



**Quintain Estates & Development plc**  
**Full Year Report to 31 March 2009**

## **Statement from the Chairman and Chief Executive**

The current recession has taken its toll on the financial performance of property companies throughout the UK. The lack of liquidity in the global debt markets has caused a retrenchment across the sector and a rapid reduction in asset values has led to significant falls in property share prices worldwide.

We have, throughout the year, managed our business to take account of these circumstances, as announced in our August Interim Management Statement (“IMS”). The appropriate course of action in the short term was to focus the business firmly on adding value to the development programme at minimal capital outlay, whilst enhancing income and securing the Group’s financial stability. The Board continues to believe this is the right strategy and has executed it as detailed in this report.

Our three priorities remain;

1. Clear focus on cash generation and preservation;
2. Prudent management of risk; and
3. The selective exploitation of those value-creation opportunities that can be pursued with minimal capital investment to produce maximum return.

### **Performance**

This year’s total return<sup>1</sup> was (39.0)%. Although disappointing, when viewed against the sudden and substantial reduction in value sustained by the Portfolio as a result of market forces it was also inevitable. Measured by the Investment Property Databank (“IPD”), the total return for Quintain was (22.5)%, outperforming the March Universe of (25.8)%.

Valuations across the Group fell on average over the 12 months by 23.0%. With the impact of gearing, there was a fall in basic NAV at 31 March 2009 of 40.4% to 348p per share. This belies the solid performance at operating level, with gross profits rising 7.2% to £35.0m, compared with £32.7m in 2008 driven by increasing fees from Fund Management. Reported diluted earnings per share for the year to 31 March 2009 were a loss of 83.0p (2008: 31.3p), primarily due to unrealised revaluation deficits in relation to investment properties. Excluding these, European Public Real Estate Association (“EPRA”) earnings per share were a positive 9.7p (2008: 2.5p).

Our proactive approach to management was reflected by gross rental income, including our share of joint ventures, rising to £45.1m (2008: £41.2m) with the increased contribution from joint ventures more than compensating for the lower income within directly owned properties.

### **Finance**

The active management of our finances has been a significant feature of the period. The cash repatriation programme returned £97.5m to the Company over the reporting period, which was used to meet capital commitments and reduce debt, thereby maintaining our position within the original 110% gearing limit of our banking covenants at the year end. In addition, with the support of our relationship banks we re-negotiated

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<sup>1</sup> measured by the movement in net assets per share and adding back the dividend

this gearing limit upwards to 150%, providing at 31 March 2009 headroom to sustain a further 12% fall in values, and extended the maturity of our shorter term facilities. This will provide greater financial flexibility to the Group until the economy finds a more stable footing. Our cost-reduction programme and suspension of the dividend have also improved our financial position. Throughout the year a number of options to enhance our longer term financing, including equity raising, remained under review and the Board, with its advisers J.P. Morgan Cazenove and Lazard, continues to evaluate appropriate avenues to strengthen the Group's position and financial stability.

### **Continued Delivery**

Despite the economic turmoil, Quintain continued to make good progress operationally and the benefits of our diverse business activities have been further demonstrated.

Particularly pleasing is the robust performance of Fund Management, which produced £18.6m of the Group's gross income<sup>2</sup>. Funds under management over the period were relatively stable, standing at £980.3m (2008: £999.6m) at 31 March 2009. The fundamentals of the markets in which these funds operate, namely healthcare (Quercus), education (iQ) and specialist science parks (Quantum), remain strong and are supported by positive social trends, such as an ageing population and growing numbers of university students. These are evidenced by the high rates of occupancy and strong rental growth across both our student accommodation and long term healthcare facilities.

Within the Urban Regeneration business, which has gross contracted annualised income<sup>3</sup> of £21.0m, the winning of further planning consents during the reporting period at Greenwich, Wembley and Birmingham will add value to these schemes and position the Group advantageously for the eventual economic recovery. We also took the opportunity to focus on our growing commercial ventures. These are innovative enterprises that require minimal capital outlay to generate exceptional long term returns and mark the first steps towards the realisation of the 'towns as businesses' concept.

The decision of the London Borough of Brent to relocate their Civic Centre to a new development at the heart of Wembley City early in the reporting period was a substantial endorsement and the opening of the first residential building, Forum House, has brought our first residents to the scheme. They are benefiting from an underground waste removal system that will significantly reduce carbon emissions, as well as the UK's first 100 Mbs broadband, which is part of Quintain's newly-launched 'triple play' Velocity1 product.

At Greenwich, the extension of Transport for London's lease to encompass the remaining two floors of the first commercial building means that we will see up to 1,900 people working at the Peninsula from the end of this summer, an important step for the scheme and one that is already starting to attract retailers to the site.

### **People**

The link between remuneration and performance remains important. Quintain has delivered exceptional performance since its inception in 1992 and the executive directors have been rewarded appropriately

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<sup>2</sup> Including the contribution from its joint ventures but excluding marking to market and revaluation adjustments

<sup>3</sup> Including the contribution from its joint ventures

through the bonus structure. In years when the Company underperforms, however, it is also appropriate for remuneration to be adjusted accordingly and, for this reason, no bonuses were paid this year. In addition, the Chairman and executive directors voluntarily adopted a 10% reduction in salary from December as a contribution towards the Group's cost reduction programme.

This feeling of responsibility characterises Quintain, with 98% of respondents to the annual staff survey saying they feel accountable for the results they are expected to deliver. Our staff members have met the difficulties presented by the sudden shift in market conditions with a pragmatic and innovative response, again demonstrating entrepreneurial spirit and great flexibility in the face of changing circumstances. It was sad but inevitable that we had to make some roles redundant during the period and we wish to thank everyone involved with this process for their fortitude, commitment and support. The continued focus of the team on identifying and realising value for the Company is highly commendable. It is crucial to the long term success of the business that we retain and motivate our members of staff and we will review the Group's incentive structure over the current financial year to secure this outcome.

### **Strategy**

In the face of ongoing volatile and turbulent market conditions, we will maintain our strategy to reinforce the Group progressively against the impact of economic decline by increasing income from our diverse revenue streams, particularly from fund management and commercial ventures, whilst protecting and enhancing the value within the assets we hold for shareholders. Our detailed understanding of our assets makes it possible for us to identify and focus resources on the areas where carefully targeted investment could potentially reduce the extent of valuation falls. Unlocking maximum value in these areas has been a key operational focus throughout the year and will remain so until the economy becomes more stable.

Regarding finance, we will continue to repatriate cash over the next 12 months in order actively to manage the Company's gearing level, and have established a minimum target of an additional £50m of disposals for this financial year. Wherever possible, we will extend the cost efficiencies of 25% that we secured during the last financial year and retain tight control of our overheads. We will only make further, prudent, investment in specific areas that have the potential for substantial returns for investors.

### **Summary and Outlook**

We continue to make progress, managing the business and structuring our finances on the assumption of a sustained period of global economic uncertainty. As demonstrated during the reporting period, our financing structure is flexible and responsive and we benefit from the ongoing support of our relationship banks and equity shareholders. Despite restricted transaction opportunities, in the short term we are taking all available opportunities to increase the value of the portfolio and to optimise cash flows while preserving and enhancing the exceptional future value embedded in the Company.

John Plender  
Chairman  
4 June 2009

Adrian Wyatt  
Chief Executive  
4 June 2009

## **OPERATIONAL REVIEW**

Despite the unprecedented market conditions, Quintain has continued to make good progress operationally across all its business activities, with a clear emphasis placed on cash flow maximisation and the protection and ultimate enhancement of capital values.

### **Urban Regeneration**

#### **Introduction**

Urban Regeneration, formerly known as 'Special Projects', constitutes 61.7% of the Group's gross property assets. In addition to producing value gains through planning and development, our major schemes also have gross contracted income of £21m per annum.

#### **Overview**

The severe deterioration of the property sector throughout the financial year is reflected in the sharp decrease over the period in the valuation of our regeneration assets which, after taking account of capital expenditure, fell by 28.3%. Valuations were partially cushioned from the full aggression of market conditions by planning gains and the prudent management initiatives undertaken in line with our strategy of protecting values whilst minimising capital expenditure.

The Company continues to work to add value to its Urban Regeneration assets. However, the timing of the introduction of product to market is being managed to coincide with a recovery in demand. We are also using this period to ensure that our contractors and suppliers are delivering maximum cost-efficiency and to consolidate our Commercial Ventures operation. The latter is tasked with realising substantial ongoing income from Quintain's major estates and solid progress has been made in this respect during the financial year.

#### **The Market and Outlook**

Quintain's Urban Regeneration business is mainly in London and spans the commercial, retail and residential property sectors.

Prices in the residential and commercial markets, where the majority of our exposure lies, have suffered significantly over the course of the financial year, driven by the contraction in the debt markets and widespread uncertainty about the depth and duration of the recession. However, London remains a robust proposition relative to the rest of the UK, underpinned by a deepening shortage of housing, increasing affordability and demand, and the Capital's position as a pre-eminent global financial centre.

The residential market has been dominated by a collapse in lending at traditional loan to value ratios. The ability of UK investors to participate in the Buy to Let market has largely disappeared. However, the rate of decline in house prices has reduced markedly since the end of the reporting period and financial products that reflect some of the recent reduction in interest rates are now available at lower loan to value ratios more suitable to owner occupiers. When coupled with the fall in the value of Sterling, the decline in values has also increased the attraction of London real estate to overseas buyers. Pressure on UK lenders to

return to the market, interest from overseas investors looking to take advantage of favourable exchange rates and the prospect of interest from UK institutions as the market flattens will underpin demand.

The business has not been impervious to the increase in retail yields and declining retail covenants, with substantial reductions in value seen in its retail parks and the loss of income to pre-pack administrations. However, this has been more than offset with the agreement of new leases during the reporting period generating a total of £0.5m per annum.

## **Strategy**

It is clear that the current global malaise has some time to run. In light of this, our strategy of cash generation and preservation, the increase of revenue through commercial ventures and the progression of our major schemes on a de-risked basis, for example through joint ventures with third parties where land constitutes our equity contribution, will continue until the economy stabilises.

## **Wembley City**

Our long term strategy at Wembley is to create a new district for London with a sufficiently dynamic entertainment, retail and commercial offering to achieve a 500% increase of the current footfall to 20 million visitors a year. In addition to the significant development gains to be made from the scale of this 85 acre scheme, the retention of the freehold enables Quintain to undertake commercial ventures that require minimal capital and that will evolve to deliver significant and robust income streams for the duration of the Company's period of ownership.

A programme of initiatives such as the implementation of the supply chain management programme (SC2), improvements to the detailed design of the masterplan and re-sequencing of delivery have reduced the full impact of deteriorating market conditions on the value of the scheme. However, the falls experienced in the housing market and significant increase in the discount rate, driven by sentiment and required returns in the market, outweighed this activity. During the financial year the value of this scheme, excluding trading properties, was reduced by 29.2%, meaning that the total fall experienced since 1 October 2007 is now 39.4%.

We continue to invest limited capital in areas where it should result in a significant increase in value and to deliver infrastructure projects in order to facilitate the next phase of development. Planning gain is one such area and, in June 2008, we announced that the last of the four blocks comprising the retail core (W04, W05, W07 and York House) had received detailed consent. Since the year end we have received expressions of interest from two operators with regard to the ten screen cinema within the scheme and discussions are progressing. In light of the deterioration of conditions, particularly within the residential property sector, we are now seeking minor amendments to the detailed planning consent to increase both fundability and viability while easing delivery. Landscaping works will shortly commence to enhance the environment and we also continue to clear the LDA lands in preparation for construction.

In June 2008 contracts were exchanged with the London Borough of Brent for the sale of 2.25 acres of land opposite Wembley Arena on Engineers Way for the creation of a new Civic Centre. This £10m agreement is

conditional on planning consent being granted and is also likely to require the granting of outline consent for Quintain's North West Lands, the application for which we expect to submit during the current financial year.

The development of the first residential building, Forum House (W01), was completed on time and on budget in August 2008. 141 of the 286 units within the building were sold prior to construction to our partners, Family Housing Association and Genesis Housing Association. Although the recent scarcity of mortgages has made the process challenging, sales to date have been completed on 61 of the 145 private apartments within the building. Quintain has focused on encouraging those legally bound to the purchase of a home within Forum House to complete the process and offered significant assistance in terms of intercession between purchasers and financiers. Inevitably a number of contracts have had to be rescinded, with deposits of £3m being retained, and a limited number of apartments will now be sold on the open market.

The construction of W04 continues on time and on budget, with a scheduled completion date of March 2010. 62% of the apartments within this building were sold to our housing association partners prior to construction and payments of £19.4m were received during the year. Construction of the Envac waste collection station and piling on the site of W05 has been completed and public realm works required for W05 continue. Discussions and preparations are ongoing in relation to the pre-construction services for the designer outlet.

During the year we have progressed the creation and delivery of commercial ventures that will enhance the ability of the scheme to generate significant and robust revenues in the longer term:

- Velocity1, Quintain's telecommunications service, was launched in November. The product is being delivered in joint venture with fibre network specialist, Industria Media, and offers residents and businesses at Wembley City IP telecoms, digital TV and broadband internet access at speeds of up to 100 Mbs. Subscription to the new service has been highly successful, with 80% of residents within Forum House taking 12 month contracts and an average revenue per user in excess of £40 per month. Velocity1 is now also being installed at iQ's scheme in Bristol.
- In February 2009 we announced a deal with InBev, owner of brands such as Becks, Staropramen and Stella Artois, for exclusive beer category pouring rights at Wembley Arena for two years.
- A venture with Streetcar, a London-based car club, has been launched at Wembley that guarantees the organisation, initially, two car parking spaces on the scheme in return for a 50% share of the profits from use of the car club by residents of Wembley City.
- Every year, approximately four million people cross our site to visit the Stadium and Arena. This presents a significant opportunity to create income from advertising and sponsorship. In the year to 31 March 2009 this exploitation of our assets generated income in excess of £2.5m, and this is expected to increase substantially as the scheme develops and attracts more visitors.
- With the opening of Forum House we introduced rental management services for property owners seeking tenants. 46 homes have now been let by Quintain through Wembley City Estates Ltd at yields ranging from 4% to 7%.

Annualised contracted income from office, industrial and retail properties at Wembley City increased 11% during the year from £5.4m at 1 April 2008 to £6.0m at 31 March 2009. The reduction in rent resulting from the demise of Land of Leather and MFI in the third quarter was more than offset by new leases.

In the current financial year we will continue to add value to the scheme by making minimal, prudent investment in areas that will deliver maximum returns. Further detailed planning consents will be secured, and we will focus on selling the remaining units within Forum House and enhancing revenue from the scheme as a whole. We will also continue to seek the introduction of equity funding partners.

### **Greenwich Peninsula**

Our 50:50 joint venture with Lend Lease (Europe) Ltd, Greenwich Peninsula Regeneration Ltd is working with the Homes and Communities Agency ("HCA") progressively to transform 190 acres of brownfield land around The O2 into a new community.

Located one stop from Canary Wharf on the Jubilee Line, Greenwich Peninsula is within easy reach of central London and City Airport and is the ideal location for London's first new commercial district in a generation. Our strategy is to build up and populate the office element of the scheme whilst working with the HCA to create an innovative de-risked approach to the delivery of new homes.

The valuation of Quintain's share of Greenwich Peninsula fell by £80.6m during the reporting period to £230m. This is equivalent to a 25.9% reduction in value and a peak to 31 March 2009 reduction of 34.5%.

This year has been pivotal in the development of Greenwich Peninsula as a new destination within London. Following the successful opening of The O2 and the pre-let of 136,000 sq ft of the first office building (Pier Walk) to regulatory authority Transport for London in 2007, Ravensbourne College began construction of a new facility during the reporting period. In January 2009, TfL extended its lease to include the two remaining floors within Pier Walk, securing sole occupancy of this building for 20 years. TfL will take occupation this summer, bringing up to 1,900 employees to the Peninsula on a daily basis. 1,400 Ravensbourne students will arrive 12 months later.

The approaching transition of the Peninsula from an entertainment-focused location to a broader commercial and educational destination with guaranteed daily footfall is beginning to stimulate interest from retailers. A restricted number of retail units will be available for lease over the next three years as the Peninsula becomes established as a cost-effective and flexible commercial location adjacent to Canary Wharf and Heads of Terms have now been agreed with two tenants.

Discussions with AEG resulted in their agreement to extend the lease on The O2 to 100 years in consideration of variations regarding their proposed hotel scheme on the north west of the Peninsula and the sale of an office plot.

The outline planning consent secured for Greenwich Peninsula includes the right to create 10,000 homes across the site. The increasing shortage of housing in London continues to underpin our confidence in the

long term prospects of the residential element of this scheme and, during the year, we decided to re-focus potential residential starts to the south of the Peninsula, pending an agreement with the HCA.

Detailed planning consent was secured for 550 additional residential units during the year, taking the total number of homes consented to 1,291 and extending the geographic spread of plots with consent to all four sectors of the Peninsula. This has significantly increased the options available to the joint venture but, despite recent speculation regarding the start of a recovery in the housing market, we believe that there is some way to go before the volume of sales and price of private homes increase to a viable level. We will therefore continue to monitor the progress of the private residential housing market and re-sequence delivery in line with a recovery. With regard to the affordable housing element of the scheme, we are holding positive discussions with the HCA to investigate ways in which homes for shared ownership and social rent can be progressed while access to debt funding remains constrained.

During the current financial year we are focused on completing the second commercial building (Mitre Passage) and securing a tenant for this space. Negotiations regarding affordable housing provision will continue with the HCA and work will start on the infrastructure to support Bellway's development to the south of the scheme. Infrastructure works are delivering public realm and services sufficient to procure Ravensbourne College, Mitre Passage, Pier Walk (TfL) and open up the north east of the Peninsula. In the north west, works are underway to Tunnel Avenue and the provision of a link road necessary for the delivery of Peninsula Quays.

