



**Quintain Estates and Development PLC**  
**("Quintain"/"Company"/"Group")**

**Interim results for the six months to 30 September 2008**

**ONGOING PROGRESS WITH CASH REPATRIATION PROGRAMME**

**Highlights**

- Focus on cash repatriation
  - £80m cash repatriated since 1 April 2008 against target of £100m for current financial year
  - 20% reduction in administration costs
- Tight control of capital expenditure
  - Construction in Special Projects limited to three sites
  - Facilities in place to cover all capital commitments
- Special Projects - management initiatives
  - Planning gains at Wembley, Greenwich, City Park Gate, Birmingham and Beverley
  - Reduced construction costs through supply chain management
  - Key focus on increasing revenue from Wembley's income-producing activities
- Progress in Quintain Fund Management
  - 6% rise in funds under management to £1.06 billion (March 2008: £1 billion)
  - Strong income generation and resilient performance by the underlying assets of each fund
  - Two new revenue generating schemes and 99% occupancy at iQ
- Results
  - Total assets of £1.2bn (March 2008: £1.4bn)
  - Basic NAV per share of 443p (March 2008: 584p)
  - Operating profit before recognition of non-current asset sales and revaluation of £2.14m (September 2007: loss of £2.13m)
  - Loss before tax of £51.6m (September 2007: loss of £3.9m; March 2008: loss of £54.7m)
  - Gearing of 90% at the half-year, resulting in headroom of £127m against banking covenants.

John Plender, Chairman of Quintain commented:-

"In line with the programme set out in our August Interim Management Statement, we have taken decisive action to protect and enhance our financial position by cutting overheads, repatriating cash, creating headroom and repositioning the development programme. In addition, we are actively pursuing management initiatives to enhance the value of the assets across our portfolio and generate increasingly diversified revenue streams.

"The focus of Quintain's Board throughout this downturn has been, and will remain, cash preservation and the firm management of risk, progressively reinforcing the business against the continued impact of the current market conditions."

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## **Quintain Estates & Development plc**

Half Year Report to 30 September 2008

## Chairman's Statement

Quintain's results for the six months to 30 September 2008 reflect the rapid deterioration of global economic conditions and the emergence of recession in the UK. In the August interim management statement ("IMS"), the Company announced its strategy for managing the impact of these conditions. The key priority of strengthening focus on cash has been evidenced by the 20% reduction in costs against budget and repatriation of £80m to date. Capital expenditure is being tightly controlled in line with the Company's risk management strategy.

These are the most difficult conditions the Company and many of its peers have faced, and the impact is clearly seen in yields moving out in the wider market, which is in turn reflected by the marked increase of the discount factor applied by the valuers to our schemes at Wembley and Greenwich. Whilst we expect to see further pressure on valuations, the Board is committed to taking decisive action to protect and enhance its financial position.

### Position

The Group has gross property assets<sup>1</sup> valued at 30 September 2008 at £1.3bn. Special Projects, our regeneration business, constitutes 59% of the Group by value, Investment Portfolio 12% and Fund Management 29%, and together they produce a gross annual income of £64.8m, excluding income from trading property sales.

The urban regeneration business is complex and requires proven specialist management skills. However, our capital investment can be accelerated or decelerated according to market conditions. This business generated an income of £21.3m over the last year from items such as hotel operations, rent from retail parks and commercialisation of areas with very high footfall, such as those around Wembley Stadium and Arena. The Investment Portfolio remains the smallest element of Quintain, but nonetheless contributed £13.8m of income over the last year. The Fund Management business has grown its funds under management from £245m to £1.06bn in five years, focusing on less cyclical sectors with, in the majority, RPI-linked rents. It now generates income of £29.7m per annum.

### Finance

In line with the wider property sector, the valuation of the Group's directly held properties decreased 19.9% during the period to £869m. We have now seen a 30% fall in valuations across our urban regeneration schemes at Greenwich and Wembley since 30 September 2007. By contrast the less cyclical qualities of Quintain Fund Management led to more resilient valuations for this business, with the iQ student accommodation assets declining by 7% and Quintain's share of the Quercus healthcare portfolio by 5.5% from March 2008.

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<sup>1</sup> Including the Group's share of those within joint ventures

The decrease in Group valuations was the most significant factor in increasing gearing from 60% at the year end to 90% at 30 September 2008. This compares with our banking covenant of 110% of shareholders' funds adding back deferred tax, implying headroom in terms of potential increase in debt of £127m. We will continue to manage headroom through a programme of disposals to reduce debt and active management of assets to minimise falls in valuation. This should more than offset capital expenditure and we will continue to pay down debt as cash is progressively repatriated. Interest cover at 30 September 2008 was 1.5 times, or 2.1 times before exceptional items (31 March 2008: 1.8 times)<sup>2</sup>, against a banking requirement of 1.25 times.

## Strategy

Although the primary objective of the Company since flotation has been long term value creation, the focus of Quintain's Board throughout this downturn has been, and will remain, on cash repatriation and the firm management of risk, progressively reinforcing the business against the continued impact of the current market conditions.

### Firm Management of Risk

There are four key areas:

- The cash repatriation programme announced in August and detailed in the next section is assisting gearing. We continue to bring significant sums of cash into the business through asset sales and, as planned, are in early discussions with potential equity partners regarding Wembley.
- Whilst the assets at Wembley and Greenwich have substantial residential consents, the Group's total exposure in terms of residential sales remains marginal, with £10m of receipts from further completions due to Quintain this financial year. During 2009 only £6.0m of completions are due.
- The Group's covenant base is intentionally diverse: with the exception of Wembley Arena no single tenant represents more than 3% of the Group's combined rent roll.
- The development pipeline is being re-sequenced to align the arrival of product to market with the ability of tenants and purchasers to commit to contracts. Although there are numerous development opportunities ready for construction, we are committed to building only the three sites that are currently active together with supporting infrastructure for these plots and the Bellway site at Greenwich. Two of the sites are co-funded with our joint venture partners. Full details of these commitments can be found in the Finance Review.

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<sup>2</sup> Interest cover, per our banking covenants, is defined as operating profit before net finance expenses plus realised surpluses on disposals divided by net finance costs excluding marking to market adjustments.

### Cash repatriation

Progress has been achieved regarding the cash repatriation programme announced in August:

- With the sale of £17.5m of Quercus units after the period end, £80m has been raised to date against our target for the financial year of £100m and sales continue.
- To date, overheads have been reduced by £3.8m and a consultation period with staff is underway that is likely to result in a reduction of up to 28 posts subject to consultation with those affected. This equates to further annualised savings of £1.7m. The 20% reduction in our costs since March leaves Quintain interest cover compliant before taking account of sales.
- As previously announced, there will be no dividend payment for up to two years. (2007/8: £15.4m)

### **Business Delivery**

Against the backdrop of a troubled market, the 6% increase in funds under management during the period and corresponding rise in income from this business is pleasing, as is the resilience of demand we are experiencing in the funds' underlying sectors. The launch of two new schemes within iQ at the start of the academic year delivered 902 more student beds to the portfolio. Strong income growth within Quercus led the fund to make a good return at property level, relative to the market, before the impact of gearing and fees at fund level.

Construction at Wembley, Greenwich and Brighton continues on time and budget and, although there has been a slowdown of development activity during the period, we have continued to enhance the value of our major assets through design, planning and commercialisation. At Greenwich the achievement of detailed consent for 550 homes within M0116 and N0602 since April has taken the total number of apartments ready for construction when the market recovers to 1,062. In October we achieved a unanimous vote from Birmingham City Council in favour of detailed consent for our 250,000 sq ft City Park Gate scheme, and at Wembley we have during the period opened our first residential building and concurrently started operating our telecoms service, Velocity1. This is a key element of our Running Towns as Businesses philosophy and scaleable from the Wembley hub to 120,000 homes across the UK.

### **Board**

In line with best practice, after almost nine years of service as a director Barbara Judge retired from the Board on 26 November 2008. The Company is sincerely grateful for her immense contribution over the years and in order to continue to benefit from her advice and judgement has appointed her as an adviser to the Group. David Pangbourne has been appointed as Senior Independent Director with immediate effect.

## **Outlook**

In the context of severe market contraction, the relative performance of Quintain Fund Management is a notable achievement and the Company expects this business to continue to deliver a meaningful and increasing income for the Group. A significant rise in the number of students entering higher education and continued undersupply of accommodation create a positive context for the launch of our next three iQ schemes in September 2009, which will deliver an estimated £2.1m in additional annualised net rental income to Quintain.

Within the Special Projects business, construction has been decelerated in line with market conditions and the pipeline is being re-sequenced. Against this backdrop, we are actively securing new revenue streams from this business through focus on the commercialisation of assets, primarily through our telecoms product, advertising and event packages for major brands and estate management services. Further work will also take place during the second half of the financial year towards adding value through planning consents in readiness for an improvement in market conditions, and specifically on the application for outline consent regarding our holdings at Wembley known as the North West Lands.

Despite the significant downward impact on our valuations, we continue to operate within our banking covenants. We recognise that the market remains challenging and the Board has all options under review to maintain compliance with all our covenants.

**John Plender**

**Chairman**

**27 November 2008**

## Business Review

### Special Projects

We continue to take a cautious approach to the build-out of the urban regeneration schemes, with our only construction commitments being three live sites at Wembley City, Greenwich Peninsula and One Brighton, alongside infrastructure for these plots and the Bellway site at Greenwich.

#### Wembley City

The long term objective for our 85 acre holding at Wembley is the creation of a business generating substantial revenue from 10,000 residents, 4,000 employees and 21 million visitors a year. In the short term, in line with the Group programme of risk management and cash repatriation, we are sharply focused on the income-producing characteristics of these holdings, which already generate an income in excess of £17m per annum.

As reported in the pre-close statement on 30 September, the first residential building at Wembley was completed on budget and schedule in August, as liquidity constraints in the mortgage market reached their peak. Following the handover of the affordable apartments to our housing association partners, sales to date have been completed on 46 of the 145 private apartments already under contract for sale, each at the full price agreed at the time of reservation. The recent lowering of the Bank of England's base rate by 1.5% supports our view that a substantial level of further unit sales are likely to be completed in this financial year.

Construction of the second residential building (W04), the affordable housing element of which is funded by two housing associations, continues on time and on budget and is scheduled to complete in March 2010. On the site of W05, the development of the central station for Wembley City's underground waste removal system (Envac) is nearing completion.

In June we announced the granting of detailed planning consent for W07, comprising a 10 screen cinema, residential units and 80,000 sq ft of retail. This is the last of the four blocks within our retail core (W04, W05, W07 and York House) to receive detailed consent and positions the Company well for swift delivery of this key element of the scheme when the market returns.

As announced in June, conditional contracts were exchanged during the period with the London Borough of Brent regarding the sale of 2.25 acres for £10m on the north side of Engineers Way to enable the creation of a new Civic Centre. This agreement is conditional on obtaining detailed planning consent, but is also likely to require the granting of outline consent for Quintain's North West Lands, the application for which we expect to submit next summer.

Following our acquisition of 5.7 acres at Second Way in January 2008, a lease to Euro Storage Ltd has this month been agreed for the entire site for an annual rent, after a one month rent free period, of £220,000, increasing to £250,000 at the start of the third year.

