appropriate to prepare the financial statements on a going concern basis. Further details on the above risks and uncertainties and the options being pursued are included in the Chairman's Statement on pages 2 to 3. Accordingly, the unaudited interim consolidated financial statements do not include the adjustments that would result from a failure to remain a going concern.

#### **Accounting policies**

Except as described below, the condensed consolidated interim financial statements has 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 2009.

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- The following amendment is mandatory for the first time for the financial year beginning 1 April 2009:
  - 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. The interim financial statements have been prepared under the revised presentation requirements.

## 1. BASIS OF PREPARATION & ACCOUNTING POLICIES (CONT.)

The following new or revised Accounting Standards or interpretations are effective for the financial year beginning 1 April 2009 but do not have a material impact on the Group's interim figures:

- IAS 40 (revised) 'Investment Property'
- IFRS 1 'First time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements'
- IFRS 2 'Share-based Payment'
- IAS 39 'Financial Instruments: Recognition and Measurement'
- IAS 16 'Property, Plant and Equipment'
- IAS 23 (revised) 'Borrowing Costs'
- IFRS 3 (revised) 'Business Combinations'
- IFRS 7 'Financial Instruments: Disclosures'
- IAS 27 (revised), 'Consolidated and Separate Financial Statements'
- IAS 32 (amendment) 'Financial Instruments: Presentation', and IAS 1
- IFRS 8 'Operating Segments'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'

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

- IFRS 9 'Financial Instruments'
- IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39, 'Financial Instruments: Recognition and Measurement – Embedded Derivatives (Amendments)'
- IFRIC 17 'Distribution of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'

### Restatement 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."

## 2. SEGMENTAL REPORTING

### BUSINESS SEGMENTS

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

	Property Investment	Asset Management	Unallocated and other activities	Total
	£m	£m	£m	£m
<b>Six months to 30 September 2009 (unaudited)</b>				
Rental and similar income	9.1	-	-	9.1
Property management expenses	(3.6)	-	-	(3.6)
Movement in provision	(4.0)	-	-	(4.0)
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 provision	-	-	-	-
	-	4.8	-	4.8
Asset management expenses	-	(4.6)	-	(4.6)
Administrative 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)
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
<b>Six months to 30 September 2008 (unaudited)</b>				
Rental and similar income	15.5	-	-	15.5
Property management expenses	(5.5)	-	-	(5.5)
Service charge and similar income	2.3	-	-	2.3
Service charge expense and similar charges	(2.9)	-	-	(2.9)
Net rental income	9.4	-	-	9.4
Revenue from asset management activities				
Management fee income	-	6.6	-	6.6
Performance fee income	-	(0.9)	-	(0.9)
	-	5.7	-	5.7
Asset management expenses	-	(4.6)	-	(4.6)
Administrative expenses	(0.2)	(0.3)	-	(0.5)
Operating profit before net gain on investments	9.2	0.8	-	10.0
Net loss from fair value adjustments on investment properties	(49.7)	-	-	(49.7)
Net loss from fair value adjustments on investments	-	-	(31.1)	(31.1)
Loss on sale of investment properties	(0.6)	-	-	(0.6)
Operating (loss) / profit	(41.1)	0.8	(31.1)	(71.4)
Net interest expense	-	-	(6.6)	(6.6)
Share of joint ventures' post tax losses	-	-	(46.7)	(46.7)
(Loss) / profit before income tax	(41.1)	0.8	(84.4)	(124.7)
Total assets	417.0	19.4	150.4	586.8
Total liabilities excluding borrowings and finance leases	(26.9)	(0.4)	(15.9)	(43.2)
Borrowing, including finance leases	(3.7)	-	(364.5)	(368.2)
Net assets / (liabilities)	386.4	19.0	(230.0)	175.4
Other segment items:				
Capital expenditure	5.8	-	-	5.8
Depreciation	-	-	0.1	0.1

2. SEGMENTAL REPORTING (CONT.)

	Property Investment	Asset Management	Unallocated and other activities	Total
	£m	£m	£m	£m
<b>Year ended 31 March 2009 (audited)</b>				
Rental and similar income	30.2	-	-	30.2
Property management expenses	(10.0)	-	-	(10.0)
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
Turnover 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)
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.