### **Regional Schemes**

Of Quintain's smaller schemes only OneBrighton, our zero carbon development, is under construction. Work continues on time and on budget. Contracts for 26 apartments within the building have been exchanged to date, and an additional 15 homes reserved, nine of which have been secured in the last month. Completion of the first phase of this scheme is scheduled for September 2009.

Significant progress was achieved at the 1m sq ft City Park Gate in Birmingham during the year. Detailed planning consent for the first phase of development, including 201,388 sq ft of commercial development was unanimously granted by Birmingham City Council and last month we announced the disposal, subject to planning permission, of Plot 4 to Hotel La Tour. This deal returns money to Quintain and the intention of Hotel La Tour to develop the plot on the receipt of planning consent delivers early animation to this scheme.

In May, the Secretary of State announced that she will approve the planning application for our 500,000 sq ft Beverley scheme, subject to a Section 106 agreement obliging the joint venture to deliver at least nine affordable homes on the site. Quintain owns 19% of this retail-focused scheme in joint venture with Wykeland and C.P. Group. A final decision from the Secretary of State is expected by 30 September 2009.

We announced in our August Interim Management Statement that South Gloucestershire Council had refused planning consent, principally on the basis of the level of affordable housing, for the proposed scheme at Emersons Green, of which Quintain owns 25%. As is normal practice on schemes of this size, a duplicate application for the site was submitted and therefore viability discussions with the Council

regarding affordable housing provision are underway on the remaining live application. Pending the outcome of the viability discussions, we retain the right to appeal.

Construction of the first two blocks at RiversideOne, our zero carbon development on the waterside at Middlesbrough, has been delayed due to the deterioration of the residential property market in the north east. Discussions are underway with the HCA regarding support for the scheme.

Silvertown, our 12 acre site bought in joint venture with the London Development Agency, is destined for development after the London Olympics in 2012 and until then it is under lease to three tenants. The site is ideal for the storage and transport of goods to Stratford by water and, as previously announced, a new lease of five acres has been agreed with Laing O'Rourke. This takes the total annualised contracted rent from the site to £814,000.

We will continue to progress these schemes, making small amounts of prudent investment in specific tasks such as achieving practical completion of the first phase of OneBrighton, where sales continue, and securing a Section 106 agreement and, therefore, planning consent at Beverley.

## **Investment Portfolio**

### **Introduction**

The Investment Portfolio represents 10.0% of the Group's property assets by value and comprises mainly secondary commercial assets. The business generates rental income and revenue from sales to support the activities of the wider Group, as well as incubating assets with the potential to form part of an urban regeneration scheme or seed new funds. In the year to 31 March 2009 the Portfolio produced a gross income of £13.3m.

### **Strategy**

We have progressively sold assets over the last five years to reduce the value of the Portfolio from £398.3 to £117.9m and, therefore, Quintain's exposure to the secondary commercial market. The capital released from this disposal programme has historically been used across the Group to progress higher value opportunities. During the reporting period, sales have formed a key element of the Company's cash repatriation and debt reduction strategy.

Part of the Portfolio is specifically incubated for future development and the natural level of voids is therefore higher than comparative portfolios. However, an active programme of void reduction is continually pursued to reduce voids where this is appropriate.

The Portfolio generates important income for the Group. Opportunities will be reviewed for making the capital work more effectively whilst maintaining and improving income.

### **The Market and Outlook**

The Investment Portfolio comprises assets across the UK. Offices represent just over half the Portfolio, with the remainder largely comprising industrial and retail properties.

The office sector witnessed significant yield shift across all locations and all grades of property during the year. Quintain's relative performance was supported to some degree by having no exposure to the worst performing areas: the City and West End. The market is now beginning to differentiate, with properties at the most prime end experiencing yields stabilising and in some cases hardening, whilst riskier assets continue to suffer further material outward yield shift. It is expected that any next phase of deterioration in the market will come from falling rental values, with the most notable decline to date being in City and West End rents.

As the Portfolio comprises secondary properties, we expect to see asset values falling further in 2009. However, although the Portfolio is exposed to some weak covenants and shorter lease lengths, its diversity and lack of exposure to any one tenant should provide a cushion from substantial distress.

Similar trends have also been seen in the retail sector, with significant outward yield shift in all locations and for all types of retail. The greatest movements have been seen in shopping centre and retail warehouse values, with the latter inevitably affecting our retail investment at Wembley. Across the market, rents have

started falling and an acceleration of this is expected over the coming year as more space becomes available through tenant defaults. At £117.9m, the Investment Portfolio is relatively small and has a correspondingly tight tenant base. We are therefore able to stay close to our tenants, identify signs of emerging distress and manage most potential issues before the impact becomes substantial.

## **Performance**

The gross value of the Portfolio has fallen by 28.6% since 1 April 2008. The impact of the current economic decline and the sale of assets during the year reduced the gross value of the Portfolio from £178.9m at 1 April 2008 to £117.9m at 31 March 2009. However, our focus on new lettings resulted in an increase in annualised contracted rent of almost £2m to £11.3m. Yields inevitably moved out and the Portfolio finished the year with an initial yield of 8.5% and a reversionary yield of 11.5%.

Despite two tenants being put into administration during the reporting period, voids were reduced by 2.4% of the total Portfolio to 20.3%.

Three properties were sold during the year at prices on average 9% below the 31 March 2008 valuation, releasing £13.7m of cash. Among the disposals were St David's House, Cardiff, an 85,000 sq ft office building in Hemel Hempstead and the Felix Hotel in Cambridge. Following the year end Fulton House and Malcolm House, on the periphery of our Wembley scheme, were sold into a Quintain joint venture with Summit Hotels for £7.4m.

Leases worth a total of £1.9m were agreed during the year, most notably at Hudson House in York, where Network Rail agreed to a 56% increase in rent to £730,000 from December 2008, and a £736,000 per annum, 15 year lease of Phase III Arrow Valley, Redditch, to Toolstation. Although some tenants are no doubt experiencing financial difficulties as a result of the constriction of liquidity in the financial markets, rental collection remains strong. Prior to the March quarter date, total rent arrears amounted to 1.0% of total rent demanded, compared to 0.9% in the corresponding period in 2008. Over the year we have increased our bad debt provision by £0.4m (2008: £0.5m), with the default of a serviced operator in Leeds, equating to 2.8% of the total rent roll. Our tenant base remains largely sound and the flexible and proactive approach we take to relationship management delivers a strong insight into areas where problems may emerge to ensure their careful management.

## **Fund Management**

### **Introduction**

Quintain Fund Management acts as the asset manager of investment funds in specialist areas of the property market where there are opportunities to generate recurring fees and attractive investment returns. Quintain currently manages and co-invests in three funds in the healthcare, student accommodation and science park sectors.

The long term strategy is to continue to build a robust, recurring stream of fee income from this business, whilst at the same time diversifying Quintain's sources of investment income and capital growth and reducing the Group's relative exposure to the development and commercial property markets.

The difficult economic conditions during the reporting period have demonstrated the value of this approach.

During the year:

- Fund Management gross fee income increased from £8.6m to £13.0m;
- Distributions to Quintain from our investment in funds increased from £3.1m to £5.7m, driven primarily by Quercus
- Our healthcare fund, Quercus, was ranked by IPD amongst the best performing property funds of 2008; and
- Revenue from Fund Management accounted for 43.1% of gross profit, including its share of joint venture profit, and 28.3% of gross property assets for the Group

Having increased during the first half of the year, overall funds under management fell slightly during the second half to £980.3m at 31 March 2009 (2008: £999.6m), with contractual commitments and 'agreed terms' transactions of a further £159.6m demonstrating continuing momentum.

### **Quercus**

Quercus is a high performing healthcare fund with a relatively stable income stream, inherent rental growth and the potential to create further significant value. It once again significantly outperformed the IPD All Property benchmark, achieving a property level total return for the twelve months to 31 March 2009 of (8.9)% against a benchmark of (25.5)%. The fund level return was (21.4)%, reflecting the impact of fees and gearing<sup>4</sup>. The fund achieved the position of Top Performing Specialist Geared Fund as measured by IPD for AREF<sup>5</sup> over the 12 months to 31 December 2008 and was ranked fourth amongst all funds.

Despite speculation regarding the financial stability of some major operators, the underlying operational dynamics in long term healthcare provision remain sound, with most businesses continuing to trade satisfactorily, experiencing high occupancy levels and reduced pressure on costs. However, an anticipated reduction in public sector expenditure in the medium term is likely to decrease the number of state-funded beds and operators are therefore increasingly focusing on the private market. There will inevitably be some

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<sup>4</sup> For the purpose of our accounts we undertook an independent valuation from CBRE and Colliers that resulted in a 5.5% higher valuation that would have marginally improved these returns.

<sup>5</sup> Association of Real Estate Funds

who fail to adapt sufficiently quickly to the changing demands of the new economic environment, but the demographic forces underpinning this fund, such as improved life expectancy, will continue to support demand in the long term.

With little transactional evidence, valuations were significantly influenced by the challenges facing some of the larger operators in terms of financing and this was reflected in the Net Initial Yield of the fund which moved out to 8.1% at 31 March 2009 (2008: 6.6%).

The contractual minimum rental uplift of 3% is providing strong rental growth in comparison to the wider property sector. 96% of money was collected 20 days after the March quarter day, which is above the 12 month average for the fund. The performance of tenants is monitored closely in order to identify and assist those facing difficulties and overall operator performance remained positive

Acquisitions worth £42.6m, to which Quercus was already committed, took place during the reporting period and three properties were sold for £2.2m. The fund is committed to one further acquisition of £4.0m but thereafter no further acquisitions will be made until gearing has been reduced, and negotiations continue regarding potential property sales. During the year the fund financed some £13.5m of refurbishments, extensions and earn-outs at fund owned properties, which were then rentalised at rates between 7.5% and 9.0%.

The number of properties within the portfolio rose from 261 to 268 over the period and voids remain consistently low at 0.8%.

In November Quintain realised £17.5m from the sale of units in the Fund as part of the cash repatriation programme, reducing the Company's holding to 25.4%. A performance fee amounting to £7.1m relating to the 2007 calendar year has now been recognised, as the continuing outperformance of the fund against its benchmark means it is now highly unlikely to be clawed back. A performance fee of £6.1m relating to the 2008 financial year was received, although this will not be recognised in the accounts until substantially through the clawback period.

## **iQ**

Our student accommodation joint venture with The Wellcome Trust once again delivered a strong operating performance. Average rental prices increased year on year to September 2008 and 902 new beds were added to the portfolio in Kingston and Preston.

The completed value of the operational and contracted schemes fell during the year by 14% as the Net Initial Yield of the portfolio moved out 90 basis points to 6.4%. At 31 March 2009 gross assets in the fund were £148.5m with £98.0m drawn under its debt facilities. The loan to value ratio was 61% against a covenant of 65%, and this was reduced through the repayment of debt after the year end to 55%. The fund can support a further 117 basis point yield shift (15.4% of value) before requiring additional equity.

The student accommodation market is supported by record levels of people entering further education. The number of people starting degree courses in the 2008 intake increased by 9.7%<sup>6</sup> year on year, which itself was up 5.4% on entries from the previous year.

The strong increase in numbers was helpful in the fund's achievement of record lettings during the year and occupancy of 99.6% across the portfolio. This performance underlines not only the inherent strength of the sector but the quality of the product, clear focus on customer service and strong university relationships that have become the hallmarks of the iQ fund.

Demand for student accommodation is likely to remain robust and the lack of development funding is likely to reduce the number of proposed schemes starting on site. The recent fall of Sterling has increased the attractiveness of the UK as a location for overseas students.

In addition to the six operational schemes, iQ had five further schemes under development during the year. The schemes at Bristol, Leeds and Sheffield will open for the September 2009 academic year, expanding the number of beds in the portfolio to 3,618. The Sheffield building has already been reached practical completion and both the Bristol and Leeds schemes are ahead of schedule and expected to complete early, allowing for a comfortable lead-in to the start of the academic year.

Marketing for places from September 2009 began at the start of the year and is progressing well with bookings to date of 59.9% 11 weeks ahead of A level results being released and at rents 7.2% higher than last year.

With regard to schemes in the pipeline for delivery after the current financial year, the developer of our Fountain North scheme in Edinburgh was put into administration over the reporting period. iQ has now taken over direct development of this project and has been able to take advantage of extremely competitive contractor pricing to deliver the project for less than the original anticipated cost and below the current GDV. This is one of two new Edinburgh schemes that will complete in the summer of 2010, allowing us to benefit from immediate operational efficiencies and bringing the total number of iQ beds to 4,253 for the start of that academic year.

When market conditions stabilise we will continue to increase the number of beds within the portfolio, identifying further locations with significant under supply.

In the 2008 preliminary statement we reported that Quintain had entered into a forward funding agreement to purchase a student accommodation scheme in N1, London, subject to planning and financing. Planning consent was granted in May 2009 for 661 beds and the developer is now finalising his building and financing arrangements. Demolition has started, and the developer expects to start construction later this year. The location in Zone 1, excellent transport links and significant undersupply of purpose built student housing in London mean that we continue to experience strong interest in this scheme from a range of universities that struggle to find good quality accommodation for their students. Combined with the

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<sup>6</sup> UCAS

inevitable slowdown in development pipelines, this underpins our confidence in the prospects for this scheme.

### **Quantum**

Quantum, Quintain's joint venture with Aviva Investors, is a specialist science park fund. Its objective is to create value from the provision of flexible specialist facilities to the research and development community, building on the Government's identification of this sector as a key contributor to future economic growth.

Funds under management have risen slightly during the year at £10.9m (2008: £9.3m), with falls in the valuation of the portfolio being offset by the acquisition of a building on Cambridge Science Park for £1.9m during the period.

Assets are owned in the Cambridge and Herriot Watt Science Parks, and an agreement with the South West Regional Development Agency ("SWRDA") gives Quantum the right to develop the 54 acre Bristol and Bath Science Park (SPark) in South Gloucestershire, adjacent to our Emersons Green urban regeneration scheme.

In light of the continuing deterioration of conditions in the property market, significant work has been undertaken with SWRDA to reduce risk and manage the required capital outlay for the Bristol and Bath Science Park in order to enable it to proceed. In March SWRDA announced a comprehensive review of all its capital commitments and we expect to hear the outcome of that review shortly.

## FINANCE REVIEW

### Introduction

Over the last year we have witnessed historic turbulent conditions across the property industry and wider economy. Quintain has felt the impact of this, alongside the rest of the sector, as evidenced by the absolute performance of the business at both a property and corporate level. Valuations across the Group fell on average by 23.0% and basic Net Asset Value fell by 40.4% to 348p per share. This belies the Group's strong operating level performance, with gross profits rising 7.2% to £35.0m (2008: £32.7m) including the impact of increasing fees from fund management. However, given the geared nature of the balance sheet, covenants have come under pressure. The Company has responded proactively with the implementation of a successful cash repatriation programme and reduction in overheads, as well as a cost effective renegotiation with banks to give greater headroom on gearing covenants. Given the ongoing uncertainty as to the quantum of potential falls in value, Quintain will continue to take action to enhance the financial security of the business.

### Headline Results

The basic net asset value per share at 31 March 2009 was 348p, a decrease of 40.4% from 584p in the prior year. On a diluted basis, the net asset value per share fell 40.1% from 578p to 346p. Adjusted diluted net asset value per share, the measure recommended by The European Public Real Estate Association ("EPRA"), fell by 40.2% to 404p per share (2008: 676p).

	<b>31 March 2009</b>	31 March 2008	%
			change
NAV per share basic	<b>348p</b>	584p	(40.4)%
NAV per share diluted	<b>346p</b>	578p	(40.1)%
NAV per share EPRA <sup>1</sup>	<b>404p</b>	676p	(40.2)%
Dividend per share	-	12.25p	n/a
Total return per share <sup>2</sup>	<b>(39.0)%</b>	(9.7)%	
Total return per share EPRA <sup>3</sup>	<b>(39.0)%</b>	(12.2)%	

<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 as set out in the table below.

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

<sup>3</sup> This uses the net assets per EPRA as shown in the table below with the dividend added back.

The table below reconciles net assets as shown in the consolidated accounts to the definition of net assets set out by EPRA.

	<b>31 March 2009</b>	31 March 2008
	<b>£m</b>	£m
Balance sheet net assets	<b>444.8</b>	745.7
<i>Deferred tax arising on revaluation movements, capital allowances and derivatives</i>		
Group	<b>35.9</b>	111.0
Joint ventures	<b>(8.7)</b>	14.5
Associates	<b>0.4</b>	0.3
<i>Fair value adjustment on interest rate swaps</i>		
Group	<b>29.6</b>	0.5
Joint ventures	<b>16.8</b>	1.4
	<b>518.8</b>	873.4
Dilutive effect of options	-	9.1
EPRA net assets	<b>518.8</b>	882.5

### **Total Return**

Quintain's objective is to maximise long-term total return to shareholders. In the year to 31 March 2009 the Company delivered a total return of (39.0)%. This was set against a backdrop of very challenging market conditions. The total return at property level, as measured by IPD, was (22.5)%, compared with a benchmark for the March Universe of (25.8)%. This result would have placed us within the top third of funds in the benchmark.

### **Operating Performance**

EPRA earnings per share for the 12 months to 31 March 2009 were a positive 9.7p (2008: 2.5p). The table below reconciles these numbers to the reported diluted earnings per share of a loss of 83.0p (2008: loss of 31.3p). The main reconciling item is the impact of unrealised revaluation surpluses and deficits in relation to investment properties and reflects the impact of challenging market conditions as set out in the Chairman and Chief Executive's Statement.