Good progress has been achieved during the period regarding the commercialisation of our assets at Wembley, and income from these activities is expected to increase over the second half:

- We have now introduced rental management services for property owners in Forum House. To date the properties let by Quintain have achieved rents approximately 15% above those in the immediately surrounding area.
- Quintain's telecommunications service, Velocity1, became operational at Wembley City in November. The product, which has been developed in joint venture with fibre network specialist, Industria, offers IP telecoms, digital TV and high speed broadband internet access. The business is easily scaleable, with the infrastructure created at Wembley designed to support the provision of services to up to 120,000 new-build homes across the UK, including all of Quintain's own sites.
- A structure has been created to drive the targeted exploitation of our assets through advertising rights, location hire and minor initiatives such as the introduction of Streetcar to the site. £1.3m was generated through this structure over the six months to 30 September 2008.

### **Greenwich Peninsula**

Construction of the first commercial buildings at Greenwich Peninsula continues on time and budget, with the completion of Transport for London's ("TfL") new office scheduled for April 2009. Ravensbourne College has also begun construction of their new facility adjacent to TfL's office and The O2. The College will relocate to the Peninsula in September 2010, bringing early animation to the scheme.

With 1,500 people starting work in TfL's new office next summer and 1,500 students based on the Peninsula from 2010, marketing of the retail units, comprising 21,000 sq ft within the buildings under construction, will soon begin.

Further to the announcement in June that detailed planning consent has been achieved for 153 more homes, the first apartments at Peninsula Quays received detailed planning consent in October 2008. The total number of homes now consented at Greenwich Peninsula is 1,291, with 229 apartments currently under construction by Bellway.

Discussions with AEG during the period resulted in their agreement to extend the lease on The O2 to 100 years in return for variations regarding their proposed hotel scheme on the North West of the Peninsula. After 16 months of operation, The O2 has attracted in excess of 10 million visitors and generated annual rent of £1.6m for Quintain and our joint venture partner, Lend Lease (Europe).

### **Progress on Other Schemes**

Amongst Quintain's smaller schemes, only One Brighton is under construction. Work continues on time and on budget and 11 apartments have been reserved to date.

Regarding planning progress, the securing of a variation of condition (Section 73) for City Park Gate during the period transformed the focus of this scheme from residential to commercial. Birmingham City Council subsequently delivered a unanimous vote to grant detailed planning consent for the first phase in October. Comprising two buildings and new public realm, this first phase allows for 201,388 sq ft of commercial space adjacent to Moor Street Station in the Eastside regeneration scheme. It will be delivered only when a pre-let and forward funding have been secured.

As reported in the August IMS, our scheme at Beverley was called in for determination by the Secretary of State along with a competing edge-of-town retail scheme from another developer. The latter scheme has now been withdrawn. The anticipated inquiry was subsequently relegated to written representations only and a decision is expected in March 2009.

The jointly-owned Silvertown site saw leases agreed during the period, as announced in the pre-close statement, that take the annual rental income generated from the site to approximately £918,000 after a rent free period of one year for Laing O'Rourke.

### **Outlook**

Although we continue to add value across our urban regeneration portfolio, we have no legal commitment to build any plot beyond the three already under construction. In the current economic climate we are taking a highly pragmatic approach to our schemes and action will only be taken when it is prudent in the wider context of the Group's overall position.

## Investment Portfolio

At 30 September 2008 the Investment Portfolio was valued at £159.1m against a March valuation of £178.8m, representing a reduction in value of 11%. In line with the market, both initial and reversionary yields have moved out by at least 100 basis points.

Over the period we have seen an increase in contracted annualised income from £11.1m to £11.8 m whilst voids have remained stable at £3.3m. An increase in voids in Warwick House and Geldard Point, Leeds were offset by positive lettings in Jersey, Tolworth, Leamington Spa and Hemel Hempstead equating to £200,000. Banctec re-gearred a ten year lease at £173,000 in Sandringham House, Harlow. During the period Phase III, Arrow Valley, Redditch was successfully let on a 15 year lease to Toolstation at £736,000 per annum, contributing to total lettings during the period in excess of £1m. Since the period end an additional £85,000 of lettings have been agreed in Southampton and Jersey.

In line with our focus on cash preservation, terms have been agreed regarding the sale of three assets in at an aggregate value of £14.2m. Discussions are underway regarding the sale of two additional assets at an aggregate value of £8.3m.

Prior to the September quarter date total rent arrears amounted to 0.67% of total rent demanded relative to 1.39% at the equivalent point last year. Over the six month period we have had to increase bad debt provision to £0.2m with the default of a serviced office operator in Leeds. In the current economic climate an increase in rent arrears and bad debt position should be expected, particularly regarding industrial assets.

## Quintain Fund Management

Our income-producing funds continue to demonstrate resilience to the impact of the global economic slowdown. Funds under management remained stable during the period at £1.06bn (March 2008: £1bn) with a fall in valuations within the funds of £50m offset principally by acquisitions and completions of £99m. Fee and investment income remain robust.

### Quercus

Quercus, our healthcare fund, returned a relatively robust performance for the six months. At property level, an outward movement in yields was compensated by strong income growth, producing a total return of (1.4)% against its IPD benchmark for the period of (7.8)%. The impact of gearing, at 45.7% against a covenant of 60%, and fees reduced fund level returns to (5.8)%.

At operating level, the healthcare sector remains relatively sound with receding wage and cost inflation and demographic pressure continuing to support occupancy rates of over 90%. However, demands on local authority budgets and the slowing housing market could impact fee rates.

Within the Quercus portfolio, most tenants report stable operating profits and adequate levels of rent cover. Although the rent collection rate has improved marginally during the period, we continue to monitor the performance of our tenants closely and to work to find satisfactory outcomes with those that are experiencing difficulties. In one case this was achieved by closing a home and transferring the occupants to another home. During the period one operator was placed into administration but the leases have been reassigned to another Quercus tenant.

At investment level, the sector experienced further outward movement in yields during the period driven principally by concerns about the capital structures of the major operators, Southern Cross and Four Seasons. Although these operators account for only 10% of Quercus by value, the knock-on impact on yields across the sector resulted in the net initial yield on the fund moving out by 40 basis points over the period to 7%. Due to the link to RPI, average rent reviews were strong at 4.5%.

Looking forward, although investment values are underpinned by going concern values, we expect to see some movement in investment yields as the sector moves with the wider investment market. Rental growth will reduce, as RPI falls, to the contractual minimum in the care home leases of 3%.

During the period the fund completed on £42.5m of acquisitions at an average net initial yield of 7.4% and is committed to buy one further property for £4m. No further purchases will be made until gearing has been reduced to 40% through disposals or by raising new equity. In pursuit of this objective, the fund is currently negotiating the sale of £25m of properties at prices in line with their valuations.

At 30 September 2008 the fund had gross property assets of £853m and comprised 270 properties let to 43 tenants. The fund now has 27 investors.

Since the period end Quintain has sold £17.5m of units in the fund as part of the Company's cash repatriation programme.

## **iQ**

Strong demand and rising numbers in higher education continue to support performance in our student accommodation fund.

A 9.7% (40,000) year-on-year rise in the number of people starting on courses in 2008 augments the 5.4% rise experienced in 2007, putting further pressure on an already undersupplied market. iQ opened two new schemes during the period, taking the total number of operational beds to 2,436 of which 99% are now let. All of our schemes are relatively immature but delivered like for like annual rental growth of an average of 5.5% for those schemes operational in September 2007.

The completed value of schemes within the portfolio fell by 2.1% between 31 March and 30 September 2008 with operating schemes now valued on an average net initial yield of 5.6% (March 2008: 5.5%) This outward movement reflected concern in the wider property sector but demonstrated the fund's relative resilience which is due to strong occupier demand, continuing rental growth and transactional evidence. Going forward, we expect to see a further softening of yields as the sentiment prevailing in the wider property investment market affects investor interest. At the period end, iQ had gross property assets of £168.7m.

Five schemes are currently under construction. Three of these, delivering 1,182 additional beds, are scheduled for completion in time for the 2009 academic year. iQ's additional funding commitments across these five schemes total £78m and will largely be funded from the fund's debt facility. At the period end the loan to value was 58.3% against a covenant of 65%. We monitor this covenant carefully with our partner, The Wellcome Trust.

The management of three schemes was brought in-house prior to the start of the academic year, resulting in a better service for tenants.

## **Quantum**

Funds under management within Quantum have risen to £12m (March 2008: £10m) due to the acquisition of a building on Cambridge Science Park for £1.9m during the period, augmenting our existing portfolio.

With the continuing support of the South West RDA, we expect shortly to finalise our preparations for the Bristol and Bath Science Park enabling us to start on site.

## Finance Review

### Headline Results

The basic net asset value per share at 30 September 2008 was 443p, a decrease of 24.1% from 584p at 31 March 2008. On a diluted basis, the net asset value per share fell 24.0% from 578p to 439p. Adjusted diluted net asset value per share, the measure recommended by The European Public Real Estate Association (“EPRA”), fell by 28.3% to 485p per share (31 March 2008: 676p).

	<b>30 September 2008</b>	31 March 2008	%
			change
NAV per share basic	<b>443p</b>	584p	(24.1)
NAV per share diluted	<b>439p</b>	578p	(24.0)
NAV per share EPRA <sup>1</sup>	<b>485p</b>	676p	(28.3)
Total return per share <sup>2</sup>	<b>(22.7)%</b>	(9.7)%	

<sup>1</sup> The EPRA NAV per share excludes the fair value adjustments for debt and related derivatives and deferred taxation on revaluations and is calculated on a fully diluted basis.

<sup>2</sup> The total return is calculated by the increase in net assets per the Consolidated Balance Sheet adding back the dividend paid.

### Operating Performance

Gross profit for the six months fell by 9.1% to £15.1m (30 September 2007: £16.6m). Within this, gross rental income on directly owned properties fell to £10.8m, down 7.1% from £11.7m in the same period last year. Despite this, cost of sales rose marginally from £1.9m to £2.2m reflecting increased void costs, particularly arising from the new rules relating to void rates.

	<b>30 September 2008</b>			31 March 2008		
	<b>£m</b>			£m		
	<b>Directly owned properties</b>	<b>Within joint ventures</b>	<b>Total</b>	Directly owned properties	Within joint ventures	Total
Gross rental income	10.8	10.9	21.7	23.8	17.3	41.1
Contracted annualised rent	21.6	21.8	43.4	21.6	19.1	40.7
ERV*	29.3	25.5	54.8	29.2	20.1	49.3

\*ERV is the estimated rental value

There were no disposals of directly owned trading properties during the period. In the same period last year the sale of Westholme Caravan Park gave rise to a £1.5m profit.

Income from hotel operations relates to the Plaza hotel at Wembley. Gross profit for the period was £2.2m (30 September 2007: £1.9m) before charging administration expenses of £1.3m (30 September 2007: £1.2m).

Net fees from fund management for the period grew to £3.2m (30 September 2007: £3.0m) reflecting higher levels of funds under management.

Other income rose by £0.6m to £1.0m for the period, with increased income from estate management and service charges and lower abortive project costs.

Administration expenses fell by 25% to £12.9m for the six months. The difference arose in staff costs where in particular the bonus costs in the period were substantially reduced.