### 3. FINANCE INCOME

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
	<b>£m</b>	£m	£m
Income from investments			
Distributions from funds	0.3	3.7	3.2
Return of capital from listed investments	-	-	0.5
	0.3	3.7	3.7
Interest receivable and similar income:			
From joint ventures	-	0.4	0.5
Provision against interest receivable from joint ventures	1.0	-	(1.3)
	1.0	0.4	(0.8)
Other interest	-	0.4	0.4
Other finance income			
Expected return on pension scheme assets	0.2	0.2	0.4
Interest on pension scheme liabilities	(0.2)	(0.2)	(0.3)
	-	-	0.1
	1.3	4.5	3.4

### 4. FINANCE EXPENSE

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
	<b>£m</b>	£m	£m
Interest payable on loans and overdrafts	4.4	10.2	17.3
Charges in respect of cost of raising finance	1.2	0.4	15.4
	5.6	10.6	32.7
Interest payable under finance leases	0.1	0.1	0.2
	5.7	10.7	32.9

### 5. TAXATION

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

### 6. DIVIDENDS

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
	<b>£m</b>	£m	£m
On Ordinary 5p shares			
Final 11.25p at 31 March 2008 paid 19 September 2008	-	6.3	6.3
	-	6.3	6.3

## 7. EARNINGS PER SHARE

Basic losses per share of 49.86p (six months to 30 September 2008: losses 222.03p; year to 31 March 2009: losses 528.30p) are calculated on the loss for the period of £27.6million (six months to 30 September 2008: loss £123.5million; year to 31 March 2009: loss £293.8million) and the weighted average of 55,365,194 (six months to 30 September 2008: 55,633,832; year to 31 March 2009: 55,592,011) shares in issue throughout the period.

Diluted losses per share of 49.03p (six months to 30 September 2008: losses 217.52p; year to 31 March 2009: losses 518.64p) are based on the loss for the period as above divided by the weighted average number of shares in issue, being 56,289,389 (six months to 30 September 2008: 56,786,473; year to 31 March 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:

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008	Audited Year ended 31 March 2009
Earnings per share: weighted average number of shares	55,365,194	55,633,832	55,592,011
Weighted average ordinary shares to be issued under employee incentive arrangements	924,195	1,152,641	1,035,884
Diluted earnings per share: weighted average number of shares	56,289,389	56,786,473	56,627,895

## 8. INVESTMENT PROPERTIES

	<b>Freehold</b>	<b>Leasehold with over 50 years unexpired</b>	<b>Total Investment Properties</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2009 (audited)	204.2	63.6	267.8
Adjustment	(10.5)	10.5	-
Capital expenditure	0.2	0.1	0.3
Disposals	(52.7)	-	(52.7)
Net loss from fair value adjustments on investment property	(9.0)	(6.8)	(15.8)
<b>At 30 September 2009 (unaudited)</b>	<b>132.2</b>	<b>67.4</b>	<b>199.6</b>

## 9. JOINT VENTURES

	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2009</b>	2008	2009
	<b>£m</b>	£m	£m
Share of joint ventures			
At 1 April	-	90.0	90.0
Share of loss for the period	<b>(4.6)</b>	(46.7)	(93.4)
Provision against loan receivable	<b>3.6</b>	-	(3.6)
	<b>(1.0)</b>	(46.7)	(97.0)
Net equity movements	<b>1.0</b>	7.0	7.0
At 30 September / 31 March	-	50.3	-
Unlisted shares at cost	<b>99.3</b>	87.7	94.7
Group's share of post acquisition retained losses and reserves	<b>(99.3)</b>	(48.0)	(94.7)
	-	39.7	-
Amounts owed by joint ventures	-	10.6	-
	-	50.3	-

Amounts owed by joint ventures comprise:	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2009</b>	2008	2009
	<b>£m</b>	£m	£m
Agora Max Limited	-	7.0	-
Greater London Offices Limited	-	3.6	-
	-	10.6	-

At 31 March 2009, £3.6m due from Greater London Offices Limited was provided for in full. The loan was repaid during the period and the proceeds used to subscribe to further equity in Greater London Offices Limited.