	<b>31 March 2009</b>	31 March 2008
	<b>pence</b>	pence
IFRS fully diluted earnings per share	<b>(83.0)</b>	(31.3)
<i>Revaluation movements</i>		
Group	<b>53.3</b>	38.6
Joint ventures	<b>56.8</b>	(0.6)
<i>Loss on disposals</i>	<b>3.8</b>	2.4
<i>Deferred tax arising on revaluation movements, capital allowances and derivatives</i>		
Group	<b>(7.0)</b>	(5.1)
Joint ventures	<b>(18.1)</b>	(0.9)
<i>Fair value adjustment on interest rate swaps</i>		
Group	<b>1.1</b>	(1.4)
Joint ventures	<b>2.8</b>	0.8
EPRA earnings per share fully diluted	<b>9.7</b>	2.5

Gross rental income, including our share of joint ventures, rose to £45.1m (2008: £41.2m) with the increased contribution from joint ventures more than compensating for the lower income within directly owned properties. The gross contractual annualised rent for directly owned properties at 31 March 2009 was £20.6m. This was below gross rental income because of net disposals in the year and the non-contractual receipt of £0.9m of rent from the Sunday market at Wembley.

Within the directly owned portfolio, there were no acquisitions in the period, although the impact of acquisitions in the previous period contributed £1.8m, with new leases adding £1.2m. This was more than offset by the £2.7m of revenue lost as a result of disposals and the £0.8m contractual reduction in base rent of Wembley Arena. Within joint ventures, Quercus contributed an additional £2.4m of income in the period from net acquisitions and rental growth delivered a further £0.7m.

	<b>31 March 2009</b>			31 March 2008		
	<b>Directly owned properties £m</b>	<b>Within joint ventures £m</b>	<b>Total £m</b>	Directly owned properties £m	Within joint ventures £m	Total £m
Gross rental income	<b>22.1</b>	<b>23.0</b>	<b>45.1</b>	23.8	17.3	41.1
Gross contracted annualised rent	<b>20.6</b>	<b>21.3</b>	<b>41.9</b>	21.6	19.1	40.7
Gross ERV*	<b>26.8</b>	<b>22.0</b>	<b>48.8</b>	29.2	20.1	49.3

\*Estimated Rental Value

Voids, as a proportion of ERV, reduced to 19.8% (2008: 23.4%).

The average unexpired lease term across the portfolio remained constant at 16 years and is supported by our share of nursing home income within the Quercus fund. These homes are typically let on 35 year RPI linked leases.

The table below sets out the lease expiries by gross contracted annualised rent, for both our directly owned properties and our share of joint ventures across the Group:

	Directly owned properties	Share of joint ventures
	£m	£m
Less than 1 year	3.7	5.0
1 to 2 years	2.2	0.1
2 to 5 years	4.7	0.1
5 to 10 years	2.0	-
Greater than 10 years	8.0	16.1
<b>Total</b>	<b>20.6</b>	<b>21.3</b>

Within joint ventures the short term expiries relate to the iQ fund which includes direct lets to students and so leases will always be for one academic year. Bookings for the next academic year have already reached 59.9%, substantially ahead of bookings at the same point last year.

Quintain aims to create a diverse tenant base in order to manage risk. Our tenant covenant strength has been measured by IPD using Experian and shows 52.6% of our rent roll (2008: 66.6%) is delivered from negligible, low and low/medium risk covenants. The change in risk profile over the year is driven by changing economic circumstances as opposed to a material change in the tenant base.

Gross profits rose by 7.2% to £35.0m (2008: £32.7m). This is analysed in note 2 to the accounts and, in addition to rental income from directly owned properties, comprises:

- Net income from hotel operations of £3.9m (2008: £3.6m) which relates wholly to the Plaza Hotel at Wembley. The net contribution after overheads was £1.4m (2008: £1.2m).
- Other net income of £1.4m (2008: £0.4m). This improved mainly due to additional management fees and commissions through our Commercial Ventures at Wembley.
- No income was recognised from the sale of trading properties (2008: £1.4m). The revenue and cost of sales of £19.4m relate to the sale of 144 units at W04, the second residential building at Wembley, to two housing associations. No profit will be recognised in this development until the private residential units are sold following practical completion of the building, expected in March 2010.
- Fees from fund management and other related services of £12.9m (2008: £8.2m). The main contributors are highlighted in the table below. Quercus provided increasing asset management fees and performance fees. In addition to the £7.1m recognised in the period, performance fees of £6.1m were received but the net impact will not be recognised in the Income Statement until the clawback period has substantially expired.

	31 March 2009	31 March 2008
	£m	£m
Quercus Healthcare Property Partnership	9.5	4.6
iQ Property Partnership	2.3	2.2
Greenwich Peninsula Regeneration Ltd	0.6	0.9
Other	0.5	0.5
<b>Total</b>	<b>12.9</b>	<b>8.2</b>

Administrative expenses before exceptional costs were £24.1m (2008: £28.0m). The largest saving was in relation to staff costs and, in particular, discretionary performance related benefits. Further information is given in note 4 to the accounts. Administrative expenses are expected to reduce further in the coming year in response to a number of cost saving initiatives implemented by management to respond to current market conditions. The exceptional costs of £2.3m relate to the consideration of an equity raising.

#### **Sale of Non-Current Assets**

Sales of investments in the period with proceeds of £31.1m (2008: £37.4m) gave rise to a profit on historic cost of £8.0m (2008: £13.3m) and a loss against valuation of £4.8m (2008: £3.3m). Lack of liquidity and falling yields meant that disposals took place at below the previous valuation.

#### **Revaluation Surpluses and Deficits**

The net revaluation deficit arising from directly held investment properties was £63.3m (2008: £44.3m). 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 deficits are debited to equity except where deficits arise below cost, in which case the charge and any write back are included within the Income Statement. In the year to 31 March 2009, the deficit on development properties reflected in the Income Statement was £5.0m (2008: £5.3m). Deficits of £212.1m (2008: £77.2m) were reflected in equity. These movements are discussed in the balance sheet section below.

#### **Profit from Joint Ventures**

The loss from joint ventures in the year of £47.3m (2008: profit £5.5m) was driven by a revaluation deficit of £72.7m (2008: gain of £0.9m).

The table below analyses the components of profit. The major increase in gross profit arises from higher rental income in Quercus and iQ. This included a £3.1m increase in Quercus, which is attributable to acquisitions and rental growth. New schemes completing within iQ increased our share of rental income within this joint venture by £1.9m to £4.3m. Administrative expenses have risen by £3.0m to £7.9m. Of the increase, £1.4m reflects our equity share of fees payable to Quintain. £12.9m (2008: £8.2m) of fees are accounted for separately within the Group's gross profit.

The valuation of joint venture assets at 31 March 2009 gave rise to a deficit of £72.7m. This compares with a surplus of £0.9m in the previous year and is explained in more detail below under the heading 'Balance Sheet'. Net finance costs have increased by £3.8m, of which £3.7m is accounted for by iQ. This reflects increased borrowing levels as more pipeline schemes progress to completion and a £2.6m increase in the mark to market deficit for the year to £3.6m. The tax credit of £23.9m (2008: £1.0m) mainly relates to the deficit on valuation.

A detailed breakdown of profit by joint venture is set out in note 11 to these accounts. An explanation of the activities of each joint venture below is given within the balance sheet section and a full analysis of key joint ventures is provided in the operating review.

	<b>31 March 2009</b>	31 March 2008
	<b>£m</b>	£m
Gross profit	<b>21.8</b>	16.5
Administration expenses	<b>(7.9)</b>	(4.9)
Revaluation (deficit)/surplus	<b>(72.7)</b>	0.9
(Loss) Profit on disposals	<b>(0.1)</b>	0.2
Share of loss from joint ventures	<b>(0.3)</b>	-
Net finance costs	<b>(12.0)</b>	(8.2)
(Loss) Profit before tax	<b>(71.2)</b>	4.5
Taxation	<b>23.9</b>	1.0
Profit after tax	<b>(47.3)</b>	5.5

### Impairment of Other Non-Current Investments

The Group has invested £7.8m in Serrastone SA. The investment was fully written off in the first half of the financial year due to concerns regarding future funding. £2.2m had been provided for in the Balance Sheet in previous years.

### Finance Expenses

Net finance expenses were £9.6m (2008: £10.6m). Interest payable rose by £2.2m to £32.9m. Whilst debt levels were relatively stable during the financial year, in the year to 31 March 2008 the average level was significantly lower than the closing position. The impact of this was partially offset by lower interest rates. The average cost of debt for the year to 31 March 2009 was 5.6% compared with 7.0% for the previous year. Of the interest capitalised in the year, £10.1m related to Wembley and £1.8m to Greenwich.

Interest receivable of £9.7m (2008: £9.9m) related to interest on cash deposits, loan notes to joint ventures and on a third party loan that was repaid during the year. In the previous year there was a £2.8m write-off of loan costs on the refinancing of the Group. As interest rates rose during the first half of the year we terminated £75m of swaps giving rise to a profit of £3.3m (2008: £2.2m). The £1.4m charge for the change in fair value of financial instruments relates to the element of Quintain's on balance sheet swaps that are classified as ineffective hedges. In addition to this a £29.7m deficit has been reflected in equity.

	<b>31 March 2009</b>	31 March 2008
	<b>£m</b>	£m
Interest payable	<b>33.7</b>	31.6
Interest capitalised	<b>(12.5)</b>	(12.0)
Interest receivable	<b>(9.7)</b>	(9.9)
Write-off of fees on refinancing	-	2.8
Profit on termination of interest swaps	<b>(3.3)</b>	(2.2)
Change in fair value of financial instruments	<b>1.4</b>	0.3
<b>Total net finance expenses</b>	<b>9.6</b>	10.6

### Taxation

The Income Statement shows a tax credit for the year of £22.8m (2008: £14.6m). In addition to this a further £66.1m has been credited to reserves (2008: £33.1m) reflecting a reduction in the deferred tax provision in line with the valuation deficit for the year and settlement of outstanding computations from prior years.

### Balance Sheet

The Company comprises three divisions, the Investment Portfolio, Urban Regeneration and Fund Management. Each of these divisions holds investment and development properties; in the case of Fund Management, pending subsequent transfer into funds. Revaluation surpluses and deficits in relation to investment properties are charged to the Income Statement, whilst those for development properties 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. This will change for the next financial year as highlighted in the paragraph on accounting. Properties shown on the Balance Sheet are those held directly by the Group and are split between investment and development. In addition the Group owns a share of properties held by joint ventures that are included within the Group's share of the joint venture net assets. A small number of properties are held for trading and are valued at the lower of cost and net realisable value. The table below analyses the gross value of assets split between investment, development and trading as at 31 March 2009 and the net assets within joint ventures by division.

	Investment Portfolio	Urban Regeneration	Fund Management	<b>Total</b>
Value on balance sheet:	£m	£m	£m	<b>£m</b>
Investment	104.6	26.6	12.3	<b>143.5</b>
Development	13.3	604.7	38.7	<b>656.7</b>
Trading	-	26.6	-	<b>26.6</b>
<b>Total</b>	<b>117.9</b>	<b>657.9</b>	<b>51.0</b>	<b>826.8</b>
Net assets in joint venture	-	77.9	137.1	<b>215.0</b>

Total revaluation movements in the 12 months to 31 March 2009 gave rise to a deficit of £353.4m (2008: £125.9m). Net of capital expenditure this represented a fall of 25.9% for directly owned properties and 16.1% for joint ventures in the year. The equivalent peak to trough fall for directly owned properties is 40.1% and for joint ventures is 19.4%.

The directly owned investment properties fell in value by £63.3m of which £31.1m related to the second half of the year. Development properties fell in value by £217.0m. The second half of the year included for the first time the contract in relation to Corsham Street, N1, which partially offset the fall in value of other assets of £69.2m. The most significant contributor in absolute terms to these results were Wembley and Greenwich, being the two largest assets in the portfolio and a greater analysis of their valuations and sensitivities is set out below.

The total revaluation of properties in joint ventures gave rise to a deficit of £73.2m (2008: surplus £0.9m). Of this £27.9m related to Quercus, £23.7m to N0204 at Greenwich and £19.5m to iQ.

### Wembley City

	£m
As at 1 April 2008	620.0
Expenditure on trading assets	17.8
Capital expenditure on investment and development assets	22.5
Capitalised interest	10.1
Valuation deficit	(189.0)
<b>As at 31 March 2009</b>	<b>481.4</b>

The valuation deficit for the 12 months of £189.0m was driven by a change in the discount rate from 10% to 15%, reflecting sentiment in the market and higher returns being demanded by investors. In addition, residential sales values fell by between £62 and £160 per sq ft and near term expectations for residential prices also fell with a 14% decline allowed for in the calendar year 2009. Residential growth rates track Savills Research's view of London but include a regeneration premium assumed mainly to occur on the opening of the retail element. In addition commercial yields have moved out 100 basis points. These factors were partly offset by falling construction costs and cost deflation assumed at a rate of minus 5% for the next two years.

The valuation methodology is explained below and the valuers' reports will be included in the Company's report and accounts.

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. Key sensitivities of movements in the discount rate and residential prices are demonstrated below. It is a sensitivity analysis and is not necessarily an indication of the Company's view.

Valuation £m		Discount Rate		
		13.5%	<b>15%</b>	16.5%
Annualised residential	+2%	646	570	506
price inflation	<b>0%</b>	545	<b>481</b>	425
	-2%	453	398	351

Our internal model reflects current prices for residential units at £458 to £586 per sq ft.

### 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	54.8
Capitalised interest	1.8
Valuation deficit	(80.6)
<b>As at 31 March 2009</b>	<b>230.0</b>

The valuation of Greenwich, which is shown partly in development properties and partly within joint ventures, fell by £80.6m in the 12 months. Key factors in this were a movement in the discount rate from 12% to 15.8%, again reflecting sentiment in the market, and higher returns being demanded by investors. In addition, commercial yields moved out by 170 basis points and residential sales values fell on average by £136 per sq ft. Near term expectations for residential prices reduced with a 16% decline allowed for in the calendar year 2009. Residential growth rates again track Savills Research's view of London but include a regeneration premium as over time the location is transformed. These factors were partly offset by falling construction costs and cost deflation assumed at minus 5% for the next two years.

As with Wembley, at Greenwich varying the discount and growth rates gives the following sensitivities:

Valuation £m		Discount Rate		
		14.3%	<b>15.8%</b>	17.3%
Annualised residential	+2%	313	279	250
price inflation	<b>0%</b>	257	<b>230</b>	207
	-2%	208	187	169

Our internal model reflects current prices for residential units at £363 to £609 per sq ft.

## Capital Commitments

The table below sets out capital commitments including our share of any commitments within joint ventures. Of the commitment in relation to Wembley, the largest element is the residual construction costs in relation to W04, the second residential building. Within iQ the £18.3m is future payment against the contracted development pipeline. The £15.3m at Greenwich relates to infrastructure works and the completion of N0204, comprising the first commercial buildings. These commitments fall due within the next 18 months: £24.3m by 30 September 2009, £30.3m by 31 March 2010 and £6.0m by 30 September 2010.

	<b>31 March 2009</b>
	<b>£m</b>
<i>Group:</i>	
Wembley	<b>17.6</b>
City Park Gate	<b>6.8</b>
Others	<b>0.1</b>
<i>Joint ventures:</i>	
iQ	<b>18.3</b>
BioRegional Quintain	<b>2.5</b>
Greenwich – MDL	<b>15.3</b>
	<b>60.6</b>

In addition to the above, we have a conditional contract in relation to Corsham Street, N1. An initial £5m payment is due once planning and financing are in place. Further payments of £35.2m and £50.8m, which are due no earlier than November 2010 and March 2012 respectively, are expected to be financed by a combination of joint venture equity and debt.

## Joint Ventures

As at 31 March 2009, Quintain had net investment in joint ventures totalling £215.0m. A breakdown of this is included in the table below and more financial details are available in note 11i to the accounts.

Joint venture	Share of equity	Net investment £m
Quercus	25.4%	107.4
GPRL	50.0%	58.4
iQ	50.0%	24.2
BioRegional Quintain	49.9%	10.7
Quintessential Homes	50.0%	6.8
Quantum	50.0%	5.5
Greenwich Peninsula N0204	50.0%	1.6
Other joint ventures	N/A	0.4
		<b>215.0</b>

### Quercus

This is a healthcare property fund, of which Quintain owns 25.4% of the equity and acts as asset manager. For this role Quintain receives asset management, transaction and performance fees. Details of the operations and activities of this fund are set out in the QFM business review.

### Greenwich Peninsula Regeneration Ltd

This vehicle has a development agreement to draw down 190 acres at Greenwich Peninsula, for which it has gained a 13.2m sq ft mixed use planning consent. It can either develop the land directly or sell it on to third party developers. The remaining 50% is owned by Lend Lease (Europe) Limited.

### Greenwich Peninsula N0204

This is a 50/50 joint venture with Lend Lease (Europe) Limited to build the first commercial buildings at Greenwich Peninsula. The buildings comprise 308,000 sq ft of commercial space including 15,400 sq ft of retail. This is divided into two buildings, Building A, which is due to complete in June 2009, with the 196,000 sq ft of commercial space now fully let to TfL for 20 years. Building B, comprising 115,000 sq ft, is being built speculatively and is due to complete in October 2009.

### iQ

iQ is a 50/50 joint venture with The Wellcome Trust to invest in student accommodation. Quintain is the asset manager, a role for which it receives fees. Details of the fund's strategy and activities are set out in the Fund Management business review.

### Quintessential Homes

Forum House is the first residential block at Wembley, also known as W01. The building contains 145 private apartments which have been funded 50% by Quintain and 25% by each of Genesis and Family Housing Associations. The housing associations have funded 100% of the 141 affordable housing units. Sales of 61 of the private units have completed to date. Quintain receives development management fees.