### **Revaluation Surpluses and Deficits**

The net revaluation deficit arising from directly held investment properties was £32.2m compared with a deficit of £14.2m for the same period last year. The revaluation movements on joint venture investments are incorporated within the share of profit from joint ventures which is discussed in more detail below. Development property movements are reflected in equity except where deficits arise below cost, in which case the charge and any write-back are included within the Income Statement. In the six months to 30 September 2008 the deficit on development properties reflected in the Income Statement was £1.2m (30 September 2007: deficit £1.1m). Deficits of £182.1m (30 September 2007: gain £69.6m) were reflected in equity.

### **Profit or Loss from Joint Ventures**

The loss from joint ventures in the six months was £8.9m (30 September 2007: profit £14.5m). Before revaluation movements and tax this would have been a profit of £4.3m (30 September 2007: profit £2.3m). This excludes net fees receivable of £3.2m (30 September 2007: £3.0m) in relation to managing the funds. A summarised income statement split by joint venture is included in note 10i to the accounts.

### **Impairment of Other Non-Current Investments**

A full impairment charge of £7.8m has been made against the Group's investment in Serrastone SA. The key factors resulting in this charge are that the product is not yet revenue generating and the future funding of the business is uncertain. There were no equivalent charges for the same period last year.

### **Finance Expenses**

Net finance expenses for the period were £3.5m (30 September 2007: £0.9m). Interest payable has increased to £19.3m (30 September 2007: £13.0m) reflecting higher levels of drawn debt. This is discussed in more detail in the section on financing strategy and capital structure. Interest capitalised in the period of £7.4m (30 September 2007: £5.5m) relates mainly to Wembley (£6.1m) and Greenwich Peninsula (£1.0m). Interest receivable of £5.4m included £1.7m from a loan to a third party which has now been repaid in full and £2.7m from loan notes to joint ventures. The average cost of debt in the period was 6.3% (30 September 2007: 6.9%). This rate continues to fall with the reduction in interest rates after the period end.

At 30 September 2008, whilst 100% of our debt was hedged, 45% was floating with caps so benefiting from reduced rates.

	<b>30 September 2008</b>	30 September 2007
	<b>£m</b>	£m
Interest payable	<b>(19.3)</b>	(13.0)
Interest capitalised	<b>7.4</b>	5.5
Interest receivable	<b>5.4</b>	4.5
Change in fair value of ineffective interest rate swaps and caps	<b>(0.1)</b>	0.1
Foreign currency transfers	<b>(0.2)</b>	-
Profit on termination of interest rate swaps	<b>3.3</b>	2.0
<b>Total net finance expenses</b>	<b>(3.5)</b>	(0.9)

### Taxation

A tax credit of £7.8m has been reflected in the Income Statement (30 September 2007: £4.5m). This arises because of the revaluation deficits in relation to the Company's investment properties.

### Balance Sheet

At 30 September 2008, investment properties were valued at £189.0m after a net revaluation deficit of £32.2m. Development properties were valued at £680.0m after a revaluation deficit of £183.3m. Market conditions were very challenging during the period and have remained so after the period end.

For Wembley and Greenwich, the two largest assets in the portfolio, a greater analysis of the valuations and sensitivities is set out below.

### Wembley City

	£m
As at 1 April 2008	620.0
Capital expenditure	36.7
Capitalised interest	6.1
Valuation deficit	(130.8)
<b>As at 30 September 2008</b>	<b>532.0</b>

The valuation deficit for the six months of £130.8m was driven by a 400 basis point outward movement in the discount rate to 14%. Other factors that caused a reduction in the valuation were falling residential prices and growth rates, with weighted average prices per square foot of £558 down from £606 at 31 March 2008. Near term residential growth rates fell with a further 15% reduction in house prices built in to the end of 2009 on top of the 8% fall to date. Yields on the commercial space moved out over 100 basis points to between 6.25% and 7.75% initial yield. In part mitigating these movements were a 1% reduction in building cost inflation to 4% and a series of management initiatives to add value. These include the exchange of

contracts with Brent to build their offices on the North West Lands and positive progress following on from this made in planning terms, supply chain management that has reduced cost, and other revenue initiatives.

Whilst the valuation is a view of what the market may pay at any point in time, it is supported by a discounted cashflow model. This model is based on many assumptions and the table below is included to provide shareholders with a better understanding of the dynamics relating to some of these assumptions. It is a sensitivity analysis and is not necessarily an indication of the Company's view.

Valuation £m		Discount Rate		
		12.5%	14%	15.5%
Amendment to forecast	+2%	722	632	556
residential growth rates	0%	610	<b>532</b>	464
	-2%	509	441	381

It is important to note that there is a strong correlation over time between growth rates and construction cost inflation so the impact of movements in growth rates may be materially offset by changes in cost inflation.

### Greenwich Peninsula

The valuation below relates to Quintain's interests at Greenwich Peninsula as developer and landowner.

	£m
As at 1 April 2008	254.0
Capital expenditure	16.6
Capitalised interest	1.0
Valuation deficit	(49.6)
<b>As at 30 September 2008</b>	<b>222.0</b>

The valuation of Greenwich after a revaluation deficit of £49.6m was £222.0m. This is shown partly in development properties and partly within joint ventures. Residential prices fell from between £550 and £810 per sq ft to £410 to £690 per sq ft. In addition to the 20% fall in house prices to date, the cashflow builds in a further 15% fall to the end of 2009. The discount rate moved out 220 basis points to 14.7%. Commercial yields have moved out 50 basis points to around 7.5%. In part mitigating these movements were a 1% reduction in build cost inflation to 4% and initiatives on supply chain management and deal restructuring. The value of our interests in The O2 rose with the establishment of performance levels and associated income. As for Wembley, varying the discount and growth rates gives the following sensitivities:

Valuation £m		Discount Rate		
		13.2%	14.7%	16.2%
Amendment to forecast	+2%	323	285	254
residential growth rates	0%	249	<b>222</b>	197
	-2%	185	166	147

## Joint Ventures

As at 30 September 2008, Quintain had net investment in joint ventures totalling £288.9m. More detail is available in note 10i to the accounts.

## Capital Commitments

The table below sets out Quintain's contractual capital commitments including our share of any commitments within joint ventures. All these commitments will be funded from existing facilities: £47.1m from Quintain's corporate facility and £67.3m from facilities within joint ventures.

	<b>30 September 2008</b>
	<b>£m</b>
<i>Group:</i>	
Wembley	<b>26.6</b>
Others	<b>1.1</b>
<i>Joint ventures:</i>	
iQ	<b>38.0</b>
BioRegional Quintain	<b>2.8</b>
Wembley – Quintessential	<b>0.4</b>
Quercus	<b>4.4</b>
Quantum	<b>0.2</b>
Greenwich – N0204 / GPRL	<b>40.9</b>
	<b>114.4</b>

## Financing Strategy

Our financing strategy in the medium term is to manage a level of debt that balances the risks to the business with the higher returns on equity achieved through gearing. As described in the Chairman's statement, at 30 September 2008 our gearing as defined in our banking covenants stood at 90%. The Company has implemented a programme of asset sales to manage the level of gearing, which in isolation will otherwise rise further due to the Group's committed expenditure. In the near term the impact of sales may well be offset by further falls in asset values.

The weighted average rate of interest of the Group's debt at 30 September 2008 was 6.3% (31 March 2008: 7%). Since the period end base rates were reduced by 200 basis points. This has reduced our projected cost of debt to around 5% as 45% of our debt was not fixed.

	<b>Covenant</b>	<b>30 September 2008</b>	31 March 2008
Net borrowings		£555.9m	£516.3m
Weighted average debt maturity		5 years	5.5 years
% of net debt hedged		100%	84%
<i>Undrawn committed facilities</i>			
Group		£154m	£81m
Joint ventures		£130m	£101m
<i>Banking covenants</i>			
Gearing per banking covenants	110%	90%	60%
Interest cover*	1.25 times	1.5 times	1.7 times
Interest cover pre exceptionals		2.1 times	1.8 times

*\*Interest cover, per our banking covenants, is defined as operating profit before net finance expenses plus realised surpluses on disposals divided by net finance costs excluding marking to market adjustments.*

Interest cover before exceptionals was 2.1 times (31 March 2008: 1.8 times). After providing in full for the investment in Serrastone interest cover was 1.5 times.

### **Hedging**

At 30 September 2008, Quintain's interest rate was 100% hedged (31 March 2008: 84%). The fair value adjustment on these interest rate hedging instruments was a surplus of £2.4m (31 March 2008: deficit £0.5m). Of the movement during the period £0.1m was debited to the Income Statement, being the element relating to non-cashflow hedges and £2.5m credited directly to equity.

Quintain manages its risk in relation to interest rate movements by hedging at least 50% of the exposure and managing these positions to shareholders' benefit whilst not taking market risk. Following the reduction in base rates, in November we fixed a further £100m of debt at 3.0% in order to give us greater certainty of interest costs.

### **Cashflow**

Net cash inflow from operating activities was £7.5m (30 September 2007: outflow £15.4m), with working capital contributing positively for the period.

The purchase and development of property assets of £20.8m and loans to joint ventures and associates of £61.0m more than offset proceeds of £43.1m from the repayment of a non-current receivable. This resulted in a net cash outflow from investing activity of £35.5m.

### **Key Performance Indicators**

Our key performance indicators are as set out in the Group's annual report and accounts for the year ended 31 March 2008.

## **Financial Outlook**

Conditions within the financial markets remain challenging. Although there is headroom on our gearing covenant that would allow a rise in borrowing of £127m at 30 September 2008 this would be reduced by falling property values and committed capital expenditure. Where possible this impact is being offset by asset disposals resulting in a net cash repatriation since the half year. The Group remains alert to the issue and will keep all options under review. The Group has firmly controlled costs delivering a £5.5m cut to annualised administration expenses. This, alongside our ability to take some advantage of the downward shift in base rates, means that our interest covenant remains well covered.

## **Risk Management**

In addition to those general economic, security and regulatory risks faced by a wide range of companies that are part of the general commercial environment, we consider there to be the following specific risks faced by our Company.

### Market conditions

The income from, and value of, a property will be affected by conditions in the real estate market and wider economy. Factors such as the availability of credit, consumer and corporate confidence, interest rates, planning policy, taxation and other legislation have an impact. As we are currently experiencing, the lack of availability of debt funding is impacting both the pricing and quantum of transactions in the real estate market. For the residential market, availability and pricing of mortgages is a key factor in the current weakness.

### Debt funding

Lack of availability of debt generally in the market can reduce the number of purchasers making it more difficult to sell assets, potentially resulting in a reduction in the price that the buyer would be willing to pay. Lack of availability of funds for the regeneration projects could give rise to delays with a follow-on impact on values.

The debt within the Group means that falling property values have a geared impact on shareholders' funds. Property values may decline further. Our headroom over the 110% of net worth covenant (as defined in our loan agreements) was £127m at 30 September 2008. To avoid a breach mitigating action includes a programme of disposals to reduce debt, active management of assets to minimise falls in valuation and dialogue with key stakeholders as to additional courses of action.

### Key judgements

Properties are externally valued twice a year by independent valuers. There is currently less direct evidence of property values because of a lower level of transactions than usual, giving rise to an increased level of uncertainty with respect to the values. This uncertainty is more acute in the case of our large scale urban regeneration projects where there are no direct comparables.

### Valuation risk

In addition to the inherent difficulty in valuing real estate investments and consequent uncertainty, values are subject to short term fluctuations. This is more acute in development properties. As the Group's debt facilities include a corporate gearing covenant, falls in value could lead to a potential banking default. In addition the estimates resulting from the valuation process may not reflect actual sales prices, even were such sales to occur shortly after the valuation date.