## 10. INVESTMENTS IN FUNDS

	<b>£m</b>
As at 31 March 2009 (audited)	47.5
Net loss from fair value adjustments	(7.7)
<b>At 30 September 2009 (unaudited)</b>	<b>39.8</b>
AIF	15.3
Apia	24.5
Other	-
<b>At 30 September 2009 (unaudited)</b>	<b>39.8</b>

**11. INVESTMENTS IN LISTED AND UNLISTED SHARES**

	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2009</b>	2008	2009
	<b>£m</b>	£m	£m
Listed investments	-	0.8	-
Unlisted investments	<b>0.4</b>	0.3	0.3
	<b>0.4</b>	1.1	0.3

**12. DEFERRED TAXATION**

	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2009</b>	2008	2009
	<b>£m</b>	£m	£m
<b>Deferred taxation assets</b>			
Deferred taxation arising from:			
Unrealised derivative financial instruments valuations	-	0.9	-
Retirement benefit obligations	<b>0.2</b>	-	0.2
Share based payments	-	0.1	-
Unrealised property and investment valuations	-	0.3	-
	<b>0.2</b>	1.3	0.2
<b>Deferred taxation liabilities</b>			
Deferred taxation arising from:			
Unrealised derivative financial instruments valuations	-	(0.2)	-
Unrealised property and investment valuations	-	(2.4)	-
	-	(2.6)	-

**13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

	<b>Onerous contracts</b>	<b>Performance fees</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 31 March 2009 (audited)	<b>3.0</b>	<b>2.5</b>	<b>5.5</b>
Charge to consolidated income statement	<b>0.4</b>	-	<b>0.4</b>
Movement in provision	<b>4.8</b>	-	<b>4.8</b>
Utilised during the period	<b>(1.1)</b>	-	<b>(1.1)</b>
<b>At 30 September 2009 (unaudited)</b>	<b>7.1</b>	<b>2.5</b>	<b>9.6</b>

### 13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONT.)

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

	<b>Unaudited</b> <b>At</b> <b>30 September</b> <b>2009</b>	Unaudited At 30 September 2008	Audited At 31 March 2009
	<b>£m</b>	£m	£m
Non-current	<b>5.8</b>	1.3	1.6
Current	<b>3.8</b>	3.9	3.9
	<b>9.6</b>	5.2	5.5

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.

The Directors considers it appropriate to make a further provision of £4.8million in relation to the onerous contracts having regard for performance over the period, current market conditions and variable downside occupational market forecasts. A further £0.4million has been charged to the income statement and classified as property costs.