### BioRegional Quintain

This is a 50/50 joint venture between Quintain and BioRegional Properties Ltd. BioRegional is a private company that has a formal collaboration agreement with the World Wildlife Fund to promote 'One Planet Living'<sup>7</sup>. The joint venture is aiming to be the leading sustainable property developer in the UK. It has schemes at various stages of progress, including a 172 apartment building in Brighton where development is on site (which in turn is owned in a 50/50 JV with Crest Nicholson); Middlehaven, where we have a development agreement for a 1m sq ft mixed use consent and have commenced initial infrastructure works and built a marketing suite; and Gallions Park, the Mayor's exemplar green development for London, where we are working up an application for detailed planning consent.

### Quantum

Quantum is a science park fund owned 50/50 with CGNU Life Assurance, managed by Aviva Investors. It has signed its first development agreement to build an 829,000 sq ft science and technology park, SPark at

<sup>7</sup> One Planet Living is® a global initiative based on 10 principles developed by BioRegional Development Group and WWF International. [www.oneplanetliving.org](http://www.oneplanetliving.org)

Emersons Green, Bristol and will look to acquire further investment and development opportunities as appropriate. Details of this agreement and the plans for the fund are set out in the Operational Review.

### **Financing Strategy and Capital Structure**

Our financial 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 that, over time, will accrue due to the lower cost of debt. Gearing levels, being the proportion of debt compared with equity, will vary depending on the profile of operational risks, the capital that is currently committed or expected to be committed in the future and the cyclical high or low of property valuations. In these unprecedented market conditions, the balance sheet is currently over geared. In order to adjust for this, last August the Company implemented a series of measures focusing on cash repatriation. Significant progress was made against targets, as set out in the Chairman and Chief Executive's Review, but the deterioration of market conditions has outpaced the protection afforded by these measures. Therefore the impetus continues with renewed targets for the current year. These include a further £50m of cash repatriated to the business and the identification of additional cost savings to reduce overheads.

Whilst the absolute level of debt for these markets is currently too high, the structure of the debt has supported the business. Our financing structure needs to be flexible and cost effective. This has been achieved through securing funding at the corporate level, giving us the scope efficiently to fund all areas of the portfolio which otherwise would be more challenging, such as infrastructure works at Wembley and Greenwich. It also provides us with liquidity and operational flexibility.

Towards the end of the last financial year we refinanced all of the corporate debt. The key elements were an increase in maturity, the removal of the covenant that limited investment in joint ventures to 50% of net assets and an amendment to the 1.25 times interest cover covenant allowing capitalised interest to be deducted from interest payable in calculating cover, and thereby recognising the nature of the business, which has a significant development programme and limited near-term income. Given the timing of the refinancing, and reflecting the improved facilities, the margin increased by 20 basis points to an average of 115 basis points.

In the current year we added to these facilities a loan of £95m with a bank option for repayment by April 2010. This has since been renegotiated to increase the maturity to April 2013, but reducing the commitment to £50m amortising to £35m by April 2011.

In response to falling property values, towards the end of the year we negotiated an increase in the maximum gearing covenant from 110% to 150% in a structure that allowed us to pay only additional costs where we needed the headroom. The margin remains as before unless gearing rises above the original covenant of 110%. At that point it ratchets up to a maximum of 3.5% over LIBOR for gearing levels over 140%. The Company has the option to apply this amendment each year for three years by the payment of an annual amendment fee of 1%. Once the option has expired the margin will increase permanently by 25 basis points.

The weighted average rate of interest of the Group's debt at the year end was 4.0% (2008: 6.7%).

	<b>Covenant</b>	<b>31 March 2009</b>	31 March 2008
Net borrowings		£533.3m	£516.3m
Weighted average debt maturity		4.5 years	5.5 years
% of net debt hedged		100%	84%
<i>Undrawn committed facilities</i>			
Group		£134.5m	£81m
Joint ventures		£96.0m	£101m
<i>Capital commitments</i>			
Group		£24.5m	£16.7m
Joint ventures		£36.1m	£63.9m
<i>Banking covenants</i>			
Gearing per banking covenants	150%	105%	60%
Interest cover*	1.25 times	1.7 times	2.0 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 for the year ended 31 March 2009 was 1.7 times (2008: 2.0 times). The deterioration has arisen because of the impairment charge taken against Serrastone. Without exceptional items, interest cover would have been 2.9 times.

## Hedging

The loan facilities require that a minimum of 50% of exposure to interest rate movements is hedged. As at 31 March 2009, Quintain's interest rate risk was 100% hedged (2008: 83.2%) by a combination of swaps and caps. During the year we cancelled £75m of swaps realising a net gain of £3.3m. Subsequently we added £150m of 5 year caps at a strike price of 7.5% to provide both additional protection and increased flexibility in managing our interest rate exposure for reducing base rates. Subsequently we have fixed a further £100m for 18 months at 3.0% to provide a higher degree of certainty in the short-term, having regard to our asset disposal programme and reducing debt profile.

The fair value adjustment on these interest rate hedging instruments was a deficit of £31.1m (2008: surplus £0.1m). Of the movement during the year, £1.4m was debited to the Income Statement, being the element relating to non-cashflow hedges and £29.7m directly to equity. This unrealised adjustment is excluded in calculating gearing for covenant calculation purposes.

In relation to joint ventures, the fair value adjustment on these interest rate hedging instruments was a deficit of £15.3m (2008: deficit £2.0m). Of the movement during the year, £3.6m was debited to the Income Statement, being the element relating to non-cashflow hedges and £11.7m directly to equity.

A 50 basis point increase or decrease during the year would have changed profit before tax by £1.1m. Whilst at this level it is symmetric, when interest rates reach a level where the caps become effective increasing rates have a lesser impact on the cost than reducing rates do on cost savings.

The Quercus fund has floating rate non-recourse debt of which 87.6% was hedged by swaps at 31 March 2009. Quintain's share of the fair value deficit was £4.6m. This is reflected in equity.

The iQ joint venture also has floating rate non-recourse debt of which 53.4% was hedged with caps and floors at 31 March 2009. Of the fair value deficit, Quintain recognised £3.6m in the Income Statement and £4.1m in equity.

The N0204 joint venture as at 31 March 2009 had fixed 64.7% of its floating debt at 5.28%. Quintain's share of the fair value deficit, reflected in equity, was £3.0m. Whilst the debt is non-recourse, there is a contingent equity element. Details of these are set out in note 20iii to the accounts.

### Cashflow

Net cash generated from operating activities was £3.7m (2008: outflow £33.9m). The major reconciling difference was a decrease in trade receivables with a reduction of £11.4m in outstanding fees and other debtors from Quercus (as shown in note 25). There were no acquisitions in the period. The £23.6m expenditure in relation to property assets was capital investment in the year. Of the £64.1m of funding to joint ventures, £30m related to equity into Quercus, £12.4m for funding of student accommodation in iQ, £9.2m for infrastructure at Greenwich and £8.5m for N0204 at Greenwich. Offsetting these were repayment of a non-current receivable amounting to £43.1m. Also proceeds were received of £39.1m from non-current asset sales.

### Accounting

From 1 April 2009 development properties will be treated in line with investment properties under IAS 40, whereby valuation movements on development properties will be reflected in the Income Statement rather than through equity.

### Key Performance Indicators

We measure our performance both financially and in terms of the service we provide to our stakeholders. The leading indicators measuring our performance against the key elements of our objectives and strategy are:

Financial Performance Indicator	Target	One year	Five years
Total return*	10% Real	-39.0%	2.0%
IPD Performance**	Top quartile	28 <sup>th</sup> percentile	3 <sup>rd</sup> percentile

\* Total return is the movement in net asset value per share adjusted for the dividends paid in the year as a percentage of the opening net asset value per share

\*\* The IPD performance is measured in comparison with the March Universe

Our total return target is set to be a challenging medium term goal. Quintain has not been immune from the significant challenges faced by the property industry this year and, whilst in relative terms our performance held up well, positioning us in the 28<sup>th</sup> percentile, in absolute terms our total return was disappointing. Viewed over five years, both variables improve and the consistently strong performance of our property portfolio places us in the 3<sup>rd</sup> percentile. Over 16 years Quintain is in the first percentile.

As a listed property company, it is also appropriate to measure our performance in ways other than financial, thus recognising the impact of our activities on stakeholders. We have set two key measures against which we will now report:

	<u>2009</u>	<u>2008</u>
<u>Staff retention and motivation</u>		
% of staff that feel “very happy at work”	71%	78%

Environmental Sustainability:

In 2008 we stated our intention of achieving a cumulative saving of 50,000 tonnes of carbon over 10 years, assuming the build-out rate remained the same. This rate has changed substantially over the financial year and will not stabilise until the economy begins to recover, preventing credible measurement of progress.

**Sustainability**

In a fragile market it is often easy to lose sight of the bigger picture, so it is pleasing to report that Quintain has continued to take significant steps towards better environmental performance during the year, not just in terms of its own carbon emissions but by substantially improving the carbon footprint of the buildings it creates. We are particularly proud of innovations at our major Urban Regeneration schemes. At Wembley, the UK’s first underground waste removal system was launched in December. Not only are recycling levels at Wembley City now twice the average for the London Borough of Brent, but it is estimated that this subterranean method produces 90% fewer tonnes of carbon emissions than road-based refuse collection. At Greenwich, the first commercial buildings are being completed with carbon footprints around 40% below the standard set in 2006 Building Regulations and with a BREEAM rating of “Excellent”. This level of environmental integrity is important and the Company will continue to improve its delivery in an innovative manner as its development programme is progressed.

**Going Concern**

The basis of preparation of the financial statements is explained in note 1 to the financial statements. Current economic conditions have created uncertainty across many business sectors including the property investment market. In particular, the Group has suffered significant decreases in the value of its property assets. The Group’s cash flow forecasts show that it has adequate resources available to continue in operational existence for the foreseeable future. In preparing these forecasts the Directors have taken into account the following matters that give rise to a material uncertainty:

- the potential breaches of various financing covenants if there are continued reductions in property valuations. Headroom of 12.2% at 31 March 2009 would fall to 9% by 31 March 2010 if the Company did not take any further mitigating action
- the successful completion of one or more of the options being explored to provide additional financial flexibility including potential disposals, debt renegotiations and an equity raising

Having taken into account the above matters the Directors have concluded, based on the cash flow forecasts, that it is appropriate to prepare the results on a going concern basis. The uncertainty regarding a breach of banking covenants is also discussed in the section below on risk management.

## **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 a number of specific risks that are faced by our Company.

### **How We Manage Risk**

In managing the business, the identification and monitoring of risk is crucial. A detailed risk register is updated regularly and those responsible for managing areas of risk are required to report on them every six months, and by exception. Our internal audit function reviews the risk register for completeness and accuracy. In addition, the risk register is considered by the Audit Committee. The Risk Committee debates key risks and mitigation on a regular basis. Set out below are management's view of the current key specific business risks and action taken in mitigation.

### **Risks and Mitigation**

Breach of gearing covenant – a continued fall in property values could cause a breach of the revised 150% gearing covenant. At 31 March 2009 property values would have to have fallen by more than a further 12% to breach the revised covenant.

Mitigation - The Group has sought to reduce indebtedness levels by a programme of cash preservation, including repatriating cash through asset disposals, joint ventures, suspending payment of a dividend, reducing operational costs and minimising capital expenditure. The diversity of the Group's assets means that there is no reliance on performance in a single sector. Indeed, whilst commercial and retail rents are falling, rents continue to rise in our fund management business.

Breach of interest cover covenant – interest cover is affected by many variables including rental income, profits over cost on disposals, overheads, borrowing costs and capitalised interest. A significant deterioration in any of these variables could cause a worsening of the interest cover covenant and possibly result in a breach of the 1.25 times cover ratio. The average cost of debt fell to 4.0% at 31 March 2009, however, if gearing rises above 110% the margin on the Group's debt will increase, thereby increasing the interest cost. Interest is capitalised against a number of projects and if work on these projects were halted the Group would stop capitalising interest, further reducing interest cover.

Mitigation – The Group is carefully managing its interest cover covenant through the near term strategy of substantial cost reduction and maximisation of income. Disposals at prices in excess of cost will release

additional interest cover as well as reducing indebtedness, which could have a beneficial impact on the debt margin. Cost certainty is improved by hedging 100% of debt through a combination of swaps and caps.

Property valuations – Property valuations are inherently subjective and uncertain. This is more acute both in current markets where transaction volumes are lower than average and in relation to our major regeneration projects which are unique with comparables used varying materially more than for investment properties. In the case of regeneration projects modelling errors could also distort valuations.

Mitigation – We use external independent valuers' that are well regarded in the industry. We keep in close contact to understand how valuations are moving. With respect to the urban regeneration properties valuers maintain their own simplified models and carry out a 'stand-back' view of outputs.

Development - The Group is exposed to risks associated with development projects. Delays could occur for regulatory or funding reasons, the latter being more acute given the current banking crisis. Counterparty risk is also heightened with a risk that contractors may become bankrupt or insolvent. This also applies to other counterparties such as development partners who may fail to meet their obligations. Control of timing and construction costs are vital to prevent overspend or delays once on site.

Mitigation - Quintain's in-house project management team transfers risk to contractors where possible and employs a culture of no changes once the design is agreed. The supply chain management initiative, SC2, is creating increasing visibility into opportunities for cost control and reduction, whilst standardisation across Quintain's projects will increase predictability and provide economies of scale. Structuring of deals and retentions provide some support against counterparty risk.

Market risk - The Group's business is dependent on the general economic and property market conditions in the United Kingdom. A deterioration in residential and commercial property markets could lead to further declines in the value of the Group's property portfolio, tenant default and a reduction in income from these properties.

Mitigation – There is significant diversification in the profile of assets, from nursing homes with RPI linked long leases and minimum rental uplifts, to direct lets of student accommodation, secondary regional property with a wide tenant base and regeneration projects with lower initial income profiles. Whilst the Group has a considerable quantity of planning consents we have few development obligations. Significant sales of commercial property over the last four years have materially reduced the impact of an adverse movement in commercial yields. Live Nation, operating Wembley Arena, is by far the largest tenant, comprising 4.1% of contracted annualised rent. This exposure is reduced by receipts equating to approximately half of the rent being received in Quintain controlled bank accounts before being passed on and also by Quintain's ability to step in to the business.

Reputation risk – the significant fall in share price reduces Quintain's credibility as a counterparty and may inhibit our success in winning new business, such as development agreements with local authorities, or fund management contracts. If Quintain is viewed as a forced seller of assets into a relatively illiquid market it may also reduce the proceeds that can be raised from such disposals.

Mitigation – Ongoing senior management engagement with stakeholders. The disposals programme is selective and structured to be attractive to an investor whilst, where possible, enabling the capture of an overage for future gains.

Personnel – the loss of key personnel could affect delivery of the business strategy. This risk is currently increased because share incentive packages have very little value or no value.

Mitigation – Rising unemployment is temporarily reducing this risk, however this factor may diminish in 2010. The intention is to implement a new share incentive plan during 2010. In order to understand and address employees' issues within the business there is an annual employee survey, the findings of which are openly disclosed and addressed. There are regular formal staff meetings and monthly informal events at which staff can communicate with senior management, as well as weekly transmission of news and successes allowing all employees to understand the activities around the Group and the impact of their contribution.

The detailed assessment of financial risk management covering credit, liquidity and market risk is set out in note 19 to the accounts.

#### **Directors' responsibilities in respect of the financial statements**

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, liabilities and financial position and profit of the Group; and

(b) the management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of its principal risks and uncertainties.

**John Plender, Chairman**

On behalf of the Board

4 June 2009

**Rebecca Worthington, Finance Director**

4 June 2009

## **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.*

**QUINTAIN ESTATES AND DEVELOPMENT PLC**  
**Consolidated Income Statement**  
**for the year ended 31 March 2009**

	Notes	2009 £000	2008 £000
<b>Revenue</b>	2	<b>66,019</b>	46,676
Cost of sales	2	(30,986)	(13,986)
<b>Gross profit</b>		<b>35,033</b>	32,690
Administrative expenses (before exceptional administrative expenses)	4a	(24,109)	(27,972)
Exceptional administrative expenses	4b	(2,336)	(1,485)
<b>Operating profit before recognition of results from non-current asset sales and revaluation</b>		<b>8,588</b>	3,233
Loss from the sale of non-current assets		(4,821)	(3,289)
Gain on revaluation of investment properties		-	338
Deficit on revaluation of investment properties		(63,282)	(44,661)
Deficit on revaluation of development properties		(4,967)	(5,265)
Share of (loss) profit from joint ventures	11i	(47,291)	5,532
Share of profit (loss) from associate	11ii	86	(65)
Impairment of other non-current investment	11iii	(7,790)	-
<b>Operating loss</b>		<b>(119,477)</b>	(44,177)
Interest payable		(21,163)	(22,335)
Change in fair value of derivative financial instruments		1,912	1,851
Finance expenses		(19,251)	(20,484)
Finance income		9,662	9,921
Net finance expenses	5	(9,589)	(10,563)
<b>Loss before tax</b>		<b>(129,066)</b>	(54,740)
Current tax		11,362	2,105
Deferred tax		11,474	12,511
Tax credit for the year	6i	22,836	14,616
<b>Loss for the financial year attributable to equity shareholders</b>		<b>(106,230)</b>	(40,124)
<b>Earnings per share (pence):</b>	7i		
Basic		(83.0)	(31.3)
Diluted		(83.0)	(31.3)
<b>Dividends per share (pence):</b>	8		
Interim		-	3.75
Final		-	8.50
		-	12.25

In accordance with IAS10, 'Events After the Balance Sheet Date', the Consolidated Balance Sheet reflects dividends which have been paid in the year. Proposed dividends have been shown for information purposes only.