### Development risks

The Group is on site with three developments (and associated infrastructure), two of which are in joint venture. Property development involves certain risks including construction cost inflation, cost overruns and delays to the completion of projects. These and other factors could give rise to losses on individual development projects. To control these risks, Quintain's in-house project management team transfers risk to contractors where possible. The supply chain management programme is creating increased visibility into costs and opportunities for cost reduction, whilst standardisation across Quintain's projects is increasing predictability. The economic recession is reducing pressure on construction costs and we may see construction cost deflation in the near term.

Whilst the Group has a substantial pipeline, we have effectively no further obligations, and will only enter into future commitments where in the judgement of the Board it is financially prudent to do so.

### Counterparty risk

The Group engages in contractual relationships with third parties in the ordinary course of business. The failure of third parties to fulfil their contractual responsibilities, for example, a bank or purchasers defaulting, could place the Group, or its projects at risk. Current exposures are purchasers of investment properties and residential units at Wembley. In addition, if one of the Group's major counterparties defaulted on its obligations to members of the Group, this could have a material effect on the Group.

### Tenant default

Tenants are likely to be facing more difficult operating conditions and there is therefore an increased risk that some may default on their rent payments. However, the large number of tenants and the diversity of their businesses and geographical spread reduces the impact on the Group.

### Dependence on key personnel

The Group's future success is substantially dependent on the continued services and contributions of its Directors, senior management and other key personnel. The loss of service of any of the Group's executive officers or other key employees could have a material adverse effect on the business.

### **Forward looking statements**

*This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "projects", "assumes", "expects", "intends", "may", "will", "would" or "should", or in each case, their negative or other variations or comparable terminology.*

*These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Group's result of operations, financial condition, liquidity, prospects, growth strategies and the sectors in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the market, market position of the Group, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to the Company's continuing obligations under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise.*

## Consolidated Income Statement

for the six months ended 30 September 2008

	Notes	Unaudited Six months ended 30 Sept 2008	Unaudited Six months ended 30 Sept 2007	Audited Year ended 31 March 2008
		£000	£000	£000
<b>Revenue</b>	2	<b>20,719</b>	24,018	46,676
Cost of sales	2	(5,643)	(7,434)	(13,986)
<b>Gross profit</b>		<b>15,076</b>	16,584	32,690
Administrative expenses	4	(12,936)	(17,231)	(27,972)
Exceptional administrative expenses	4	-	(1,479)	(1,485)
<b>Operating profit (loss) before recognition of results from non-current asset sales and revaluation</b>		<b>2,140</b>	(2,126)	3,233
Profit (loss) from sale of non-current property assets		19	(76)	(3,289)
Gain on revaluation of investment properties		-	3,848	338
Deficit on revaluation of investment properties		(32,181)	(18,030)	(44,661)
Deficit on revaluation of development properties		(1,199)	(1,071)	(5,265)
Share of (loss) profit from joint ventures	10i	(8,944)	14,546	5,532
Share of loss from associate		(107)	-	(65)
Impairment of other non-current investments	10ii	(7,790)	-	-
<b>Operating loss before net finance expenses</b>		<b>(48,062)</b>	(2,909)	(44,177)
<i>Finance expenses</i>		<i>(8,895)</i>	<i>(5,407)</i>	<i>(20,484)</i>
<i>Finance income</i>		<i>5,362</i>	<i>4,458</i>	<i>9,921</i>
Net finance expenses	5	(3,533)	(949)	(10,563)
<b>Loss before tax</b>		<b>(51,595)</b>	(3,858)	(54,740)
<i>Current tax</i>		<i>(83)</i>	<i>(134)</i>	<i>2,105</i>
<i>Deferred tax</i>		<i>7,837</i>	<i>4,663</i>	<i>12,511</i>
Tax credit for the period	6i	7,754	4,529	14,616
<b>(Loss) profit for the financial period attributable to equity shareholders</b>		<b>(43,841)</b>	671	(40,124)
<b>Earnings per share (pence):</b>	7i			
basic		(34.3)	0.5	(31.3)
diluted		(34.3)	0.5	(31.3)

## Consolidated Statement of Recognised Income and Expense for the six months ended 30 September 2008

		Unaudited Six months ended 30 Sept 2008	Unaudited Six months ended 30 Sept 2007	Audited Year ended 31 March 2008
	Notes	£000	£000	£000
Foreign currency translation differences		(4)	184	232
Gain on revaluation of development properties		-	69,574	1,838
Deficit on revaluation of development properties		(182,083)	-	(79,006)
(Deficit) gain on revaluation of other non-current investments		(175)	295	757
Recycling of revaluation movement on other non-current investments	10ii	2,159	-	-
Effective portion of changes in fair value of cashflow hedges, net of recycling		2,522	(259)	(416)
Share of recognised income and expense in joint ventures, net of tax	10i	321	(101)	(702)
Tax on income and expense recognised directly in equity	6ii	53,493	(11,843)	33,082
Net (expense) income recognised directly in equity		<u>(123,767)</u>	<u>57,850</u>	<u>(44,215)</u>
(Loss) profit for the financial period		<u>(43,841)</u>	<u>671</u>	<u>(40,124)</u>
Total recognised income and expense for the financial period		<u><u>(167,608)</u></u>	<u><u>58,521</u></u>	<u><u>(84,339)</u></u>

## Consolidated Balance Sheet

as at 30 September 2008

		Unaudited As at 30 Sept 2008	Unaudited As at 30 Sept 2007	Audited As at 31 March 2008
	Notes	£000	£000	£000
<b>Non-current assets</b>				
Investment properties	9	189,043	280,768	220,624
Development properties	9	680,030	859,312	843,536
Owner-occupied properties, plant and equipment		2,667	1,753	2,757
Investment in joint ventures	10i	288,884	218,075	239,340
Investment in associate		1,050	1,222	1,157
Other non-current investments	10ii	11,008	13,624	15,196
Non-current receivable		-	42,987	42,987
Total non-current assets		<u>1,172,682</u>	<u>1,417,741</u>	<u>1,365,597</u>
<b>Current assets</b>				
Trading properties		30,280	14,239	15,518
Trade and other receivables	11	26,192	31,723	39,617
Current investments		4	4	4
Cash and cash equivalents		7,677	30,307	27,982
Total current assets		<u>64,153</u>	<u>76,273</u>	<u>83,121</u>
<b>Total assets</b>		<u>1,236,835</u> =====	<u>1,494,014</u> =====	<u>1,448,718</u> =====
<b>Current liabilities</b>				
Trade and other payables	12	(37,822)	(40,727)	(36,308)
Current tax liability		(7,373)	(9,267)	(7,269)
Total current liabilities		<u>(45,195)</u>	<u>(49,994)</u>	<u>(43,577)</u>
<b>Non-current liabilities</b>				
Bank loans and other borrowings	13	(560,647)	(378,888)	(541,637)
Deferred tax liability	6iii	(42,308)	(156,341)	(103,638)
Obligations under finance leases		(11,723)	(11,731)	(11,727)
Other payables		(8,849)	-	(2,438)
Total non-current liabilities		<u>(623,527)</u>	<u>(546,960)</u>	<u>(659,440)</u>
<b>Total liabilities</b>		<u>(668,722)</u>	<u>(596,954)</u>	<u>(703,017)</u>
<b>Net assets</b>		<u>568,113</u> =====	<u>897,060</u> =====	<u>745,701</u> =====
<b>Equity</b>				
Issued capital	16	32,511	32,460	32,483
Share premium account	15	51,518	50,895	51,343
Revaluation reserve	15	201,460	424,370	327,360
Other capital reserves	15	108,136	108,136	108,136
Cashflow hedge reserve	15	1,815	311	(322)
Translation reserve	15	314	270	318
Retained earnings	15	184,299	289,962	238,805
Own shares held reserve	15	(11,940)	(9,344)	(12,422)
<b>Equity shareholders' funds</b>		<u>568,113</u> =====	<u>897,060</u> =====	<u>745,701</u> =====
<b>Net asset value per share (pence):</b>	7ii			
basic		<u>443</u> =====	<u>700</u> =====	<u>584</u> =====
diluted		<u>439</u> =====	<u>693</u> =====	<u>578</u> =====

## Consolidated Cashflow Statement

for the six months ended 30 September 2008

	Unaudited Six months ended 30 Sept 2008	Unaudited Six months ended 30 Sept 2007	Audited Year ended 31 March 2008
	£000	£000	£000
<b>Operating activities</b>			
(Loss) profit for the financial period	(43,841)	671	(40,124)
Adjustments for:			
Depreciation of plant and equipment	399	306	622
Cost relating to share-based payment schemes	760	2,958	2,147
Net finance expenses	3,533	949	10,563
(Profit) loss on sale of properties held as non-current assets	(19)	76	3,289
Profit on sale of trading properties	-	-	(1,558)
Gain on revaluation of investment properties	-	(3,848)	(338)
Deficit on revaluation of investment properties	32,181	18,030	44,661
Deficit on revaluation of development properties	1,199	1,071	5,265
Share of loss (profit) from joint ventures	8,944	(14,546)	(5,532)
Share of loss from associate	107	-	65
(Profit) loss from sale of plant and equipment	(4)	2	2
Impairment of other investments	7,790	-	-
Tax on continuing operations	(7,754)	(4,529)	(14,616)
	3,295	1,140	4,446
Decrease (increase) in trade and other receivables	9,203	(4,248)	(8,352)
Increase in trade and other payables	10,946	3,094	1,915
Increase in trading properties	(8,925)	(3,963)	(3,417)
	14,519	(3,977)	(5,408)
Cash generated from operations	14,519	(3,977)	(5,408)
Interest paid	(14,045)	(15,742)	(36,753)
Interest received	2,990	4,472	8,527
Tax recovered (paid)	3,986	(162)	(310)
<b>Net cashflow from operating activities</b>	<b>7,450</b>	<b>(15,409)</b>	<b>(33,944)</b>
	=====	=====	=====
<b>Investing activities</b>			
Purchase and development of property assets	(20,753)	(36,102)	(168,362)
Purchase of plant and equipment	(387)	(557)	(1,911)
Proceeds from sales of non-current assets	6,519	53,999	81,403
Tax paid on sales of non-current assets	(4,048)	-	-
Loans to joint ventures and associate	(61,010)	(33,225)	(64,718)
Distributions received from joint ventures	2,751	2,283	3,130
Acquisition of other investments	(1,618)	(10,284)	(11,398)
Proceeds from non-current receivable	43,081	2,461	2,362
<b>Net cashflow from investing activities</b>	<b>(35,465)</b>	<b>(21,425)</b>	<b>(159,494)</b>
	=====	=====	=====
<b>Financing activities</b>			
Issue of shares	132	59	239
Investment in own shares	-	-	(3,078)
Proceeds from new borrowings	217,000	183,000	980,769
Repayment of borrowings	(197,600)	(141,000)	(775,269)
Payment of loan issue costs	(537)	(248)	(3,276)
Payment of finance lease liabilities	(409)	(410)	(819)
Equity dividends paid	(10,872)	(10,576)	(15,366)
<b>Net cashflow from financing activities</b>	<b>7,714</b>	<b>30,825</b>	<b>183,200</b>
	=====	=====	=====
<b>Net decrease in cash and cash equivalents</b>	<b>(20,301)</b>	<b>(6,009)</b>	<b>(10,238)</b>
Cash and cash equivalents at start of period	27,982	36,048	36,048
Effect of exchange rate fluctuations on cash held	(4)	268	2,172
<b>Cash and cash equivalents at end of period</b>	<b>7,677</b>	<b>30,307</b>	<b>27,982</b>
	=====	=====	=====

## Notes to the accounts for the six months ended 30 September 2008

### 1. Accounting policies

The comparative figures for the financial year ended 31 March 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. These accounts are available on the Company's website ([www.quintain-estates.com](http://www.quintain-estates.com)).

The statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' with the significant accounting policies set out on pages 102 to 106 of the 2008 Annual Report and Accounts. The interim results have been prepared on a going concern basis and the assumptions regarding estimates and uncertainties are disclosed under the Risk Management section in the Financial Review.

The Group's financial performance does not suffer materially from seasonal fluctuations. As the Group's investment and development properties are measured at market value, the current prolonged decline in the real estate market has had a material effect on these values. The changes in the market value of properties are disclosed in notes 9 and 10 and discussed under the Risk Management section in the Financial Review. In addition, the investment in Serrastone SA has been fully impaired in the period – see note 10ii. There have been no other changes in estimates of amounts reported in prior periods which have a material impact on these interim results. There have been no material changes in reportable contingent liabilities since 31 March 2008.

The preparation of the condensed interim financial statements under IFRS requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of revenue and expense during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements that are not readily apparent from other sources. However, the actual results may differ from these estimates.

The measurement of fair value constitutes the main area of judgement exercised by the Board in respect of the Group's results. In relation to the Group's investment and development properties, the Board has relied upon the external valuations carried out by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The principal valuers of the Group's investment and development properties are Savills Commercial Limited and Jones Lang LaSalle Limited, while Christie + Co have valued the investment properties within Quercus, the Group's largest joint venture.

The Board has also exercised its judgement in relation to the recognition of deferred tax assets, the estimation of the tax rate for the six month period using the tax rate expected to be applicable to the full year's results, the measurement of the fair value of derivative financial instruments, for which the Board has relied on the valuation carried out by JC Rathbone Associates Limited and in assessing the recoverability of trade receivables by reference to their age and the ability of debtors to pay. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These condensed consolidated Interim Financial Statements were approved by the Board of Directors on 27 November 2008.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial period beginning 1 April 2008 and have not been adopted early:

- IFRS 8 'Operating Segments', effective for annual periods beginning on or after 1 January 2009.  
IFRS 8 replaces IAS 14, 'Segment Reporting' and requires that segment information is presented on the same basis as that used for internal management reporting. The directors are assessing the expected impact in detail but it appears unlikely that this will have a significant impact on the Group's disclosures.
- IAS 1 (amendment), 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009.  
The Board will prepare proforma accounts under the revised disclosure requirements of this standard for the period beginning 1 April 2009.
- IFRIC 15, 'Agreements for the Construction of Real Estate', effective for annual periods beginning on or after 1 January 2009.  
The Board is evaluating the effect of this interpretation on the revenue recognition of certain sales contracts.

## 2. Revenue, cost of sales and gross profit

	Unaudited Six months ended 30 Sept 2008 Revenue £000	Unaudited Six months ended 30 Sept 2008 Cost of sales £000	Unaudited Six months ended 30 Sept 2008 Gross profit £000	Unaudited Six months ended 30 Sept 2007 Revenue £000	Unaudited Six months ended 30 Sept 2007 Cost of sales £000	Unaudited Six months ended 30 Sept 2007 Gross profit £000	Audited Year ended 31 March 2008 Revenue £000	Audited Year ended 31 March 2008 Cost of sales £000	Audited Year ended 31 March 2008 Gross profit £000
Rental income	10,828	(2,221)	8,607	11,659	(1,878)	9,781	23,843	(4,804)	19,039
Income from sale of trading properties	-	-	-	3,000	(1,546)	1,454	3,000	(1,580)	1,420
Income from hotel operations	3,975	(1,773)	2,202	3,546	(1,634)	1,912	6,926	(3,350)	3,576
Fees from fund management & other services provided to related parties	4,062	(827)	3,235	3,959	(984)	2,975	10,120	(1,910)	8,210
Other income	1,854	(822)	1,032	1,854	(1,392)	462	2,787	(2,342)	445
	<u>20,719</u>	<u>(5,643)</u>	<u>15,076</u>	<u>24,018</u>	<u>(7,434)</u>	<u>16,584</u>	<u>46,676</u>	<u>(13,986)</u>	<u>32,690</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

There were no contingent rents in the current period or the comparative period though £344,000 arose in the second half of the year ended 31 March 2008 and was recognised in the accounts for that year.

The analysis of rental income and the related cost of sales (direct operating expenses) between investment and development properties was as follows:

	Unaudited Six months ended 30 Sept 2008 Revenue £000	Unaudited Six months ended 30 Sept 2008 Cost of sales £000	Unaudited Six months ended 30 Sept 2008 Gross profit £000	Unaudited Six months ended 30 Sept 2007 Revenue £000	Unaudited Six months ended 30 Sept 2007 Cost of sales £000	Unaudited Six months ended 30 Sept 2007 Gross profit £000	Audited Year ended 31 March 2008 Revenue £000	Audited Year ended 31 March 2008 Cost of sales £000	Audited Year ended 31 March 2008 Gross profit £000
Investment properties	7,073	(934)	6,139	9,117	(1,032)	8,085	17,584	(2,232)	15,352
Development properties	3,755	(1,287)	2,468	2,542	(846)	1,696	6,259	(2,572)	3,687
	<u>10,828</u>	<u>(2,221)</u>	<u>8,607</u>	<u>11,659</u>	<u>(1,878)</u>	<u>9,781</u>	<u>23,843</u>	<u>(4,804)</u>	<u>19,039</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Other income related to:

	Unaudited Six months ended 30 Sept 2008 Revenue £000	Unaudited Six months ended 30 Sept 2008 Cost of sales £000	Unaudited Six months ended 30 Sept 2008 Gross profit £000	Unaudited Six months ended 30 Sept 2007 Revenue £000	Unaudited Six months ended 30 Sept 2007 Cost of sales £000	Unaudited Six months ended 30 Sept 2007 Gross profit £000	Audited Year ended 31 March 2008 Revenue £000	Audited Year ended 31 March 2008 Cost of sales £000	Audited Year ended 31 March 2008 Gross profit £000
Surrender premiums	119	-	119	92	-	92	356	-	356
Management fees and commissions	1,164	(275)	889	1,114	(758)	356	1,378	(942)	436
Car parking income	449	(133)	316	386	(105)	281	731	(202)	529
Abortive project costs	-	(258)	(258)	-	(419)	(419)	-	(826)	(826)
Sundry income	122	(156)	(34)	262	(110)	152	322	(372)	(50)
	<u>1,854</u>	<u>(822)</u>	<u>1,032</u>	<u>1,854</u>	<u>(1,392)</u>	<u>462</u>	<u>2,787</u>	<u>(2,342)</u>	<u>445</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

### 3. Segmental analysis

The Group's primary segments are its business segments, the results of which were as follows:

	Unaudited six months ended 30 Sept 2008 Revenue £000	Unaudited Six months ended 30 Sept 2008 Gross profit £000	Unaudited Six months ended 30 Sept 2008 Loss before tax £000	Unaudited Six months ended 30 Sept 2007 Revenue £000	Unaudited Six months ended 30 Sept 2007 Gross profit £000	Unaudited Six months ended 30 Sept 2007 Loss before tax £000	Audited Year ended 31 March 2008 Revenue £000	Audited Year ended 31 March 2008 Gross profit £000	Audited Year ended 31 March 2008 Loss before tax £000
Investment portfolio	6,748	5,422	(14,850)	7,497	5,846	(12,305)	14,555	11,232	(36,422)
Special projects	10,259	6,833	(8,125)	9,447	6,595	15,410	19,222	12,909	16,847
Fund management	3,712	2,821	(12,151)	7,074	4,143	12,696	12,899	8,549	4,855
	<u>20,719</u>	<u>15,076</u>	<u>(35,126)</u>	<u>24,018</u>	<u>16,584</u>	<u>15,801</u>	<u>46,676</u>	<u>32,690</u>	<u>(14,720)</u>
Administrative expenses			(12,936)			(17,231)			(27,972)
Exceptional administrative expenses			-			(1,479)			(1,485)
Operating loss before net finance expenses			(48,062)			(2,909)			(44,177)
Net finance expenses			(3,533)			(949)			(10,563)
Loss before tax			<u>(51,595)</u>			<u>(3,858)</u>			<u>(54,740)</u>
	<u>Unaudited As at 30 Sept 2008 Investment and development properties £000</u>	<u>Unaudited As at 30 Sept 2008 Joint ventures and associate £000</u>	<u>Unaudited As at 30 Sept 2008 Total revaluation movement £000</u>	<u>Unaudited As at 30 Sept 2007 Investment and development properties £000</u>	<u>Unaudited As at 30 Sept 2007 Joint ventures and associate £000</u>	<u>Unaudited As at 30 Sept 2007 Total revaluation movement £000</u>	<u>Audited As at 31 March 2008 Investment and development properties £000</u>	<u>Audited As at 31 March 2008 Joint ventures and associate £000</u>	<u>Audited As at 31 March 2008 Total revaluation movement £000</u>
Investment portfolio	159,159	-	(20,296)	244,039	-	(18,473)	178,855	-	(44,425)
Special projects	691,979	99,578	(188,854)	880,556	58,952	80,157	864,780	79,254	(69,667)
Fund management	17,935	190,356	(23,764)	15,485	160,345	8,391	20,525	161,243	(11,855)
	<u>869,073</u>	<u>289,934</u>	<u>(232,914)</u>	<u>1,140,080</u>	<u>219,297</u>	<u>70,075</u>	<u>1,064,160</u>	<u>240,497</u>	<u>(125,947)</u>

#### 4. Administrative expenses

	Unaudited Six months ended 30 Sept 2008 £000	Unaudited Six months ended 30 Sept 2007 £000	Audited Year ended 31 March 2008 £000
Directors' remuneration	1,853	3,556	3,829
Other staff costs	5,858	8,856	13,784
Total staff costs	<u>7,711</u>	<u>12,412</u>	<u>17,613</u>
Legal and other professional fees	2,099	1,532	3,632
Office costs	1,912	2,282	4,645
(Profit) loss on sale of plant and equipment	(4)	2	2
Depreciation of tangible fixed assets	399	306	622
Operating lease payments	535	429	944
General expenses	284	268	514
Total administrative expenses	<u>12,936</u> =====	<u>17,231</u> =====	<u>27,972</u> =====

The exceptional administrative expenses incurred in the prior periods (30 September 2007: £1,479,000, 31 March 2008: £1,485,000) related to bid defence fees and fees in relation to advice on the valuation of the Group's assets in addition to its normal valuation fees.