### 14. CAPITAL AND RESERVES

	Reserves								Investment in own shares	Total
	Share Capital	Share Premium	Share Based Payments	Revaluation Reserve	Other Reserve	Treasury Shares	Retained Earnings	£m		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
At 31 March 2009 (audited)	2.8	40.7	1.8	(234.5)	8.0	(1.5)	188.0	(1.1)	4.2	
Retained loss for the period	-	-	-	-	-	-	(27.6)	-	(27.6)	
Realised on disposal of investment properties	-	-	-	14.0	-	-	(14.0)	-	-	
Net loss from fair value adjustment on investment properties	-	-	-	(15.8)	-	-	15.8	-	-	
Share of joint ventures' net loss from fair value adjustment on investment properties	-	-	-	(6.8)	-	-	6.8	-	-	
Net loss from fair value adjustment on unlisted investments	-	-	-	(7.6)	-	-	7.6	-	-	
Change in fair value of derivative financial instruments	-	-	-	0.9	-	-	(0.9)	-	-	
Share of change in fair value of joint ventures' derivative financial instruments	-	-	-	5.2	-	-	(5.2)	-	-	
Dividends paid	-	-	-	-	-	-	-	-	-	
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(0.2)	-	(0.2)	
Cost of share based payments	-	-	(0.3)	-	-	-	0.2	0.1	-	
<b>At 30 September 2009 (unaudited)</b>	<b>2.8</b>	<b>40.7</b>	<b>1.5</b>	<b>(244.6)</b>	<b>8.0</b>	<b>(1.5)</b>	<b>170.5</b>	<b>(1.0)</b>	<b>(23.6)</b>	

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

	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2009</b>	2008	2009
	<b>£m</b>	£m	£m
Operating profit before net gains on investments	0.6	10.0	16.5
Depreciation of plant and equipment	0.1	0.1	0.1
Impairment of goodwill	0.1	-	-
Decrease / (increase) in trade and other receivables	1.0	(1.8)	5.5
Decrease in trade and other payables	(0.5)	(3.9)	(9.5)
Cash inflows from operations	<b>1.3</b>	4.4	12.6

**16. CASH AND CASH EQUIVALENTS**

	<b>Unaudited</b>	Unaudited	Audited
	<b>At</b>	At	At
	<b>30 September</b>	30 September	31 March
	<b>2009</b>	2008	2009
	<b>£m</b>	£m	£m
Amounts falling due after more than one year:			
Bank overdrafts	-	339.4	-
Bank loans	-	24.6	-
Finance lease obligations	3.2	3.7	3.6
	<b>3.2</b>	367.7	3.6
Amounts falling due within one year:			
Bank overdrafts	257.5	-	295.3
Future finance costs	(0.6)	-	(1.5)
	<b>256.9</b>	-	293.8
Bank loans	-	0.4	-
Finance lease obligations	0.1	0.1	0.1
	<b>257.0</b>	0.5	293.9
Total borrowings, excluding future finance costs, bank loans and finance leases	<b>257.5</b>	339.4	295.3
Cash and cash equivalents	<b>(7.0)</b>	(15.8)	(9.0)
Cash and cash equivalents at end of period	<b>250.5</b>	323.6	286.3

## 17. RELATED PARTY TRANSACTIONS

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

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

Remuneration of key management personnel:

	<b>Unaudited</b> <b>Six months ended</b> <b>30 September</b> <b>2009</b>	Unaudited Six months ended 30 September 2008	Audited Year ended 31 March 2009
	<b>£m</b>	£m	£m
Short-term employee benefits	<b>0.5</b>	0.5	1.0
Post-employee benefits	<b>0.1</b>	0.1	0.2
Share based payments	<b>-</b>	0.1	-
	<b>0.6</b>	0.7	1.2

## **DIRECTORS' STATEMENT OF RESPONSIBILITIES**

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

The Directors of Warner Estate Holdings PLC are as stated in the Group's Annual Report for the year ended 31 March 2009, with the addition of Mr. R. Game who was appointed Property Director on 1 July 2009 replacing Mr. M Stevens.

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 in note 1 under basis of preparation and on page 20 of the Annual Report and Accounts.

By the order of the Board

D J Lanchester

Secretary

27 November 2009

## **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 2009, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the 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 2009 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.

### **Emphasis of matter**

In arriving at our review conclusion on the condensed consolidated interim financial statements, which is unqualified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. These disclosures indicate that there is a material uncertainty regarding the progress of negotiations of the existing and expired debt arrangements with the Group's Lenders. These conditions, along with other matters disclosed in Note 1, indicate the existence of a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The condensed consolidated interim financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

PricewaterhouseCoopers LLP  
Chartered Accountants  
27 November 2009  
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.