**Consolidated Statement of Recognised Income and Expense**  
**for the year ended 31 March 2009**

	Notes	2009 £000	2008 £000
Foreign currency translation differences		250	232
Gain on revaluation of development properties		-	1,838
Deficit on revaluation of development properties		(212,062)	(79,006)
(Deficit) gain on revaluation of other non-current investments	11iii	(364)	757
Recycling of revaluation movement on other non-current investment	11iii	2,159	-
Effective portion of changes in fair value of cashflow hedges, net of recycling	20i	(29,712)	(416)
Share of recognised income and expense in joint ventures, net of tax	11i	(12,125)	(702)
Tax recognised on income and expense recognised directly in equity	6iii	66,139	33,082
Net expense recognised directly in equity		(185,715)	(44,215)
Loss for the financial year attributable to equity shareholders		(106,230)	(40,124)
Total recognised income and expense for the financial year		(291,945)	(84,339)

**Consolidated Balance Sheet**  
**as at 31 March 2009**

	Notes	2009 £000	2008 £000
<b>Non-current assets</b>			
Investment properties	9	143,452	220,624
Development properties	9	656,688	843,536
Owner-occupied properties, plant and equipment	10	4,135	2,757
Investment in joint ventures	11i	214,995	239,340
Investment in associate	11ii	1,243	1,157
Other non-current investments	11iii	10,820	15,196
Non-current receivable	19	-	42,987

Total non-current assets		<b>1,031,333</b>	1,365,597
<b>Current assets</b>			
Trading properties	12	<b>26,601</b>	15,518
Trade and other receivables	13	<b>15,658</b>	39,617
Current investments	14	<b>4</b>	4
Cash and cash equivalents	19iii	<b>9,215</b>	27,982
Total current assets		<b>51,478</b>	83,121
<b>Total assets</b>		<b>1,082,811</b>	1,448,718
<b>Current liabilities</b>			
Trade and other payables	15	<b>(46,913)</b>	(36,308)
Current tax liability		<b>-</b>	(7,269)
Total current liabilities		<b>(46,913)</b>	(43,577)
<b>Non-current liabilities</b>			
Bank loans and other borrowings	16	<b>(533,490)</b>	(541,637)
Deferred tax liability	6iv	<b>(26,025)</b>	(103,638)
Obligations under finance leases	17	<b>(11,156)</b>	(11,727)
Other payables	18	<b>(20,382)</b>	(2,438)
Total non-current liabilities		<b>(591,053)</b>	(659,440)
<b>Total liabilities</b>		<b>(637,966)</b>	(703,017)
<b>Net assets</b>		<b>444,845</b>	745,701
<b>Equity</b>			
Issued capital	22	<b>32,511</b>	32,483
Share premium account	21	<b>51,518</b>	51,343
Revaluation reserve	21	<b>174,588</b>	327,360
Other capital reserves	21	<b>108,136</b>	108,136
Cashflow hedge reserve	21	<b>(41,727)</b>	(322)
Translation reserve	21	<b>568</b>	318
Retained earnings	21	<b>131,191</b>	238,805
Own shares held reserve	21	<b>(11,940)</b>	(12,422)
<b>Equity shareholders' funds</b>		<b>444,845</b>	745,701
<b>Net asset value per share (pence):</b>	7ii		
Basic		<b>348</b>	584
Diluted		<b>346</b>	578

Approved by the Board of Directors on 4 June 2009 and signed on its behalf by:

ADRIAN WYATT  
Director

REBECCA WORTHINGTON  
Director

#### Consolidated Cashflow Statement for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
<b>Operating activities</b>			
Loss for the financial year		<b>(106,230)</b>	(40,124)
Adjustments for:			
Depreciation of plant and equipment		<b>726</b>	622
Costs relating to share-based payment schemes		<b>1,829</b>	2,147
Net finance expenses		<b>9,589</b>	10,563
Loss on sale of non-current assets		<b>4,821</b>	3,289
Profit on sale of trading properties		<b>-</b>	(1,558)
Gain on revaluation of investment properties		<b>-</b>	(338)
Deficit on revaluation of investment properties		<b>63,282</b>	44,661
Deficit on revaluation of development properties		<b>4,967</b>	5,265
Share of loss (profit) from joint ventures		<b>47,291</b>	(5,532)
Share of (profit) loss from associate		<b>(86)</b>	65
(Profit) loss on sale of plant and equipment		<b>(4)</b>	2
Impairment of other non-current investment		<b>7,790</b>	-
Tax on continuing operations		<b>(22,836)</b>	(14,616)
		<b>11,139</b>	4,446
Decrease (increase) in trade and other receivables		<b>19,746</b>	(8,352)
(Decrease) increase in trade and other payables		<b>(4,209)</b>	1,915
Increase in trading properties		<b>(4,462)</b>	(3,417)
Cash generated from operations		<b>22,214</b>	(5,408)

Interest paid	(29,708)	(36,753)
Interest received	8,561	8,527
Tax recovered (paid)	2,625	(310)
<b>Net cashflow from operating activities</b>	<b>3,692</b>	<b>(33,944)</b>
<b>Investing activities</b>		
Purchase and development of property assets	(23,594)	(168,362)
Purchase of owner-occupied properties, plant and equipment	(2,104)	(1,911)
Proceeds from sales of non-current assets	39,057	81,403
Loans to joint ventures	(64,113)	(64,718)
Distributions received from joint ventures	5,921	3,130
Acquisition of other investments	(1,619)	(11,398)
Repayment of non-current receivable	43,081	2,362
<b>Net cashflow from investing activities</b>	<b>(3,371)</b>	<b>(159,494)</b>
<b>Financing activities</b>		
Issue of shares	132	239
Investment in own shares	-	(3,078)
Proceeds from new borrowings	440,000	980,769
Repayment of borrowings	(441,600)	(775,269)
Payment of loan issue costs	(6,787)	(3,276)
Payment of finance lease liabilities	(796)	(819)
Equity dividends paid	(10,872)	(15,366)
<b>Net cashflow from financing activities</b>	<b>(19,923)</b>	<b>183,200</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,602)</b>	<b>(10,238)</b>
Cash and cash equivalents at start of year	27,982	36,048
Effect of exchange rate fluctuations on cash held	835	2,172
<b>Cash and cash equivalents at end of year</b>	<b>9,215</b>	<b>27,982</b>

## 1 ACCOUNTING POLICIES

### i) BASIS OF PREPARATION

The Group's financial statements have been prepared and approved by the Board in accordance with International Financial Reporting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee as adopted by the European Union (IFRS) and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are presented in Sterling and have been prepared on a historical cost basis except that investment and development properties, other non-current investments and certain financial instruments as described in section xviii below have been stated at fair value.

### ii) GOING CONCERN

The Group's financial statements have been prepared on a going concern basis which assumes that the Group will continue to meet its liabilities as these fall due. The Group's cashflow forecasts show that it is expected to have adequate resources available to continue in operational existence for the foreseeable future. In preparing these forecasts, the Directors have had regard to the impact of a continued reduction in property values upon the financial covenants which are contained in the Group's loan documents. If values were to fall by more than 11% by 30 September 2009 or more than 9% by 31 March 2010, compliance with bank covenants would depend on the successful outcome to one or more of several options being explored to provide additional financial flexibility for the Group. These include disposals of properties and non-current investments, debt renegotiation and equity raising. Further details are given in the section on Risk Management in the Operating and Financial Review.

Although the Directors have no reason to believe that they will not be able to complete these initiatives successfully if necessary, and therefore believe that it is appropriate to prepare these financial statements on a going concern basis, they consider that this gives rise to a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. As a result, the Group may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business.

### iii) APPLICATION OF NEW STANDARDS

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year and have not been adopted early:

IFRS 8 'Operating Segments', effective for accounting periods beginning on or after 1 January 2009

IFRS 8 replaces IAS 14, 'Segmental 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.

IFRS 2 (amendment), 'Share-based Payments', effective for accounting periods beginning on or after 1 January 2009

The amendment clarifies the treatment of vesting conditions of share-based payments.

IAS 1 (amendment), 'Presentation of Financial Statements', effective to accounting 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 commencing 1 April 2009.

IFRIC 15 'Agreements for the Construction of Real Estate', effective for accounting 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.

None of these standards or interpretations, when applied, are expected to have a material impact upon the financial statements, other than in relation to disclosure and presentation.

The majority of amendments made as part of the International Accounting Standards Board's annual improvements project affect accounting periods beginning on or after 1 January 2009. One of these amendments will affect the accounting treatment of development properties, currently accounted for under IAS 16, 'Property, Plant and Equipment', but to which in future, IAS 40, 'Investment Property' will apply. This change will mean that revaluation surpluses and deficits on development properties will in future be recognised in the Income Statement rather than through equity. There will be no impact on the Group's net assets or on its cashflows.

#### iv) SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of 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 amounts 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. Copies of the valuation reports of Savills Commercial Limited and Jones Lang LaSalle Limited, which together account for 98.3% of these categories of non-current assets will be contained in the Annual Report.

In relation to the Group's investment properties, the key assumptions relate to the amount and timing of future income streams, anticipated maintenance costs and other landlord's liabilities and an appropriate yield. Valuers also have regard to market evidence generated by transactions involving similar properties.

In relation to development properties, the valuers have regard to relevant legal rights and synergies, the discount rate appropriate to the current stage of the masterplan, the implementation strategy, the timing and conditions of planning consent, future development costs, the likely completed sales values, cost and value inflation and current market dynamics.

In respect of derivative financial instruments, the Board has relied on the valuation carried out by JC Rathbone Associates Limited, financial risk consultants, and the basis for this exercise is referred to below in section xviii of this note and in note 20.

The Board has also exercised its judgment in relation to the recognition of certain deferred tax assets, which is discussed in further detail in note 6iv, and in assessing the recoverability of trade receivables by reference to their age and the ability of debtors to pay.

The principal areas of judgment, risk and uncertainty which are relevant to an understanding of these results and the Group's financial position are referred to in the Operating and Financial Review.

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.

#### v) BASIS OF CONSOLIDATION

The Group's financial statements consolidate those of the Company and its subsidiaries, together referred to as the Group, and equity account the Group's interest in joint ventures and associate. The Parent Company financial statements present information about the Company as a separate entity and not about its Group. The Company has elected to prepare its financial statements in accordance with UK GAAP.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases.

A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. An associate is an entity in which the Group has significant influence but not control over financial and operating policies. The Group equity accounts for its share of net profit after tax of its joint ventures and associate through the Income Statement. Movements in the fair value of development properties within joint ventures are shown within equity except that deficits below cost are recognised within the Income Statement together with subsequent reversals of such deficits. The effective portion of changes in the fair value of cashflow hedges within joint ventures less any related tax is also recognised directly in equity. All other changes, which include the Group's share of adjustments to the fair value of its joint venture and associate investment properties, are recognised in the Income Statement. The Group's interest in the net assets of joint ventures and the associate is included in the Consolidated Balance Sheet.

Where an asset is transferred to an existing joint venture or the Group disposes of an interest in a subsidiary, the Group recognises a share of the profit equivalent to the interest it has sold to an external party. All such transactions occur at fair value.

#### vi) FOREIGN CURRENCY

Assets and liabilities of foreign operations are translated into Sterling at exchange rates ruling at the balance sheet date. Operating income and expenses are translated at average exchange rates. The year end and average rates used for these purposes were as follows:

£1=	Year end 2009	Year end 2008	Average 2009	Average 2008
France	€1.08	€1.26	€1.20	€1.42
United States	\$1.42	\$1.99	\$1.72	\$2.01

Exchange differences arising from the translation of the net investment in foreign operations are reflected in the translation reserve and released to the Income Statement upon the disposal of the foreign operation.

vii) REVENUE AND COST OF SALES

Revenue is stated net of VAT and comprises rental income, proceeds from sales of trading properties, income from hotel operations, fees, commissions and other income.

Rental income from investment and development properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease.

Contingent rents which comprise turnover rents are recognised as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Lease incentives are recognised as an integral part of the net consideration for the use of the property and amortised on a straight-line basis over the term of the lease, or the period to the first tenant break, if shorter.

Property operating costs are expensed as incurred including any element of service charge expenditure not recovered from tenants.

Sales of trading properties are recognised on the unconditional exchange of contracts by the balance sheet date.

Income from hotel operations represents income receivable from the Plaza Hotel, Wembley prior to the redevelopment of the site, for which outline planning permission has been obtained.

Fees from fund management relate to base and performance fees receivable in respect of asset management together with property procurement fees. Performance fees are recognised when it is likely that performance criteria have been met. All other fees are recognised on a receivable basis.

Other income comprises tenant lease surrender premiums, insurance commission, car parking receipts, property management fees and miscellaneous income.

viii) PURCHASE AND DISPOSAL OF PROPERTIES HELD AS NON-CURRENT ASSETS

Property purchases and sales are recognised in the accounts on the date of unconditional exchange or where an exchange is conditional, on the date that conditions have been satisfied.

Profits or losses arising on disposal are calculated by reference to the carrying value of the asset at the last revaluation, adjusted for subsequent capital expenditure.

The acquisition or disposal of shares in subsidiaries and interests in joint ventures where properties constitute the only or main asset are accounted for as property transactions unless the fair values attributed to other assets and liabilities within the entity differ from their carrying value.

ix) IMPAIRMENT

The carrying values of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such impairment becomes evident, the asset's recoverable amount is estimated and an impairment loss recognised whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value-in-use. The value-in-use is determined as the net present value of the future cashflows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment of financial assets is based on the original effective interest rate attributable to the financial asset on acquisition.

x) EMPLOYEE BENEFITS

Pensions

Contributions to employees' personal plans are charged to the Income Statement as incurred.

Share-based payment schemes

The fair value of equity rights is estimated using the Black Scholes and binomial models at the date of grant to Directors and staff and is dependent on factors such as the exercise price, expected volatility, option price and risk free interest rate. The fair value is then amortised through the Income Statement on a straight-line basis over the vesting period. Expected volatility is determined based on the historic share price volatility (market price) for the Company on the grant date over a period matched to the expected life of the awards.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to the share price not achieving the threshold for vesting.

xi) CAPITALISATION OF BORROWING COSTS

Net borrowing costs in respect of capital expenditure on properties under development or undergoing refurbishment are capitalised. Interest is capitalised using the Group's weighted average cost of borrowing from the commencement of development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

xii) TAX

Tax is included in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity. Current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the balance sheet date. Tax payable upon the realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred taxation.

Deferred tax is provided on all temporary differences, except in respect of investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amount used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates applicable at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### xiii) INVESTMENT PROPERTIES

Investment properties are properties owned or leased by the Group which are held either for long term rental growth or for capital appreciation or both. Investment property is initially recognised at cost including related transaction costs and valued bi-annually by professionally qualified external valuers. The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cashflows is then applied to the net annual rentals to arrive at the property valuation. Properties held under operating leases are accounted for as investment properties where the other criteria for recognition are met. Such operating leases are accounted for as if they are finance leases.

Additions to investment properties consist of costs of a capital nature and in the case of investment properties under development, capitalised interest.

Gains or losses arising from changes in the fair value of investment property are included in the Income Statement of the year in which they arise. When the Group redevelops an existing investment property for continued future use as an investment property, the property remains an investment property and is not reclassified.

#### xiv) DEVELOPMENT PROPERTIES

Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value in accordance with IAS 16, 'Property, Plant and Equipment'. Changes in fair value are recognised through equity in the revaluation reserve. However, a deficit on revaluation of a development property is recognised in the Income Statement to the extent it exceeds the surplus in the revaluation reserve relating to a previous revaluation of that property. Similarly, a surplus on revaluation is credited to the Income Statement to the extent of a deficit previously charged.

All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment and any accumulated balance on revaluation is transferred to retained earnings.

Development properties which are independently valued bi-annually by external professional valuers are stated at estimated market value on completion less estimated costs to complete.

#### xv) LEASES

Where a Group company is the lessee:

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

b) Finance leases - leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

Where a Group company is the lessor:

a) Operating leases - properties leased out to tenants under operating leases are included in investment properties in the Balance Sheet with rental income recognised on a straight-line basis over the lease term.

b) Finance leases - when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method before tax which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

#### xvi) OWNER-OCCUPIED PROPERTIES, PLANT AND EQUIPMENT

Fixtures, fittings and equipment are carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the useful life of these assets estimated at between three to five years.

#### xvii) TRADING PROPERTIES

Trading properties are properties acquired or developed and held for sale and are shown at the lower of cost and net realisable value. The cost of trading properties is determined on the basis of specific identification of their individual costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sale.

xviii) FINANCIAL INSTRUMENTS

The Group initially recognises all financial instruments at fair value.

Non-current receivables

Non-current receivables are held at amortised cost.

Other non-current investments

Other non-current investments are non-derivative investments that are designated as available for sale and are shown at fair value.

Trade and other receivables

Trade and other receivables are recognised at amortised cost. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the agreed terms of the receivables concerned.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits with banks and other short term highly liquid investments with original maturities of three months or less.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Borrowings are subsequently stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis.

Trade and other payables

Trade and other payables are non-interest bearing and are recognised at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments to manage its interest rate risk. These financial instruments are recognised initially at fair value and subsequently re-measured to fair value.

The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement, unless the derivatives qualify for hedge accounting as cashflow hedges in which case the effective element of the gain or loss is recognised directly through equity in a hedging reserve.

The Group's derivative financial instruments are shown in these accounts at fair value as derived by JC Rathbone Associates Limited, financial risk consultants, based on market prices, estimated future cashflows and forward rates as appropriate.

Other derivative instruments

From time to time, the Group invests in derivatives to mitigate or enhance its exposure to a particular class or spectrum of property assets and related businesses. Such instruments are accounted for initially at fair value with subsequent recognition in the Balance Sheet at fair value being reflected through the Income Statement.

xix) OWN SHARES HELD BY ESOP TRUSTS AND TREASURY SHARES

Transactions of the Group-sponsored ESOP Trusts, The Quintain Group Employee Benefit Trust and the Quintain Estates and Development Deferred Bonus Plan Trust, are included in the Group financial statements. In particular, the Trusts' purchases of shares in the Company and shares acquired as treasury shares are debited directly to equity.