#### 5. Net finance expenses

	Unaudited Six months ended 30 Sept 2008 £000	Unaudited Six months ended 30 Sept 2007 £000	Audited Year ended 31 March 2008 £000
Interest payable on bank loans and overdrafts	18,679	12,296	30,205
Interest payable on other loans	257	284	542
Loan costs written-off on refinancing	-	-	2,798
Interest on obligations under finance leases	406	410	812
	<u>19,342</u>	<u>12,990</u>	<u>34,357</u>
Interest capitalised	(7,427)	(5,457)	(12,022)
	<u>11,915</u>	<u>7,533</u>	<u>22,335</u>
Profit realised on termination of interest rate swaps and caps	(3,297)	(1,986)	(1,779)
Change in fair value of interest rate swaps and caps	132	(140)	(72)
Loss on foreign currency transfers	145	-	-
Finance expenses	<u>8,895</u>	<u>5,407</u>	<u>20,484</u>
Finance income: interest receivable	(5,362)	(4,458)	(9,921)
Net finance expenses	<u>3,533</u> =====	<u>949</u> =====	<u>10,563</u> =====

Of interest capitalised in the period, the amount capitalised to development properties was £7,110,000 (30 September 2007: £5,457,000, 31 March 2008: £11,592,000) and trading properties £317,000 (30 September 2007: £nil, 31 March 2008: £430,000). The average interest rate used for capitalisation was 6.3% (30 September 2007: 6.9%, 31 March 2008: 7.0%).

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', the Group has reviewed its interest rate caps together with the interest rate hedges within its joint ventures in existence as at 30 September 2008. As assessed by JC Rathbone Associates Limited, movements in fair value of the elements of those viewed as effective have been recognised through equity while all other movements, including those relating to the ineffective elements of effective hedges, are reflected in the Income Statement.

## 6. Tax

### i) Tax charge on profit

	<b>Unaudited Six months ended 30 Sept 2008 £000</b>	Unaudited Six months ended 30 Sept 2007 £000	Audited Year ended 31 March 2008 £000
UK current tax at 28% (30 September 2007 and 31 March 2008: 30%)	-	-	-
Adjustments to prior years' UK corporation tax	-	-	(2,439)
Overseas tax	<b>83</b>	134	334
Total current tax charge (credit)	<b>83</b>	134	(2,105)
Deferred tax (note 6 iii)	<b>(7,837)</b>	(4,663)	(12,511)
Tax credit	<b>(7,754)</b>	(4,529)	(14,616)
	<b>=====</b>	<b>=====</b>	<b>=====</b>

### ii) Tax recognised directly in equity

	<b>Unaudited Six months ended 30 Sept 2008 £000</b>	Unaudited Six months ended 30 Sept 2007 £000	Audited Year ended 31 March 2008 £000
Deferred tax (credit) charge on revaluation of development properties	<b>(54,199)</b>	11,843	(32,957)
Deferred tax charge (credit) on effective element of interest rate swaps	<b>706</b>	-	(125)
	<b>(53,493)</b>	11,843	(33,082)
	<b>=====</b>	<b>=====</b>	<b>=====</b>

### iii) Deferred tax movements

	Audited 1 April 2008 £000	Recognised in income £000	Recognised in equity £000	<b>Unaudited 30 Sept 2008 £000</b>	Unaudited 30 Sept 2007 £000
Capital gains less capital losses	104,859	(7,488)	(54,199)	<b>43,172</b>	155,330
Capital allowances	6,200	538	-	<b>6,738</b>	4,577
Derivative financial instruments	(63)	22	706	<b>665</b>	(89)
Other temporary differences	245	157	-	<b>402</b>	273
Revenue tax losses	(7,603)	(1,066)	-	<b>(8,669)</b>	(3,750)
Deferred tax provision	<u>103,638</u>	<u>(7,837)</u>	<u>(53,493)</u>	<b>42,308</b>	<u>156,341</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

## 7. Earnings per share and net asset value per share

### i) Earnings per share

	Unaudited Six months ended 30 Sept 2008 Loss after tax £000	Unaudited Six months ended 30 Sept 2008 Weighted average number of shares 000	Unaudited Six months ended 30 Sept 2008 Earnings per share pence	Unaudited Six months ended 30 Sept 2007 Profit after tax £000	Unaudited Six months ended 30 Sept 2007 Weighted average number of shares 000	Unaudited Six months ended 30 Sept 2007 Earnings per share pence	Audited Year ended 31 March 2008 Loss after tax £000	Audited Year ended 31 March 2008 Weighted average number of shares 000	Audited Year ended 31 March 2008 Earnings per share pence
Basic	(43,841)	127,871	(34.3)	671	128,200	0.5	(40,124)	128,184	(31.3)
Adjustments: Employee share-based payment schemes	-	-	-	-	1,287	-	-	-	-
Diluted	(43,841)	127,871	(34.3)	671	129,487	0.5	(40,124)	128,184	(31.3)

### ii) Net asset value per share

	Unaudited As at 30 Sept 2008 Equity shareholder s' funds £000	Unaudited As at 30 Sept 2008 Number of shares 000	Unaudited As at 30 Sept 2008 Net asset value per share pence	Unaudited As at 30 Sept 2007 Equity shareholders' funds £000	Unaudited As at 30 Sept 2007 Number of shares 000	Unaudited As at 30 Sept 2007 Net asset value per share pence	Audited As at 31 March 2008 Equity shareholders' funds £000	Audited As at 31 March 2008 Number of shares 000	Audited As at 31 March 2008 Net asset value per share pence
Basic	568,113	128,212	443	897,060	128,212	700	745,701	127,790	584
Adjustments: Employee share-based payment schemes	3,474	1,878	-	10,418	2,646	-	9,156	2,807	-
Diluted	571,587	130,090	439	907,478	130,858	693	754,857	130,597	578

The number of shares in issue has been adjusted for the 2,059,388 (30 September 2007: 1,627,414, 31 March 2008: 2,139,973) shares held by ESOP Trusts and by the Group as treasury shares.

Entitlements under the Executive Directors' Performance Share Plan have been excluded from the calculation in both i) and ii) above as the commitments relate to contingently issuable shares where the conditions had not been met at the Balance Sheet date.

## 8. Dividends

The Board does not propose to pay an interim dividend (2007: 3.75p). The 2007 interim dividend was not included as a liability as at 30 September 2007.

The final dividend of £10,872,000 for the year ended 31 March 2008, representing 8.50p per share, was paid on 8 September 2008 and is included in the reconciliation of movements in equity.

## 9. Investment and development properties

The movements in the period in investment and development properties were as follows:

	Investment properties £000	Development properties £000	Unaudited Total £000
Cost or valuation:			
Balance 1 April 2008	220,624	843,536	1,064,160
Transfer to trading properties	-	(5,812)	(5,812)
Additions	600	18,478	19,078
Interest capitalised	-	7,110	7,110
Revaluation deficit	(32,181)	(183,282)	(215,463)
Balance 30 September 2008	<u>189,043</u> =====	<u>680,030</u> =====	<u>869,073</u> =====

All of the Group's properties were externally valued as at 30 September 2008 on the basis of market value by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

The Group's land holdings at Greenwich and Wembley have been valued by Savills Commercial Limited. The discount rates which have been applied in relation to these developments were 14.7% for the Greenwich interests and 14% for the Wembley development. Other properties in the United Kingdom have been valued by Jones Lang LaSalle Limited and Christie + Co. Properties in the Channel Islands have been valued by Guy Gothard & Co.

A reconciliation of the valuations carried out by the external valuers to the carrying values shown in the Balance Sheet was as follows:

	As at 30 Sept 2008 Investment properties £000	As at 30 Sept 2008 Development properties £000	Unaudited As at 30 Sept 2008 Total £000	As at 31 March 2008 Investment properties £000	As at 31 March 2008 Development properties £000	Audited As at 31 March 2008 Total £000
Investment and development properties at market value as determined by valuers	187,615	670,427	858,042	219,144	833,860	1,053,004
Adjustment in respect of rent- free periods and other tenant incentives	(538)	(178)	(716)	(486)	(105)	(591)
Adjustment in respect of minimum payments under head leases separately included as a liability in the Balance Sheet	1,966	9,781	11,747	1,966	9,781	11,747
	<u>189,043</u> =====	<u>680,030</u> =====	<u>869,073</u> =====	<u>220,624</u> =====	<u>843,536</u> =====	<u>1,064,160</u> =====

## 10. Non-current investments

### i) Investment in joint ventures

a) The movement in investment in joint ventures was as follows:

	Share of net assets £000	Advances £000	Unaudited Total £000
Balance 1 April 2008	71,974	167,366	239,340
Amounts advanced	-	61,010	61,010
Distributions	(2,843)	-	(2,843)
Share of loss, net of tax	(8,944)	-	(8,944)
Share of effective portion of changes in fair value of cashflow hedges, net of tax	321	-	321
Balance 30 September 2008	<u>60,508</u> =====	<u>228,376</u> =====	<u>288,884</u> =====

b) The Group's interest in its principal joint ventures was as follows:

	% of share capital held	Country of incorporation	Principal joint venture partners
Quercus Healthcare Property Unit Trust (Quercus)	29.74	Channel Islands	Norwich Union Life & Pensions Limited
Greenwich Peninsula Regeneration Limited (GPRL)	50.00	United Kingdom	Lend Lease Europe Limited
Meridian Delta Dome Limited (MDDL)	49.00	United Kingdom	Lend Lease Europe Limited
Greenwich Peninsula N0204 Block A&B Unit Trusts (Greenwich Peninsula N0204)	50.00	Channel Islands	Lend Lease N0204 Block A Limited/ Lend Lease N0204 Block B Limited
iQ Unit Trust (iQ)	50.00	Channel Islands	Wellcome Trust Investment Limited Partnership
Quantum Unit Trust (Quantum)	50.00	Channel Islands	CGNU Life Assurance Limited
Quintessential Homes (Wembley) LLP (Quintessential)	50.02	United Kingdom	Geninvest Limited/ Family Housing Development Company Limited
BioRegional Quintain Limited (BioRegional)	49.90	United Kingdom	BioRegional Properties Limited
South East Properties (Redhill) Limited	50.00	United Kingdom	South East Properties Limited

## c) The Group's share of the results of its joint venture operations was as follows:

Summarised income statements  
for the six months ended 30 September 2008

	Quercus	GPRL/ MDDL	Greenwich Peninsula N0204	iQ	Quantum	Quintessential	BioRegional	Other joint ventures	Unaudited Group share in joint ventures
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Rental income	8,982	427	-	1,314	160	-	-	-	10,883
Proceeds from sale of trading properties	-	-	-	-	-	15,724	-	-	15,724
Other income	-	244	-	-	-	-	41	-	285
	<u>8,982</u>	<u>671</u>	<u>-</u>	<u>1,314</u>	<u>160</u>	<u>15,724</u>	<u>41</u>	<u>-</u>	<u>26,892</u>
Cost of sales	-	(165)	-	(608)	(61)	(15,062)	-	-	(15,896)
Gross profit	<u>8,982</u>	<u>506</u>	<u>-</u>	<u>706</u>	<u>99</u>	<u>662</u>	<u>41</u>	<u>-</u>	<u>10,996</u>
Administrative expenses	(1,374)	(308)	(12)	(808)	(32)	(18)	(174)	-	(2,726)
Operating profit (loss) before recognition of results from non-current asset sales and revaluation	7,608	198	(12)	(102)	67	644	(133)	-	8,270
Loss from sale of non- current property assets	(155)	-	-	-	-	-	-	-	(155)
(Deficit) gain on revaluation of investment properties	(14,551)	3,724	-	(6,396)	(85)	-	-	-	(17,308)
Share of loss from joint ventures	-	-	-	-	-	-	(117)	-	(117)
Operating (loss) profit	<u>(7,098)</u>	<u>3,922</u>	<u>(12)</u>	<u>(6,498)</u>	<u>(18)</u>	<u>644</u>	<u>(250)</u>	<u>-</u>	<u>(9,310)</u>
Finance expenses	(3,523)	-	-	(863)	-	(73)	(192)	(972)	(5,623)
Finance income	362	9	-	73	50	32	16	1,380	1,922
(Loss) profit before taxation	<u>(10,259)</u>	<u>3,931</u>	<u>(12)</u>	<u>(7,288)</u>	<u>32</u>	<u>603</u>	<u>(426)</u>	<u>408</u>	<u>(13,011)</u>
Taxation	3,598	(1,137)	-	1,581	21	-	-	4	4,067
(Loss) profit after taxation	<u>(6,661)</u>	<u>2,794</u>	<u>(12)</u>	<u>(5,707)</u>	<u>53</u>	<u>603</u>	<u>(426)</u>	<u>412</u>	<u>(8,944)</u>