**2 REVENUE, COST OF SALES AND GROSS PROFIT**

	2009 Revenue £000	2009 Cost of sales £000	2009 Gross profit £000	2008 Revenue £000	2008 Cost of sales £000	2008 Gross profit £000
Rental income	22,074	(5,348)	16,726	23,843	(4,804)	19,039
Income from sales of trading properties	19,381	(19,381)	-	3,000	(1,580)	1,420
Income from hotel operations	7,332	(3,384)	3,948	6,926	(3,350)	3,576
Fees from fund management and other services provided to related parties	14,007	(1,069)	12,938	10,120	(1,910)	8,210
Other income	3,225	(1,804)	1,421	2,787	(2,342)	445
	<b>66,019</b>	<b>(30,986)</b>	<b>35,033</b>	46,676	(13,986)	32,690

Rental income included contingent rents of £nil (2008: £344,000).

The cost of sales in relation to rental income comprised:

	2009 £000	2008 £000
Service charge expenditure	3,507	3,331
Service charge recovery	(2,597)	(2,187)
Irrecoverable service charges	910	1,144
Rents payable	79	43
Property management fees	447	586
Legal and professional fees	824	658
Allowance for impairment in respect of trade receivables	412	518
Other property costs	2,676	1,855

**5,348** **4,804**

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

	2009 Revenue	2009 Cost of sales	2009 Gross profit	2008 Revenue	2008 Cost of sales	2008 Gross profit
	£000	£000	£000	£000	£000	£000
Investment properties	14,321	(2,946)	11,375	17,584	(2,232)	15,352
Development properties	7,753	(2,402)	5,351	6,259	(2,572)	3,687
	<b>22,074</b>	<b>(5,348)</b>	<b>16,726</b>	<b>23,843</b>	<b>(4,804)</b>	<b>19,039</b>

Direct operating expenses relating to investment properties which are not income producing amounted to £197,000 (2008: £334,000).

Other income related to:

	2009 Revenue	2009 Cost of sales	2009 Gross profit	2008 Revenue	2008 Cost of sales	2008 Gross profit
	£000	£000	£000	£000	£000	£000
Surrender premiums	194	-	194	356	-	356
Management fees and commissions	1,778	(782)	996	1,378	(942)	436
Car parking income	941	(274)	667	731	(202)	529
Abortive project costs	-	(359)	(359)	-	(826)	(826)
Sundry income	312	(389)	(77)	322	(372)	(50)
	<b>3,225</b>	<b>(1,804)</b>	<b>1,421</b>	<b>2,787</b>	<b>(2,342)</b>	<b>445</b>

Cost of sales in relation to other income includes £14,000 (2008: £nil) in respect of depreciation on fixtures, fittings and equipment.

The split of the Group's revenue and cost of sales by sector was as follows:

	2009 Revenue	2009 Cost of sales	2009 Gross profit	2008 Revenue	2008 Cost of sales	2008 Gross profit
	£000	£000	£000	£000	£000	£000
Healthcare	11,066	(1,347)	9,719	7,013	(1,899)	5,114
Hotels	7,502	(3,397)	4,105	7,285	(3,394)	3,891
Industrial	3,780	(738)	3,042	3,544	(473)	3,071
Land	23,211	(20,399)	2,812	3,173	(2,438)	735
Leisure	2,022	(295)	1,727	6,300	(1,661)	4,639
Offices	9,931	(2,613)	7,318	12,554	(2,656)	9,898
Retail	5,252	(1,070)	4,182	4,417	(544)	3,873
Student accommodation	2,334	(4)	2,330	2,189	(277)	1,912
Other	921	(1,123)	(202)	201	(644)	(443)
Total	<b>66,019</b>	<b>(30,986)</b>	<b>35,033</b>	<b>46,676</b>	<b>(13,986)</b>	<b>32,690</b>

This analysis is provided for information only as it does not form part of the disclosure for the purposes of segmental reporting.

### 3 SEGMENTAL ANALYSIS

The analysis of the Group's results by business segment for the year ended 31 March 2009, which are discussed in the Operating and Financial Review, was as follows:

	Investment portfolio £000	Urban regeneration £000	Fund management £000	Unallocated £000	Total £000
Gross revenue	13,250	39,081	13,688	-	66,019
Cost of sales	(3,362)	(26,388)	(1,236)	-	(30,986)
Gross profit	9,888	12,693	12,452	-	35,033
Administrative expenses (before exceptional administrative expenses)	-	-	-	(24,109)	(24,109)
Exceptional administrative expenses	-	-	-	(2,336)	(2,336)
Operating profit (loss) before recognition of results from non-current asset sales and revaluation	9,888	12,693	12,452	(26,445)	8,588
Loss from the sale of non-current assets	(1,072)	(82)	(3,667)	-	(4,821)
Deficit on revaluation of investment properties	(44,907)	(13,900)	(4,475)	-	(63,282)
Deficit on revaluation of development properties	(2,273)	(2,195)	(499)	-	(4,967)
Share of loss from joint ventures	-	(17,040)	(30,251)	-	(47,291)
Share of profit from associate	-	-	86	-	86
Impairment of other non-current investment	-	(7,790)	-	-	(7,790)
Operating loss	(38,364)	(28,314)	(26,354)	(26,445)	(119,477)
Net finance expenses	-	-	-	(9,589)	(9,589)

<b>Loss before tax</b>	<b>(38,364)</b>	<b>(28,314)</b>	<b>(26,354)</b>	<b>(36,034)</b>	<b>(129,066)</b>
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The segmental analysis of the Group's results for the year ended 31 March 2008 was as follows:

	Investment portfolio £000	Urban regeneration £000	Fund management £000	Unallocated £000	Total £000
Gross revenue	14,555	19,222	12,899	-	46,676
Cost of sales	(3,323)	(6,313)	(4,350)	-	(13,986)
Gross profit	11,232	12,909	8,549	-	32,690
Administrative expenses (before exceptional administrative expenses)	-	-	-	(27,972)	(27,972)
Exceptional administrative expenses	-	-	-	(1,485)	(1,485)
Operating profit (loss) before recognition of results from non-current asset sales and revaluation	11,232	12,909	8,549	(29,457)	3,233
(Loss) profit from the sale of non-current assets	(3,229)	54	(114)	-	(3,289)
Gain on revaluation of investment properties	121	-	217	-	338
Deficit on revaluation of investment properties	(41,858)	(2,000)	(803)	-	(44,661)
Deficit on revaluation of development properties	(2,688)	-	(2,577)	-	(5,265)
Share of profit (loss) from joint ventures	-	5,884	(352)	-	5,532
Share of loss from associate	-	-	(65)	-	(65)
Operating (loss) profit	(36,422)	16,847	4,855	(29,457)	(44,177)
Net finance expenses	-	-	-	(10,563)	(10,563)
(Loss) profit before tax	(36,422)	16,847	4,855	(40,020)	(54,740)

Depreciation of £14,000 (2008: £nil) on fixtures, fittings and equipment is included within cost of sales under Urban regeneration. Depreciation of £712,000 (2008: £622,000) is included in administrative expenses (before exceptional administrative expenses) (note 4) and has not been allocated.

The (deficit) gain on revaluation of development properties included in equity was as follows:

2009 Investment portfolio £000	2008 Investment portfolio £000	2009 Urban regeneration £000	2008 Urban regeneration £000	2009 Fund management £000	2008 Fund management £000	2009 Total £000	2008 Total £000
-	-	(247,307)	(77,168)	35,245	-	(212,062)	(77,168)

The segmental analysis of the Group's Balance Sheet as at 31 March 2009, which is discussed in the Operating and Financial Review, was as follows:

	Investment portfolio £000	Urban regeneration £000	Fund management £000	Unallocated £000	Total £000
<b>Non-current assets</b>					
Investment properties	104,552	26,600	12,300	-	143,452
Development properties	13,301	604,637	38,750	-	656,688
Owner-occupied properties, plant and equipment	-	-	-	4,135	4,135
Investment in joint ventures	-	77,929	137,066	-	214,995
Investment in associate	-	-	1,243	-	1,243
Other non-current investments	-	10,820	-	-	10,820
<b>Total non-current assets</b>	<b>117,853</b>	<b>719,986</b>	<b>189,359</b>	<b>4,135</b>	<b>1,031,333</b>
<b>Current assets</b>					
Trading properties	-	26,601	-	-	26,601
Trade and other receivables	4,028	3,573	4,288	3,769	15,658
Current investments	-	-	-	4	4
Cash and cash equivalents	-	-	-	9,215	9,215
<b>Total current assets</b>	<b>4,028</b>	<b>30,174</b>	<b>4,288</b>	<b>12,988</b>	<b>51,478</b>
<b>Total assets</b>	<b>121,881</b>	<b>750,160</b>	<b>193,647</b>	<b>17,123</b>	<b>1,082,811</b>
<b>Current liabilities</b>					
Trade and other payables	(4,857)	(17,241)	(6,544)	(18,271)	(46,913)
<b>Total current liabilities</b>	<b>(4,857)</b>	<b>(17,241)</b>	<b>(6,544)</b>	<b>(18,271)</b>	<b>(46,913)</b>
<b>Non-current liabilities</b>					
Bank loans and other borrowings	-	-	-	(533,490)	(533,490)
Deferred tax liability	-	-	-	(26,025)	(26,025)
Obligations under finance leases	(11,156)	-	-	-	(11,156)
Other payables	-	-	-	(20,382)	(20,382)
<b>Total non-current liabilities</b>	<b>(11,156)</b>	<b>-</b>	<b>-</b>	<b>(579,897)</b>	<b>(591,053)</b>
<b>Total liabilities</b>	<b>(16,013)</b>	<b>(17,241)</b>	<b>(6,544)</b>	<b>(598,168)</b>	<b>(637,966)</b>
<b>Net assets</b>	<b>105,868</b>	<b>732,919</b>	<b>187,103</b>	<b>(581,045)</b>	<b>444,845</b>
Capital expenditure	852	23,820	254	-	24,926

The segmental analysis of the Group's Balance Sheet as at 31 March 2008 was as follows:

	Investment portfolio £000	Urban regeneration £000	Fund management £000	Unallocated £000	Total £000
<b>Non-current assets</b>					
Investment properties	163,349	40,500	16,775	-	220,624
Development properties	15,506	824,280	3,750	-	843,536
Owner-occupied properties, plant and equipment	-	-	-	2,757	2,757
Investment in joint ventures	-	79,254	160,086	-	239,340
Investment in associate	-	-	1,157	-	1,157
Other non-current investments	-	15,196	-	-	15,196
Non-current receivable	-	42,987	-	-	42,987
<b>Total non-current assets</b>	<b>178,855</b>	<b>1,002,217</b>	<b>181,768</b>	<b>2,757</b>	<b>1,365,597</b>
<b>Current assets</b>					
Trading properties	-	15,518	-	-	15,518
Trade and other receivables	9,955	9,714	17,514	2,434	39,617
Current investments	-	-	-	4	4
Cash and cash equivalents	-	-	-	27,982	27,982
<b>Total current assets</b>	<b>9,955</b>	<b>25,232</b>	<b>17,514</b>	<b>30,420</b>	<b>83,121</b>
<b>Total assets</b>	<b>188,810</b>	<b>1,027,449</b>	<b>199,282</b>	<b>33,177</b>	<b>1,448,718</b>
<b>Current liabilities</b>					
Trade and other payables	(5,808)	(18,193)	(8,095)	(4,212)	(36,308)
Current tax liability	-	-	-	(7,269)	(7,269)
<b>Total current liabilities</b>	<b>(5,808)</b>	<b>(18,193)</b>	<b>(8,095)</b>	<b>(11,481)</b>	<b>(43,577)</b>
<b>Non-current liabilities</b>					
Bank loans and other borrowings	-	-	-	(541,637)	(541,637)
Deferred tax liability	-	-	-	(103,638)	(103,638)
Obligations under finance leases	(11,727)	-	-	-	(11,727)
Other payables	-	(2,392)	-	(46)	(2,438)
<b>Total non-current liabilities</b>	<b>(11,727)</b>	<b>(2,392)</b>	<b>-</b>	<b>(645,321)</b>	<b>(659,440)</b>
<b>Total liabilities</b>	<b>(17,535)</b>	<b>(20,585)</b>	<b>(8,095)</b>	<b>(656,802)</b>	<b>(703,017)</b>
<b>Net assets</b>	<b>171,275</b>	<b>1,006,864</b>	<b>191,187</b>	<b>(623,625)</b>	<b>745,701</b>
Capital expenditure	1,105	166,037	25	-	167,167

The Group operates in only one geographical location. Urban regeneration segment was known as Special Projects segment in the prior year. This renaming has had no impact on the segmental analysis.

#### 4 ADMINISTRATIVE EXPENSES

a) The analysis of the Group's ongoing administrative expenses was as follows:

	2009 £000	2008 £000
Directors' remuneration	2,328	3,829
Staff costs	12,016	13,784
<b>Total staff costs</b>	<b>14,344</b>	<b>17,613</b>
Legal and other professional fees	3,347	3,632
Office costs	4,110	4,645
(Profit) loss on sale of plant and equipment	(4)	2
Depreciation of tangible fixed assets	712	622
Operating lease payments	1,178	944
General expenses	422	514
<b>Total administrative expenses (before exceptional administrative expenses)</b>	<b>24,109</b>	<b>27,972</b>

i) FEES PAID TO AUDITORS AND THEIR AFFILIATES

	2009 £000	2008 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	240	240
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	55	52
Other services pursuant to legislation	-	5
Tax services	27	14
Other services (includes fee referred to in note 4b as an exceptional expense)	561	92

Fees paid to other accountancy firms, mainly for tax advisory and internal audit services, amounted to £354,000 (2008: £638,000) of which £133,000 of the advisory fees (2008: £246,000) was capitalised.

ii) STAFF COSTS

Staff costs are included in both cost of sales and administrative expenses. Gross staff costs were as follows:

	2009	2008
--	------	------

	£000	£000
Wages and salaries	11,891	14,272
Total cost relating to share-based payments	1,829	2,147
Provision for national insurance on unexercised share options and rights	(805)	(1,095)
Social security costs	898	1,442
Pension costs	1,079	1,073
Other employment costs	1,362	1,224
	<b>16,254</b>	<b>19,063</b>
Cost of sales	1,910	1,450
Administrative expenses	14,344	17,613
	<b>16,254</b>	<b>19,063</b>

Of the total cost relating to share-based payments, £723,000 (2008: £742,000) related to the Executive Directors' Performance Share Plan and £1,106,000 (2008: £1,405,000) related to other share-based incentive schemes.

Details of Directors' emoluments, pensions and entitlements to share options and rights are contained in the Remuneration Report. Details of Directors' interests in the share capital of the Company are contained in the Report of the Directors. This information forms part of these financial statements.

### iii) STAFF NUMBERS

The average number of persons employed by the Group during the year was as follows:

	2009	2008
Property portfolio management and administration	131	126
Hotel operations	111	113
	<b>242</b>	<b>239</b>

Staff are allocated between cost of sales and administrative expenses as follows:

	2009	2008
Cost of sales	97	98
Administrative expenses	145	141
	<b>242</b>	<b>239</b>

b) The exceptional expenses of £2,336,000 shown in the Income Statement relate to fees in relation to an abortive fund raising initiative of which £440,000 is payable to the Company's auditor and its associates and included in fees for other services provided by the auditors in note 4ai. In the prior year, the exceptional expenses consisted of 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

	2009 £000	2008 £000
Interest payable on bank loans and overdrafts	32,311	30,205
Interest payable on other loans	596	542
Loan costs written-off on refinancing	-	2,798
Interest on obligations under finance leases	790	812
	<b>33,697</b>	<b>34,357</b>
Interest capitalised	(12,534)	(12,022)
	<b>21,163</b>	<b>22,335</b>
Change in fair value of derivative financial instruments	1,385	(72)
Profit realised on termination of derivative financial instruments	(3,297)	(2,149)
Recycling of swap adjustments	-	370
Finance expenses	19,251	20,484
Finance income: interest receivable	(9,662)	(9,921)
Net finance expenses	<b>9,589</b>	<b>10,563</b>

Of interest capitalised in the year, the amount capitalised to development properties was £11,851,000 (2008: £11,592,000) and trading properties £683,000 (2008: £430,000). The average rate of interest used for capitalisation was 5.6% (2008: 7.0%).

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', the Group has reviewed its interest rate hedges in existence as at 31 March 2009 along with those in its joint ventures. 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 CREDIT FOR THE YEAR

	2009 £000	2008 £000
UK current tax at 28% (2008: 30%)	-	-
Adjustment to prior years' UK corporation tax	(11,393)	(2,439)

Overseas tax	(11,393)	(2,439)
	31	334
<b>Total current tax credit</b>	<b>(11,362)</b>	<b>(2,105)</b>
Deferred tax:		
On investment properties	(9,463)	(10,211)
On derivative financial instruments	(388)	1,384
On other temporary differences	(1,623)	(3,684)
<b>Total deferred tax credit</b>	<b>(11,474)</b>	<b>(12,511)</b>
<b>Tax credit</b>	<b>(22,836)</b>	<b>(14,616)</b>

ii) TAX CREDIT RECONCILIATION

	2009 £000	2008 £000
Loss before tax	(129,066)	(54,740)
Tax applied at UK corporation tax rate of 28% (2008: 30%)	(36,138)	(16,422)
Locked-in capital allowances	(326)	(543)
Use of losses and differing tax rates in respect of overseas results	(62)	-
Use of tax losses	-	321
Indexation relief on UK investment properties	4,650	(1,012)
Adjustment to prior years' current and deferred tax	(12,167)	(1,527)
Tax charge taken to share of income from joint ventures and associate	17,186	1,100
Effect of rate change on deferred tax	-	(1,024)
Other movements	4,021	4,491
<b>Tax credit</b>	<b>(22,836)</b>	<b>(14,616)</b>

iii) TAX RECOGNISED DIRECTLY IN EQUITY

	2009 £000	2008 £000
Deferred tax credit on revaluation of development properties	(57,820)	(32,957)
Deferred tax credit on effective element of interest rate swaps	(8,319)	(125)
	<b>(66,139)</b>	<b>(33,082)</b>

iv) DEFERRED TAX MOVEMENTS

	1 April 2008 £000	Recognised in income £000	Recognised in equity £000	31 March 2009 £000
Capital gains less capital losses	104,859	(9,463)	(57,820)	37,576
Capital allowances	6,200	881	-	7,081
Derivative financial instruments	(63)	(388)	(8,319)	(8,770)
Other temporary differences	245	(818)	-	(573)
Revenue tax losses	(7,603)	(1,686)	-	(9,289)
<b>Deferred tax provision</b>	<b>103,638</b>	<b>(11,474)</b>	<b>(66,139)</b>	<b>26,025</b>

Deferred tax assets estimated at £12,646,000 (2008: £10,759,000) have not been recognised due to a higher degree of uncertainty over both the amount and timing of the utilisation of the underlying tax losses and deductions which amounted to £26,829,000 (2008: £38,425,000). Under current tax legislation, there is no expiry date associated with the unprovided deferred tax assets.

There were no temporary differences associated with investment in subsidiaries and interests in joint ventures and the associate for which deferred tax liabilities have not been recognised.

v) TOTAL TAX CREDIT

The tax credit recognised in these financial statements was as follows:

	2009 £000	2008 £000
Tax credit on loss as above	(22,836)	(14,616)
Tax credit on share of loss in joint ventures (note 11ic)	(23,902)	(1,027)
Tax charge (credit) on share of profit (loss) in associate (note 11iic)	34	(60)
Tax credit on income and expenses recognised directly in equity	(66,139)	(33,082)
Tax credit on share of income and expenses in joint ventures recognised directly in equity	(19)	(273)
	<b>(112,862)</b>	<b>(49,058)</b>

7 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

i) EARNINGS PER SHARE

	2009 Loss after tax	2009 Weighted	2009 Earnings	2008 Loss after tax	2008 Weighted	2008 Earnings
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	£000	average number of shares 000	per share pence	£000	average number of shares 000	per share pence
Basic and diluted	(106,230)	127,927	(83.0)	(40,124)	128,184	(31.3)

## ii) NET ASSET VALUE PER SHARE

	2009 Equity shareholders' funds £000	2009 Number of shares 000	2009 Net asset value per share pence	2008 Equity shareholders' funds £000	2008 Number of shares 000	2008 Net asset value per share pence
Basic	444,845	127,983	348	745,701	127,790	584
Adjustments:						
Employee share-based payment schemes	-	435		9,156	2,807	
Diluted	444,845	128,418	346	754,857	130,597	578

Although not required under IFRS, net asset value per share is considered a key performance indicator in the sector in which the Group operates.

The number of shares in issue has been adjusted for the 2,059,388 (2008: 2,139,973) shares held by ESOP Trusts and by the Group as treasury shares.

Apart from allocations which have vested but not been released, 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 DIVIDEND

The Board does not propose to pay a final dividend. The dividend of £10,872,000 included in the Reconciliation of Equity in note 21 comprises the 2008 final dividend which was paid on 8 September 2008.

## 9 INVESTMENT AND DEVELOPMENT PROPERTIES

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

	Investment properties Freehold £000	Investment properties Long leasehold £000	Investment properties Short leasehold £000	Investment properties Total £000	Development properties Freehold £000	Development properties Long leasehold £000	Development properties Total £000
Cost or valuation:							
Balance 1 April 2007	198,301	80,422	10,215	288,938	744,824	24,481	769,305
Transfer between categories	8,479	-	-	8,479	(8,479)	-	(8,479)
Transfer to joint venture	-	-	-	-	(6,250)	-	(6,250)
Additions	369	621	-	990	166,090	87	166,177
Interest capitalised	-	-	-	-	11,592	-	11,592
Disposals	-	(33,461)	-	(33,461)	-	(6,375)	(6,375)
Revaluation deficit	(30,239)	(11,568)	(2,515)	(44,322)	(79,747)	(2,687)	(82,434)
<b>Balance 31 March 2008</b>	<b>176,910</b>	<b>36,014</b>	<b>7,700</b>	<b>220,624</b>	<b>828,030</b>	<b>15,506</b>	<b>843,536</b>
<b>Transfer to trading properties</b>	-	-	-	-	(5,812)	-	(5,812)
<b>Additions</b>	<b>784</b>	-	-	<b>784</b>	<b>23,819</b>	<b>323</b>	<b>24,142</b>
<b>Interest capitalised</b>	-	-	-	-	<b>11,851</b>	-	<b>11,851</b>
<b>Disposals</b>	<b>(5,110)</b>	<b>(9,564)</b>	-	<b>(14,674)</b>	-	-	-
<b>Revaluation (deficit) surplus</b>	<b>(54,323)</b>	<b>(7,393)</b>	<b>(1,566)</b>	<b>(63,282)</b>	<b>(250,001)</b>	<b>32,972</b>	<b>(217,029)</b>
<b>Balance 31 March 2009</b>	<b>118,261</b>	<b>19,057</b>	<b>6,134</b>	<b>143,452</b>	<b>607,887</b>	<b>48,801</b>	<b>656,688</b>

Of the additions shown above, £nil (2008: £128,640,000) related to the acquisition of properties with the balance representing expenditure on improvements to existing properties.

Under the cost model, the historical cost of the Group's investment properties as at 31 March 2009 was £199,361,000 (2008: £213,391,000) and included capitalised interest of £1,050,000 (2008: £1,050,000).

Under the cost model, the historical cost of the Group's development properties as at 31 March 2009 representing the cost of assets in the course of construction was £461,121,000 (2008: £424,758,000) and included capitalised interest of £46,159,000 (2008: £34,308,000).

The average rate used for capitalisation is shown in note 5.

All of the Group's properties were externally valued as at 31 March 2009 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 in Greenwich and the Wembley development have been valued by Savills Commercial Limited. The discount rates which have been applied in relation to these developments were 15.8% and 15% respectively. Savills have also valued the Group's property at Silvertown. Other properties in the United Kingdom have been valued by Jones Lang LaSalle Limited and Colliers CRE plc. The Group's 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:

	2009 Investment properties £000	2009 Development properties £000	2009 Total £000	2008 Investment properties £000	2008 Development properties £000	2008 Total £000
Investment and development properties at market value as determined by valuers	143,225	647,317	790,542	219,144	833,860	1,053,004
Adjustment in respect of rent-free periods and other tenant incentives	(1,174)	(410)	(1,584)	(486)	(105)	(591)
Adjustment in respect of minimum payment under head leases separately included as a liability in the Balance Sheet	1,401	9,781	11,182	1,966	9,781	11,747
As shown in the Balance Sheet	143,452	656,688	800,140	220,624	843,536	1,064,160

The percentage of investment and development properties valued by each of the principal valuers was as follows:

	2009 Per valuers' reports £000	2009 Adjustment for properties held in joint ventures and the associate and as trading £000	2009 Properties held as investment and development properties £000	2009 Percentage valued by each valuer %	2008 Percentage valued by each valuer %
Savills Commercial Limited	723,400	120,413	602,987	76.3	78.3
Jones Lang LaSalle Limited	175,785	1,595	174,190	22.0	20.1
Other valuers	13,365	-	13,365	1.7	1.6
	912,550	122,008	790,542	100.0	100.0

Copies of the valuation reports of Savills Commercial Limited and Jones Lang LaSalle Limited are included within the Annual Report.

The split of the valuation of the Group's investment and development properties by sector was as follows:

	2009 Investment properties £000	2009 Development properties £000	2009 Total £000	2008 Investment properties £000	2008 Development properties £000	2008 Total £000
Healthcare	7,125	-	7,125	9,975	-	9,975
Hotels	-	10,582	10,581	4,202	10,582	14,784
Industrial	31,218	112,385	143,603	50,032	115,895	165,927
Land	-	396,750	396,750	-	568,085	568,085
Leisure	27,146	-	27,146	41,226	-	41,226
Offices	68,482	24,474	92,956	101,509	28,504	130,013
Retail	8,531	71,124	79,655	12,495	116,720	129,215
Student accommodation	-	35,500	35,500	-	-	-
Other	950	5,873	6,824	1,185	3,750	4,935
Total	143,452	656,688	800,140	220,624	843,536	1,064,160

This analysis is provided for information only as it does not form part of the disclosure for purposes of segmental reporting.

#### 10 OWNER-OCCUPIED PROPERTIES, PLANT AND EQUIPMENT

	Long leasehold £000	Fixtures, fittings & equipment £000	Total £000
Cost:			
Balance 1 April 2007	-	1,749	1,749
Additions	727	1,182	1,909
Disposals	-	(69)	(69)
<b>Balance 31 March 2008</b>	<b>727</b>	<b>2,862</b>	<b>3,589</b>
<b>Additions</b>	<b>7</b>	<b>2,097</b>	<b>2,104</b>
<b>Disposals</b>	<b>-</b>	<b>(696)</b>	<b>(696)</b>

<b>Balance 31 March 2009</b>	<b>734</b>	<b>4,263</b>	<b>4,997</b>
Depreciation:			
Balance 1 April 2007	-	(279)	(279)
Charge for year	-	(622)	(622)
Disposals	-	69	69
<b>Balance 31 March 2008</b>	<b>-</b>	<b>(832)</b>	<b>(832)</b>
<b>Charge for year</b>	<b>(2)</b>	<b>(724)</b>	<b>(726)</b>
<b>Disposals</b>	<b>-</b>	<b>696</b>	<b>696</b>
<b>Balance 31 March 2009</b>	<b>(2)</b>	<b>(860)</b>	<b>(862)</b>
Net book value:			
<b>31 March 2009</b>	<b>732</b>	<b>3,403</b>	<b>4,135</b>
31 March 2008	727	2,030	2,757
31 March 2007	-	1,470	1,470

## 11 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	Total £000
Balance 1 April 2007	65,601	104,498	170,099
Transfer from development properties (note 9)	6,250	-	6,250
Deferred tax on transfer	(1,750)	-	(1,750)
Transfer to trading properties	(159)	(1,850)	(2,009)
Additions	500	-	500
Amounts advanced	-	64,718	64,718
Amount written-off	(168)	-	(168)
Distributions	(3,130)	-	(3,130)
Share of profit, net of tax	5,532	-	5,532
Share of effective portion of changes in fair value of cashflow hedges, net of tax	(702)	-	(702)
<b>Balance 31 March 2008</b>	<b>71,974</b>	<b>167,366</b>	<b>239,340</b>
<b>Additions</b>	<b>41</b>	<b>-</b>	<b>41</b>
<b>Amounts advanced</b>	<b>-</b>	<b>64,858</b>	<b>64,858</b>
<b>Disposals</b>	<b>(23,250)</b>	<b>-</b>	<b>(23,250)</b>
<b>Distributions</b>	<b>(6,578)</b>	<b>-</b>	<b>(6,578)</b>
<b>Share of loss, net of tax</b>	<b>(47,291)</b>	<b>-</b>	<b>(47,291)</b>
<b>Share of revaluation deficit recognised in equity, net of tax</b>	<b>(325)</b>	<b>-</b>	<b>(325)</b>
<b>Share of effective portion of changes in fair value of cashflow hedges, net of tax</b>	<b>(11,800)</b>	<b>-</b>	<b>(11,800)</b>
<b>Balance 31 March 2009</b>	<b>(17,229)</b>	<b>232,224</b>	<b>214,995</b>

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

	% of equity held	Country of incorporation	Joint venture partner
Quercus Healthcare Property Unit Trust (Quercus)	25.42	Channel Islands	Norwich Union Life & Pensions Limited
Meridian Delta Dome Limited (MDDL)	49.00	United Kingdom	Lend Lease Europe Limited
Greenwich Peninsula Regeneration Limited (GPRL)	50.00	United Kingdom	Lend Lease Europe Limited
Greenwich Peninsula N0204 Blocks 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)	49.98	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 Quintain)	49.90	United Kingdom	BioRegional Properties Limited

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

Summarised income statements for the year ended 31 March 2009	Quercus £000	GPRL/ MDDL £000	Greenwich Peninsula N0204 £000	iQ £000	Quantum £000	Quintessential £000	BioRegional Quintain £000	Other joint ventures £000	Group share in joint ventures £000
Rents receivable	17,493	843	-	4,256	390	8	-	-	22,990
Proceeds from sales of trading properties	-	-	-	-	-	18,687	-	-	18,687
Other income	-	-	-	-	-	-	120	-	120
Revenue	17,493	843	-	4,256	390	18,695	120	-	41,797
Cost of sales	-	(65)	-	(1,682)	(156)	(18,113)	(13)	-	(20,029)

Gross profit	17,493	778	-	2,574	234	582	107	-	21,768
Administrative expenses	(5,666)	(400)	(30)	(1,370)	(49)	(51)	(317)	-	(7,883)
Operating profit (loss)	11,827	378	(30)	1,204	185	531	(210)	-	13,885
Loss from sales of non-current property assets	(122)	-	-	-	-	-	-	-	(122)
Share of loss from joint ventures	-	-	-	-	-	-	(260)	-	(260)
Deficit on revaluation of investment and development properties	(27,904)	(976)	(23,712)	(19,059)	(1,094)	-	-	-	(72,745)
(Loss) profit before net finance expenses and taxation	(16,199)	(598)	(23,742)	(17,855)	(909)	531	(470)	-	(59,242)
Finance expenses	(6,148)	-	-	(6,136)	(33)	(130)	(469)	(972)	(13,888)
Finance income	393	18	-	94	-	33	19	1,380	1,937
(Loss) profit before taxation	(21,954)	(580)	(23,742)	(23,897)	(942)	434	(920)	408	(71,193)
Taxation	8,298	53	7,476	7,920	324	-	-	(169)	23,902
(Loss) profit after taxation	(13,656)	(527)	(16,266)	(15,977)	(618)	434	(920)	239	(47,291)
Share of recognised income and expense recognised directly in equity									
Deficit on revaluation of development properties, net of tax	-	-	-	(325)	-	-	-	-	(325)
Share of effective portion of changes in fair value of cashflow hedges, net of tax	(4,590)	-	(2,960)	(4,250)	-	-	-	-	(11,800)
	(4,590)	-	(2,960)	(4,575)	-	-	-	-	(12,125)

Summarised balance sheets as at 31 March 2009	Quercus	GPRL/MDDL	Greenwich Peninsula N0204	iQ	Quantum	Quintessential	BioRegional Quintain	Other joint ventures	Group share in joint ventures
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Investment properties	202,467	-	-	62,094	2,513	-	-	-	267,074
Development properties	2,951	15,000	34,000	10,742	2,646	-	-	-	65,339
Investment in joint ventures	-	989	-	-	-	-	3,400	-	4,389
Trading properties	-	52,071	-	-	-	12,520	2,058	-	66,649
Other assets	10,663	11,989	4,305	3,897	341	339	7,041	1,536	40,111
Gross assets	216,081	80,049	38,305	76,733	5,500	12,859	12,499	1,536	443,562
Current liabilities:									
trade and other payables	(3,363)	(17,164)	(5,301)	(6,102)	(352)	(4,796)	(1,797)	(767)	(39,642)
bank loans and other borrowings	-	-	-	-	-	(1,255)	-	-	(1,255)
current tax liability	-	(185)	-	-	(28)	-	-	(324)	(537)
Non-current liabilities:									
bank loans and other borrowings	(100,113)	-	(37,053)	(48,496)	-	-	-	-	(185,662)
deferred tax liability	(2,384)	(4,310)	7,476	7,584	365	-	-	(16)	8,715
other liabilities	(2,843)	-	(1,780)	(5,563)	-	-	-	-	(10,186)
Net external assets	107,378	58,390	1,647	24,156	5,485	6,808	10,702	429	214,995

Represented by:

Capital	3,821	11,881	(19,223)	(17,322)	(968)	6,085	(1,746)	243	(17,229)
Loans	103,557	46,509	20,870	41,478	6,453	723	12,448	186	232,224
Total investment	107,378	58,390	1,647	24,156	5,485	6,808	10,702	429	214,995

Summarised income statements	Quercus	GPRL/MDDL	Greenwich Peninsula	iQ	Quantum	Quintessential	BioRegional Quintain	Other joint	Group share
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for the year ended 31 March 2008	N0204								ventures	in joint ventures
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Rents receivable	14,426	479	-	2,341	82	-	-	-	17,328	
Other income	-	70	-	-	-	-	54	-	124	
Revenue	14,426	549	-	2,341	82	-	54	-	17,452	
Cost of sales	-	(64)	-	(795)	(10)	-	(26)	(76)	(971)	
Gross profit (loss)	14,426	485	-	1,546	72	-	28	(76)	16,481	
Administrative expenses	(2,355)	(482)	(13)	(1,344)	(43)	(74)	(315)	(270)	(4,896)	
Operating profit (loss)	12,071	3	(13)	202	29	(74)	(287)	(346)	11,585	
Profit from sales of non-current property assets	185	-	-	-	-	-	-	-	185	
(Deficit) gain on revaluation of investment properties	(8,360)	9,626	-	(55)	(277)	-	-	-	934	
Profit (loss) before net finance expenses and taxation	3,896	9,629	(13)	147	(248)	(74)	(287)	(346)	12,704	
Finance expenses	(6,021)	-	-	(2,501)	-	(50)	(222)	(2)	(8,796)	
Finance income	304	2	-	135	63	84	8	1	597	
(Loss) profit before taxation	(1,821)	9,631	(13)	(2,219)	(185)	(40)	(501)	(347)	4,505	
Taxation	2,490	(2,846)	-	1,370	13	-	-	-	1,027	
Profit (loss) after taxation	669	6,785	(13)	(849)	(172)	(40)	(501)	(347)	5,532	
Share of recognised income and expense recognised directly in equity										
Share of effective portion of changes in fair value of cashflow hedges, net of tax	(353)	-	-	(349)	-	-	-	-	(702)	

Summarised balance sheets as at 31 March 2008	Quercus £000	GPRL/ MDDL £000	Greenwich Peninsula N0204 £000	iQ £000	Quantum £000	Quintessential £000	BioRegional Quintain £000	Other joint ventures £000	Group share in joint ventures £000
Investment properties	235,285	15,876	12,337	66,617	4,548	-	-	-	334,663
Other non-current assets	-	260	-	-	-	-	1,457	2,812	4,529
Trading properties	-	32,193	-	-	-	25,169	1,717	-	59,079
Other assets	10,873	10,300	-	2,183	470	2,461	7,197	546	34,030
Gross assets	246,158	58,629	12,337	68,800	5,018	27,630	10,371	3,358	432,301
Current liabilities:									
trade and other payables	(8,773)	(4,468)	-	-	(377)	(16,426)	(1,213)	(465)	(31,722)
bank loans and other borrowings	-	-	-	-	-	(5,584)	-	-	(5,584)
current tax liability	(1,338)	(74)	-	-	(28)	-	-	-	(1,440)
Non-current liabilities:									
bank loans and other borrowings	(103,567)	-	-	(34,159)	-	-	-	-	(137,726)
deferred tax liability	(9,324)	(4,523)	-	(328)	41	-	-	(318)	(14,452)
other liabilities	-	-	-	(2,037)	-	-	-	-	(2,037)
Net external assets	123,156	49,564	12,337	32,276	4,654	5,620	9,158	2,575	239,340

Represented by:

Capital	49,614	12,345	3	3,230	(196)	5,620	(826)	2,184	71,974
Loans	73,542	37,219	12,334	29,046	4,850	-	9,984	391	167,366
Total investment	123,156	49,564	12,337	32,276	4,654	5,620	9,158	2,575	239,340

Details of the floating rate debt within Quercus, iQ and Greenwich Peninsula N0204 and of financial instruments held by these joint ventures are given in notes 16 and 20 below.