**Summarised balance sheets**

as at 30 September 2008

	Quercus	GPRL/ MDDL	Greenwich Peninsula N0204	iQ	Quantum	Quintessential	BioRegional	Other joint ventures	Unaudited Group share in joint ventures
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Investment properties	251,359	-	-	64,975	3,520	-	-	-	319,854
Development properties	2,400	-	29,275	19,388	2,415	-	-	-	73,078
Investment in joint ventures	-	19,600	-	-	-	-	2,261	-	3,183
Trading properties	-	922	-	-	-	15,311	2,318	-	60,036
Other assets	13,398	42,407	-	5,836	439	1,915	6,205	3,646	55,568
<b>Gross assets</b>	<b>267,157</b>	<b>87,058</b>	<b>29,275</b>	<b>90,199</b>	<b>6,374</b>	<b>17,226</b>	<b>10,784</b>	<b>3,646</b>	<b>511,719</b>
<b>Current liabilities:</b>									
Bank loans and other borrowings	-	-	-	-	-	(4,219)	-	(444)	(4,663)
Current tax liability	(1,338)	(163)	-	-	(28)	-	-	(299)	(1,828)
<b>Non-current liabilities:</b>									
Bank loans and other borrowings	(115,151)	-	-	(49,542)	-	-	-	-	(164,693)
Deferred tax (liability) asset	(5,830)	(5,566)	34	1,200	62	-	-	(16)	(10,116)
Other liabilities	(735)	(16,842)	(12,689)	(2,720)	(342)	(6,213)	(1,994)	-	(41,535)
<b>Net external assets</b>	<b>144,103</b>	<b>64,487</b>	<b>16,620</b>	<b>39,137</b>	<b>6,066</b>	<b>6,794</b>	<b>8,790</b>	<b>2,887</b>	<b>288,884</b>
<b>Represented by:</b>									
Capital	40,546	15,145	(96)	(2,341)	(260)	6,254	(1,251)	2,511	60,508
Loans	103,557	49,342	16,716	41,478	6,326	540	10,041	376	228,376
<b>Total investment</b>	<b>144,103</b>	<b>64,487</b>	<b>16,620</b>	<b>39,137</b>	<b>6,066</b>	<b>6,794</b>	<b>8,790</b>	<b>2,887</b>	<b>288,884</b>

The valuation of investment properties held within Quercus as at 30 September 2008 was performed by Christie + Co, Chartered Surveyors, as external valuers, on the basis of open market value and in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. Properties within the Greenwich joint ventures and the iQ Unit Trust were valued by Savills Commercial Limited and those within the Quantum Unit Trust by CBRE Richard Ellis.

**Summarised income statements**

for the six months ended 30 September 2007

	Quercus	GPRL/ MDDL	iQ	Quantum	Quintessential	BioRegional	Other joint ventures	Unaudited Group share in joint ventures
	£000	£000	£000	£000	£000	£000	£000	£000
Rental income	6,595	95	542	-	-	-	-	7,232
Other income	-	-	-	-	-	5	-	5
	<u>6,595</u>	<u>95</u>	<u>542</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>7,237</u>
Cost of sales	-	(96)	(293)	(4)	-	-	(2)	(395)
Gross profit (loss)	<u>6,595</u>	<u>(1)</u>	<u>249</u>	<u>(4)</u>	<u>-</u>	<u>5</u>	<u>(2)</u>	<u>6,842</u>
Administrative expenses	(782)	(65)	(691)	(2)	(34)	(138)	(167)	(1,879)
Operating profit (loss) before recognition of results from non-current asset sales and revaluation	<u>5,813</u>	<u>(66)</u>	<u>(442)</u>	<u>(6)</u>	<u>(34)</u>	<u>(133)</u>	<u>(169)</u>	<u>4,963</u>
Profit from sale of non- current property assets	185	-	-	-	-	-	-	185
Gain on revaluation of investment properties	8,355	6,763	636	-	-	-	-	15,754
Operating profit (loss)	<u>14,353</u>	<u>6,697</u>	<u>194</u>	<u>(6)</u>	<u>(34)</u>	<u>(133)</u>	<u>(169)</u>	<u>20,902</u>
Finance expenses	(2,675)	-	(383)	-	-	(63)	(2)	(3,123)
Finance income	129	-	49	10	42	4	-	234
Profit (loss) before taxation	<u>11,807</u>	<u>6,697</u>	<u>(140)</u>	<u>4</u>	<u>8</u>	<u>(192)</u>	<u>(171)</u>	<u>18,013</u>
Taxation	(1,839)	(1,488)	(140)	-	-	-	-	(3,467)
Profit (loss) after taxation	<u>9,968</u>	<u>5,209</u>	<u>(280)</u>	<u>4</u>	<u>8</u>	<u>(192)</u>	<u>(171)</u>	<u>14,546</u>

Summarised balance sheets  
as at 30 September 2007

	Quercus	GPRL/ MDDL	iQ	Quantum	Quintessential	BioRegional	Other joint ventures	Unaudited Group share in joint ventures
	£000	£000	£000	£000	£000	£000	£000	£000
Investment properties	237,520	-	40,075	-	-	-	-	277,595
Development properties	559	13,013	19,667	1,216	-	-	-	34,455
Trading properties	-	34,472	-	-	17,352	2,735	-	54,559
Other assets	13,262	3,810	4,325	371	-	4,691	3,094	29,553
Gross assets	<u>251,341</u>	<u>51,295</u>	<u>64,067</u>	<u>1,587</u>	<u>17,352</u>	<u>7,426</u>	<u>3,094</u>	<u>396,162</u>
Current liabilities:								
Current tax liability	(1,353)	-	-	-	-	-	-	(1,353)
Non-current liabilities:								
Bank loans and other borrowings	(98,569)	-	(30,905)	-	-	(602)	-	(130,076)
Deferred tax liability	(13,735)	(3,308)	(1,973)	-	-	-	(318)	(19,334)
Other liabilities	(7,159)	(3,272)	(3,939)	(239)	(11,809)	(787)	(119)	(27,324)
Net external assets	<u>130,525</u>	<u>44,715</u>	<u>27,250</u>	<u>1,348</u>	<u>5,543</u>	<u>6,037</u>	<u>2,657</u>	<u>218,075</u>
Represented by:								
Capital	59,988	10,602	4,079	28	5,543	(517)	2,479	82,202
Loans	70,537	34,113	23,171	1,320	-	6,554	178	135,873
Total investment	<u>130,525</u>	<u>44,715</u>	<u>27,250</u>	<u>1,348</u>	<u>5,543</u>	<u>6,037</u>	<u>2,657</u>	<u>218,075</u>

ii) Other non-current investments

The movement in other non-current investments, all of which have been classified as available for sale, was as follows:

	Unaudited £000
Unquoted investments:	
Balance 1 April 2008	15,196
Additions	1,618
Impairment as charged in the Income Statement	(7,790)
Recycling of revaluation movement from earlier periods	2,159
Revaluation deficit	(175)
Balance 30 September 2008	<u>11,008</u> =====

An impairment loss of £7,790,000 was recognised in the Income Statement in relation to the Special projects business segment against the Group's investment in Serrastone SA following a revision of cashflow forecasts as a result of current economic conditions.

## 11. Trade and other receivables

	Unaudited 30 Sept 2008 £000	Unaudited 30 Sept 2007 £000	Audited 31 March 2008 £000
Trade receivables	14,133	14,562	20,660
Amounts due under contracts for sale	-	6,500	6,898
Other receivables	7,831	6,676	6,500
Trade and other receivables	<u>21,964</u>	<u>27,738</u>	<u>34,058</u>
Prepayments and accrued income	4,228	3,985	5,559
	<u>26,192</u> =====	<u>31,723</u> =====	<u>39,617</u> =====

## 12. Trade and other payables

	Unaudited 30 Sept 2008 £000	Unaudited 30 Sept 2007 £000	Audited 31 March 2008 £000
Trade payables	3,208	6,433	2,809
Other payables	13,107	11,864	10,963
Accruals	21,507	22,430	22,536
	<u>37,822</u> =====	<u>40,727</u> =====	<u>36,308</u> =====

## 13. Bank loans and other borrowings

	Unaudited 30 Sept 2008 £000	Unaudited 30 Sept 2007 £000	Audited 31 March 2008 £000
Non-current liabilities:			
Bank loans	558,554	374,050	536,830
10% first mortgage debenture stock 2011 (secured)	2,093	4,838	4,807
	<u>560,647</u> =====	<u>378,888</u> =====	<u>541,637</u> =====

The weighted average tenure of the Group's debt is five years (31 March 2008: 5.5 years) and the weighted average cost of debt was 6.3% (31 March 2008: 7.0%). The loans are secured by floating charges over assets owned by subsidiary undertakings.

The 10% first mortgage debenture stock 2011 issued by Estates Property Investment Company Limited is secured by a cash deposit of £3,276,000 and has a redemption value of £1,971,000. The premium over par arising from fair valuing the debenture on acquisition is amortised over its remaining life.

a) The maturity profile of the Group's debt was as follows:

	<b>30 Sept 2008</b>	<b>30 Sept 2008</b>	<b>Unaudited 30 Sept 2008</b>	Unaudited 30 Sept 2007	Audited 31 March 2008	<b>Unaudited 30 Sept 2008</b>	Unaudited 30 Sept 2007	Audited 31 March 2008
	<b>Bank loans and overdrafts</b>	<b>Other loans</b>	<b>Total debt</b>	Total debt	Total debt	<b>Undrawn facilities</b>	Undrawn facilities	Undrawn facilities
	£000	£000	£000	£000	£000	£000	£000	£000
From one to two years	<b>74,609</b>	-	<b>74,609</b>	-	-	<b>20,000</b>	-	-
From two to five years	<b>174,073</b>	<b>2,093</b>	<b>176,166</b>	378,888	223,838	<b>50,000</b>	119,000	5,000
From five to 25 years	<b>309,872</b>	-	<b>309,872</b>	-	317,799	<b>83,500</b>	-	75,500
	<b>558,554</b>	<b>2,093</b>	<b>560,647</b>	378,888	541,637	<b>153,500</b>	119,000	80,500
	=====	=====	=====	=====	=====	=====	=====	=====

b) After taking account of interest rate swaps and caps, the risk profile of the Group's borrowings was as follows:

	<b>Unaudited 30 Sept 2008</b>	Unaudited 30 Sept 2007	Audited 31 March 2008
	£000	£000	£000
Fixed or capped	<b>549,207</b>	229,838	429,807
Floating	<b>11,440</b>	149,050	111,830
	<b>560,647</b>	378,888	541,637
	=====	=====	=====

c) The interest rate profile of the Group's fixed or capped rate debt was as follows:

Percent	<b>Unaudited 30 Sept 2008</b>	Unaudited 30 Sept 2007	Audited 31 March 2008
	£000	£000	£000
4.0 – 5.0	<b>248,688</b>	-	100,000
5.0 – 6.0	<b>99,475</b>	-	100,000
6.0 – 7.0	<b>49,738</b>	225,000	225,000
7.0 – 8.0	<b>149,213</b>	-	-
9.0 – 10.0	<b>2,093</b>	4,838	4,807
	<b>549,207</b>	229,838	429,807
	=====	=====	=====

d) The weighted average rate and the weighted average period of the Group's fixed or capped rate debt were as follows:

<b>Unaudited 30 Sept 2008</b>	Unaudited 30 Sept 2007	Audited 31 March 2008	<b>Unaudited 30 Sept 2008</b>	Unaudited 30 Sept 2007	Audited 31 March 2008
%	%	%	years	years	years
<b>6.3</b>	6.5	6.0	<b>5</b>	5	5
=====	=====	=====	=====	=====	=====

## 14. Financial instruments

The Group's policy is to finance its activities with equity and long term debt, the proportions depending on the profile of the operational and financial risks to the business. The Group does not speculate in treasury products but uses these only to limit potential interest rate fluctuations. It usually borrows at floating rates of interest based on LIBOR and uses hedging to achieve an interest rate profile where the majority of borrowings are fixed or capped. As at 30 September 2008, 99.8% (31 March 2008: 83.7%) of the Group's net debt was fixed or capped.

### i) Effective cashflow hedges

As at 30 September 2008, the profile of the Group's interest rate swaps, which for the purposes of these financial statements have been classified as effective cashflow hedges with fair value adjustments reflected in equity, was as follows:

Amount £000	Maturity date	Swap rate %	Unaudited 30 Sept 2008 Fair value adjustment £000	Audited 31 March 2008 Fair value adjustment £000
50,000	03.01.13	4.97	426	(11)
50,000	03.01.13	4.94	421	50
50,000	03.01.13	5.01	434	(85)
75,000	22.04.13	4.99	582	-
75,000	22.04.13	4.96	659	-
<u>300,000</u>			<u>2,522</u>	<u>(46)</u>
=====			=====	=====

### ii) Ineffective cashflow hedges

As at 30 September 2008, the profile of the Group's interest rate caps, which for the purpose of these financial statements have been classified as ineffective with fair value adjustments reflected in the Income Statement, was as follows:

Amount £000	Maturity date	Swap rate %	Unaudited 30 Sept 2008 Fair value adjustment £000	Audited 31 March 2008 Fair value adjustment £000
25,000	03.01.13	5.50	149	314
25,000	03.01.13	5.75	149	236
25,000	22.04.13	7.50	(100)	-
25,000	22.04.13	7.50	(100)	-
25,000	22.04.13	7.50	(100)	-
75,000	22.04.13	7.50	(267)	-
50,000	03.07.13	6.50	(23)	-
<u>250,000</u>			<u>(292)</u>	<u>550</u>
=====			=====	=====

As at 30 September 2008, the Group also held £450,000,000 basis swaps entered into within the current period with maturity dates prior to 31 March 2009 and positive fair value adjustments totalling £160,000 reflected in the Income Statement.

iii) Financial instruments held in joint ventures

As at 30 September 2008, the following interest rate swaps shown at their full amount were held within Quercus, a joint venture in which the Group has a 29.74% interest (31 March 2008: 26.92%):

Amount	Maturity date	Swap rate	Unaudited 30 Sept 2008 Group's share of fair value adjustment	Audited 31 March 2008 Group's share of fair value adjustment
£000		%	£000	£000
40,000	22.01.09	4.86	-	(112)
50,000	22.10.09	4.84	21	(216)
25,000	25.11.09	5.02	(136)	41
80,000	22.01.13	5.11	224	(143)
100,000	22.01.13	4.99	266	(31)
295,000			375	(461)
=====			=====	=====

All the swaps held within Quercus were classified as effective and the Group's share of the fair value adjustments reflected in equity.

As at 30 September 2008, the following interest rate caps and collars shown at their full amount were held within iQ, a joint venture in which the Group has a 50.00% interest (31 March 2008: 50.00%):

Amount	Maturity date	Strike rate Floor	Strike rate Cap	Unaudited 30 Sept 2008 roup's share of fair value adjustment Income Statement	Unaudited 30 Sept 2008 roup's share of fair value adjustment Equity	Audited 31 March 2008 Group's share of fair value adjustment Income Statement	Audited 31 March 2008 Group's share of fair value adjustment Equity
£000		%	%	£000	£000	£000	£000
12,951	04.10.12	5.08	6.00	112	-	(392)	-
12,951	04.10.12	5.28	5.75	-	190	-	(484)
12,951	04.10.12	4.89	6.25	87	-	(355)	-
12,952	04.10.12	4.69	6.50	62	-	(295)	-
51,805				261	190	(1,042)	(484)
=====				=====	=====	=====	=====

As at 30 September 2008, the following interest rate swap shown at its full amount was held within Greenwich Peninsula N0204, a joint venture in which the Group has a 50.00% interest (31 March 2008: 50.00%):

Amount	Maturity date	Swap rate	Unaudited 30 Sept 2008 Group's share of fair value adjustment
£000		%	£000
29,301	30.12.11	5.28	(120)
=====			=====

The swap was entered into during the period and has been classified as effective with the fair value adjustment reflected in equity.

## 15. Reconciliation of movements in equity

	Share capital £000	Share premium account £000	Revaluation reserve £000	Other capital reserves £000	Cashflow hedge reserve £000	Translation reserve £000	Retained earnings £000	Own shares held reserve £000	Unaudited Equity shareholders' funds £000
Balance 1 April 2008	32,483	51,343	327,360	108,136	(322)	318	238,805	(12,422)	745,701
Recognised income and expense for the period	-	-	(125,900)	-	2,137	(4)	(43,841)	-	(167,608)
Issue of shares less cost	28	175	-	-	-	-	(71)	-	132
Cost relating to share-based payment schemes	-	-	-	-	-	-	760	-	760
Shares awarded to employees under share-based bonus scheme	-	-	-	-	-	-	(482)	482	-
Dividends paid in period	-	-	-	-	-	-	(10,872)	-	(10,872)
	<u>32,511</u>	<u>51,518</u>	<u>201,460</u>	<u>108,136</u>	<u>1,815</u>	<u>314</u>	<u>184,299</u>	<u>(11,940)</u>	<u>568,113</u>

Part of the movement on the revaluation of investment and development properties is recognised in the Income Statement and part directly through equity.

	Unaudited Six months ended 30 Sept 2008 £000	Unaudited Six months ended 30 Sept 2007 £000	Audited Year ended 31 March 2008 £000
Recognised in Income Statement:			
Gains on revaluation of investment properties:			
Group	-	3,848	338
Joint ventures	-	15,754	934
Deficits on revaluation of investment properties:			
Group	(32,181)	(18,030)	(44,661)
Joint ventures	(17,308)	-	-
Associate	(143)	-	(125)
Deficits on revaluation of development properties	(1,199)	(1,071)	(5,265)
Recognised directly in equity:			
Gains on revaluation of development properties	-	69,574	1,838
Deficits on revaluation of development properties	(182,083)	-	(79,006)
	<u>(232,914)</u>	<u>70,075</u>	<u>(125,947)</u>

As at 30 September 2008, ESOP Trusts held 2,054,154 (31 March 2008: 2,134,739) shares in the Company which had been purchased in the market at a cost of £11,908,000 (31 March 2008: £12,390,000). The purpose of the Trusts is to acquire and hold shares which will be transferred to employees to meet future obligations under the Group employee share-based payment schemes and share-based bonus entitlements. As at 30 September 2008, these shares had a market value of £4,134,000 (31 March 2008: £9,622,000). The Quintain Group Employee Benefit Trust has waived the right to receive dividends.

As at 30 September 2008, the Company also held 5,234 (31 March 2008: 5,234) of its own shares which had been purchased in the market at a cost of £32,000 (31 March 2008: £32,000). As at that date, these shares had a market value of £11,000 (31 March 2008: £24,000).

## 16. Share capital

	Unaudited Number of shares 000	Unaudited Nominal value £000
<b>Authorised as at 30 September 2008</b>		
Ordinary shares of 25p each	200,000	50,000
	=====	=====
<b>Allotted, called up and fully paid</b>		
In issue as at 1 April 2008	129,826	32,483
Issue of shares under share-based payment schemes at between 25p and 155.3p	112	28
	-----	-----
In issue as at 30 September 2008	129,938	32,511
	=====	=====

As at 30 September 2008, Share capital included 2,054,154 (31 March 2008: 2,134,739) shares held by ESOP Trusts. These shares had a nominal value of £513,539 (31 March 2008: £533,685). The Company also held 5,234 (31 March 2008: 5,234) of its own shares with a nominal value of £1,309 (31 March 2008: £1,309).

## 17. Capital commitments

As at 30 September 2008, the Group had capital commitments of £27,734,000 (31 March 2008: £16,475,000) in relation to its own development properties and £63,000 (31 March 2008: £130,000) in respect of contractual commitments for repairs, maintenance and enhancement in relation to its investment properties. The Group's share of capital commitments in relation to its joint ventures was £86,625,000 (31 March 2008: £63,939,000).

## 18. Related party disclosures

During the period, the Group received the following fees in respect of services provided to its joint ventures:

	Unaudited Six months ended 30 Sept 2008 £000	Unaudited Six months ended 30 Sept 2007 £000	Audited Year ended 31 March 2008 £000
Quercus Healthcare Property Partnership	2,084	2,235	6,416
iQ Property Partnership	1,263	1,086	2,188
Greenwich Peninsula Regeneration Limited	421	402	944
BioRegional Quintain Limited	154	96	277
Quintessential Homes (Wembley) LLP	130	130	260
Quart Property Partnership	-	-	15
Quantum Property Partnership	10	10	20
	-----	-----	-----
	4,062	3,959	10,120
	=====	=====	=====

The Group also received interest on loan notes amounting to £1,757,000 (30 Sept 2007: £1,218,000, 31 March 2008: £2,733,000) from Greenwich Peninsula Regeneration Limited, £472,000 (30 Sept 2007: £nil, 31 March 2008: £nil) from Greenwich Peninsula N0204 Limited Partnerships and £520,000 (30 Sept 2007: £206,000, 31 March 2008: £691,000) from BioRegional Quintain Limited, which are included in finance income.

The following amounts due from related parties are included in Trade and Other receivables in note 11:

	Unaudited 30 Sept 2008 £000	Unaudited 30 Sept 2007 £000	Audited 31 March 2008 £000
Quercus Healthcare Property Partnership	3,175	2,851	11,447
South East Properties (Redhill) Limited	2,023	-	-
BioRegional Quintain Limited	1,209	762	1,278
iQ Property Partnership	813	589	589
Greenwich Peninsula Regeneration Limited	726	551	303
Quintessential Homes (Wembley) LLP	201	176	-
Quart Property Partnership	-	-	29
Quantum Property Partnership	89	5	73
	-----	-----	-----
	8,236	4,934	13,719
	=====	=====	=====

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