The valuation of properties held within Quercus as at 31 March 2009 has been carried out by Colliers CRE plc and CB Richard Ellis Limited, Chartered Surveyors, as external valuers, on the basis of market value and in accordance with the Appraisal and Valuation Manual 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 within the Quantum Unit Trust by CB Richard Ellis Limited.

The Quercus and Quantum joint ventures have accounting periods ending on 31 December. The Group's share of their results for the remainder of the financial year has been based on their management accounts.

d) The summarised financial statements of the Group's principal joint venture operations were as follows:

	2009 Quercus	2008 Quercus	2009 GPRL/ MDDL	2008 GPRL/ MDDL	2009 Greenwich Peninsula N0204	2008 Greenwich Peninsula N0204	2009 iQ	2008 iQ
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income statements</b>								
Revenue	62,825	51,812	1,722	20,354	-	-	8,703	4,684
Expenses	(139,938)	(58,270)	(2,882)	(1,092)	(47,484)	(26)	(56,517)	(9,124)
(Loss) profit before taxation	(77,113)	(6,458)	(1,160)	19,262	(47,484)	(26)	(47,814)	(4,440)
<b>Balance sheets</b>								
Non-current assets	808,096	874,015	31,978	32,272	68,000	34,948	145,730	133,287
Current assets	41,947	40,390	128,120	84,986	8,610	5,424	7,797	4,368
Gross assets	850,043	914,405	160,098	117,258	76,610	40,372	153,527	137,655
Current liabilities	(13,230)	(37,555)	(34,698)	(9,084)	(10,602)	(15,698)	(12,209)	(4,076)
Non-current liabilities	(414,398)	(419,361)	(8,621)	(9,046)	(62,714)	-	(92,987)	(69,001)
Net external assets	422,415	457,489	116,779	99,128	3,294	24,674	48,331	64,578
Percentage share held by Group	25.42%	26.92%	50.00%	50.00%	50.00%	50.00%	49.98%	49.98%
Group share of net external assets	107,378	123,156	58,390	49,564	1,647	12,337	24,156	32,276

	2009 Quantum	2008 Quantum	2009 Quintessential	2008 Quintessential	2009 BioRegional Quintain	2008 BioRegional Quintain
	£000	£000	£000	£000	£000	£000
<b>Income statements</b>						
Revenue	780	164	37,441	-	279	108
Expenses	(2,664)	(534)	(36,573)	(79)	(2,122)	(1,112)
(Loss) profit before taxation	(1,884)	(370)	868	(79)	(1,843)	(1,004)
<b>Balance sheets</b>						
Non-current assets	10,318	9,096	-	-	6,814	2,920
Current assets	682	940	25,708	55,239	18,234	17,863
Gross assets	11,000	10,036	25,708	55,239	25,048	20,783
Current liabilities	(760)	(810)	(12,097)	(44,003)	(3,601)	(2,430)
Non-current liabilities	730	82	-	-	-	-
Net external assets	10,970	9,308	13,611	11,236	21,447	18,353
Percentage share held by the Group	50.00%	50.00%	50.02%	50.02%	49.90%	49.90%
Group share of net external assets	5,485	4,654	6,808	5,620	10,702	9,158

ii) INVESTMENT IN ASSOCIATE

a) The movement in the investment in the associate was as follows:

	£000
Balance 1 April 2007	1,222
Share of loss, net of tax	(65)
<b>Balance 31 March 2008</b>	<b>1,157</b>
Share of profit, net of tax	86
<b>Balance 31 March 2009</b>	<b>1,243</b>

b) The Group's interest in its associate undertaking was as follows:

	% of equity held	Other member
Aqua Trust	50	Norwich Union Annuity Limited

The principal asset of the associate consists of a reversionary interest in three properties, which has been valued as at 31 March 2009 by Jones Lang LaSalle Limited.

c) The Group's share of the summarised income statement for the associate for the year ended 31 March 2009 was as follows:

	2009 £000	2008 £000
Gain (loss) on revaluation of investment properties	120	(125)
Deferred tax (charge) credit for the year	(34)	60
Profit (loss) after taxation	<b>86</b>	<b>(65)</b>

d) The Group's share of the summarised balance sheet for the associate as at 31 March 2009 was as follows:

	2009 £000	2008 £000
Investment properties	1,595	1,475
Deferred tax liability	(352)	(318)
Net external assets	<b>1,243</b>	<b>1,157</b>
Represented by:		
Capital	<b>1,243</b>	<b>1,157</b>

iii) OTHER NON-CURRENT INVESTMENTS

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

	£000
Valuation 1 April 2007	3,044
Additions	11,395
Revaluation gain	757
<b>Fair value 31 March 2008</b>	<b>15,196</b>
<b>Addition</b>	<b>1,619</b>
<b>Impairment</b>	<b>(7,790)</b>
<b>Recycling of revaluation movements from earlier years</b>	<b>2,159</b>
<b>Revaluation loss</b>	<b>(364)</b>
<b>Fair value 31 March 2009</b>	<b>10,820</b>

An impairment loss has been recognised in the Income Statement in relation to the whole of the Groups' investment in Serrastone SA following a revision to the cashflow forecasts of the business in the light of current economic conditions. The other investments in this category are shown at the values at which they are quoted on AIM and the Dublin Stock Exchange.

## 12 TRADING PROPERTIES

As at 31 March 2009, three properties were held for resale and are shown at the lower of cost and net realisable value. Cost included capitalised interest of £1,113,000 (2008: £430,000). As at that date, the Directors have assessed that the net realisable value of the Group's trading properties exceeds the carrying value.

## 13 TRADE AND OTHER RECEIVABLES

	2009 £000	2008 £000
Trade receivables	5,837	20,660
Other receivables	6,288	6,898
Amounts due under contracts for sale	-	6,500
Trade and other receivables	<b>12,125</b>	<b>34,058</b>
Tax recoverable	596	-
Prepayments and accrued income	<b>2,937</b>	<b>5,559</b>
	<b>15,658</b>	<b>39,617</b>

The aging of trade and other receivables was as follows:

	2009 Gross £000	2009 Impairment £000	2009 Net £000	2008 Gross £000	2008 Impairment £000	2008 Net £000
Not past due	10,035	(250)	9,785	32,755	(250)	32,505
Past due less than one month	1,867	-	1,867	280	-	280
Past due one month to three months	548	(77)	471	1,068	(68)	1,000
Past due three to six months	220	(220)	-	264	(161)	103
Past due over six months	265	(263)	2	225	(55)	170
	<b>12,935</b>	<b>(810)</b>	<b>12,125</b>	<b>34,592</b>	<b>(534)</b>	<b>34,058</b>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	£000
Balance as at 1 April 2008	534
Amounts written-off in year	(136)
Increase in allowance	412
Balance 31 March 2009	<b>810</b>

**14 CURRENT INVESTMENTS**

	2009 £000	2008 £000
UK Government Treasury stock	4	4

The nominal value of the Treasury stock as at 31 March 2009 was £4,000 (2008: £4,000).

**15 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES**

	2009 £000	2008 £000
Trade payables	2,918	2,809
Other payables	10,778	10,963
Accruals	23,841	22,536
Interest rate swap	9,376	-
	<b>46,913</b>	<b>36,308</b>

**16 BANK LOANS AND OTHER BORROWINGS**

	2009 £000	2008 £000
Non-current liabilities:		
Bank loans	540,500	539,500
10% First Mortgage Debenture Stock 2011 (secured)	2,093	4,807
	<b>542,593</b>	<b>544,307</b>
Amortised borrowing costs	(9,103)	(2,670)
	<b>533,490</b>	<b>541,637</b>

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 £3,369,000 and has a redemption value of £2,017,000. The premium over par arising from fair valuing the debenture on acquisition is amortised over its remaining life.

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

	2009 Bank loans and overdrafts £000	2009 Other loans £000	2009 Total debt £000	2008 Total debt £000	2009 Undrawn facilities £000	2008 Undrawn facilities £000
From one to two years	95,000	-	95,000	-	-	-
From two to five years	445,500	2,093	447,593	224,807	134,500	5,000
After five years	-	-	-	319,500	-	75,500
	<b>540,500</b>	<b>2,093</b>	<b>542,593</b>	<b>544,307</b>	<b>134,500</b>	<b>80,500</b>

After taking account of interest rate swap arrangements, the risk profile of the Group's borrowings was as follows:

	2009 Fixed or capped £000	2009 Floating £000	2009 Total debt £000	2008 Fixed £000	2008 Floating £000	2008 Total debt £000
Sterling	542,593	-	542,593	429,807	114,500	544,307

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

Percent	2009 £000	2008 £000
4.0 – 5.0	100,000	-
6.0 – 7.0	350,000	200,000
7.0 – 8.0	50,000	225,000
8.0 – 9.0	40,500	-
9.0 – 10.0	2,093	4,807
	<b>542,593</b>	<b>429,807</b>

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

	2009 %	2008 %	2009 years	2008 Years
Sterling	6.1	7.0	4	5

The maturity profile of the Group's share of floating rate debt held within its joint ventures as at 31 March 2009 was as follows:

	2009	2008

	£000	£000
Within one year	1,255	5,584
From two to five years	185,662	34,159
After five years	-	103,567
	<b>186,917</b>	<b>143,310</b>

## 17 OBLIGATIONS UNDER FINANCE LEASES

The Group has entered into a number of leases in relation to its investment and development properties, the carrying amounts of which are disclosed in note 9.

These leases are for fixed terms and subject to regular rent reviews. They contain no material provisions for contingent rents, renewal or purchase options and escalation clauses nor any restrictions outside of the normal lease terms.

Finance lease obligations in respect of rents payable on leasehold properties were payable as follows:

	2009 Minimum lease payments £000	2009 Interest £000	2009 Present value of minimum lease payments £000	2008 Minimum lease payments £000	2008 Interest £000	2008 Present value of minimum lease payments £000
Within one year	774	(766)	8	819	(812)	7
From one to two years	727	(719)	8	843	(835)	8
From two to five years	2,370	(2,341)	29	2,434	(2,408)	26
From five to 25 years	15,483	(15,042)	441	16,387	(15,974)	413
After 25 years	37,646	(26,976)	10,670	42,751	(31,478)	11,273
	<b>57,000</b>	<b>(45,844)</b>	<b>11,156</b>	<b>63,234</b>	<b>(51,507)</b>	<b>11,727</b>

## 18 NON-CURRENT LIABILITIES: OTHER PAYABLES

	2009 £000	2008 £000
Interest rate swaps	20,382	46
Deposits received in advance	-	2,392
	<b>20,382</b>	<b>2,438</b>

## 19 FINANCIAL ASSETS AND LIABILITIES

The Group is exposed to the following types of risk from its use of financial instruments:

Credit risk  
Liquidity risk  
Market risk

This note presents information about the nature of the Group's exposure, its objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Committee which meets four times a year and is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board in relation to its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. This function is currently outsourced to Grant Thornton. Internal Audit undertakes both regular and ad hoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee.

### Credit risk

The Group's exposure to credit risk arises from the potential financial loss if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. It relates principally to the Group's receivables from tenants and other third parties. The credit rating of counterparties to financial instruments is kept under review, particularly in the light of the current economic climate. Given that the majority of positions are significantly out of the money, this does not represent a major risk at the current time.

Non-current receivables

In 2007, the Company took the strategic decision to invest in a corporate loan to a private company in order to enhance the strength of the Group's position in relation to one of its own properties. The loan which was secured, carried a coupon of LIBOR plus 2.5% and had a maximum term of 16 years and of which £43m was outstanding as at 31 March 2008 which was repaid during the financial year.

#### Trade and other receivables

The Group's activities are focused exclusively in Great Britain and the Channel Islands and within this geographical area, its exposure to credit risk arising from trade and other receivables is influenced by the individual characteristics of each tenant. As at 31 March 2009, the Group's 20 largest tenants within its directly held properties and its joint ventures account for 34.6% (2008: 36.0%) of the passing rents from these properties.

The Group operates a policy whereby the creditworthiness of each tenant is assessed prior to lease or pre-lease terms being agreed. The process includes seeking external ratings where available and reviewing financial information in the public domain. In certain cases, the Group will require collateral to support these lease obligations. This usually takes the form of a rent deposit, parent company guarantee or a bank guarantee.

Rent collection is outsourced to managing agents who report regularly on payment performance and provide the Group with intelligence on the continuing financial viability of tenants. Arrears are monitored internally on a weekly basis by the internal property management teams and a strategy for dealing with significant potential defaults is presented on a timely basis by the Head of Investment Portfolio or the property managers of the Group's various joint ventures to the weekly meeting of the Executive Directors.

Outstanding tenant balances are reviewed on a quarterly basis for impairment with an allowance of £412,000 being charged in the current year (2008: £518,000) as shown in note 2.

In addition to input from its managing agents, the Quercus fund uses an external organisation for monitoring the credit strength of its healthcare tenants.

In relation to iQ, the student accommodation fund in which the Group has a 49.98% share, rents are either collected directly from universities or are underpinned by deposits received in advance from students.

#### Guarantees

Where Group companies enter into financial guarantee contracts to guarantee the indebtedness of obligations of other companies within the Group, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee. In the current and comparative periods, such guarantees did not have any impact on the financial statements.

In respect of the development of the two office buildings on the Greenwich Peninsula as part of the N0204 joint venture, the Group's contingent liabilities relate to the joint venture banking facilities and comprise:

- i) a cost overrun guarantee in respect of 50% of any cost overrun subject to a maximum of £11.5m;
- ii) an interest guarantee in respect of 50% of all interest, costs and commitment fees or equity injection (see below); and
- iii) a contingent equity guarantee in respect of 50% of any repayment obligation or equity injection (see below) up to a maximum of £30m.

If at 30 November 2010, interest cover is less than 1.0 times and/or the loan to value covenant is less than 70%, the Group and Lend Lease Europe Limited must provide sufficient funds by way of an equity injection to ensure compliance with these covenants.

In respect of iQ, if the loan to value covenant of 65% is not met, or the interest cover covenant of 1.25 times is not met, then the Group would be required to inject equity alongside its partner, Wellcome, to restore the covenants.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as these fall due.

Cash levels are monitored to ensure sufficient resources are available to meet the Group's operational requirements. The Group has a £20m working capital facility to manage day-to-day cash movements. Surplus cash is used to reduce debt.

The Group's policy is to finance its activities using equity and medium term debt, the proportions depending on the profile of the operational and financial risks to the business. The Group generally borrows on an unsecured basis on the strength of its covenant but with floating charges over the assets of its subsidiaries.

At the end of the previous financial year, the Group entered into new bilateral banking facilities with a number of relationship banks for £620m with an average maturity as at the close of that year of 5.5 years and an interest rate of LIBOR plus a margin of 115 basis points. The key covenants negotiated with the banks were interest cover of 1.25 times after taking account of capitalised borrowing costs and gearing of 110% based on net assets as shown in the Group's Balance Sheet adjusted for deferred tax on revaluation movements and fair value adjustments on financial instruments.

During the year, the Group increased its banking facilities with the addition of a new £95m bilateral facility. The lender had the option by giving six months' notice to require repayment by April 2010. Since the year end, the terms of this facility have been renegotiated to remove the option, giving certainty over the facility term. In return, the facility will be reduced to £50m, subsequently amortising to £35m by April 2011. Further details of bank facilities are given in note 16.

During March 2009, the Group renegotiated the terms of its £620m banking facilities and was granted an option, to be exercised on an annual basis on the payment of an arrangement fee, to relax the gearing limit from 110% to 150%. The option has now been exercised with respect to the financial year ended 31 March 2010.

Following these renegotiations, the Group will have total committed facilities of £670 million with an unrestricted element of £630m.

In August 2008, against a background of falling property values and a shortage of new bank lending, the Board announced a programme of cash repatriation through property sales, cost reduction and the deferral of dividend payments for two years. The Group's progress in improving its liquidity position is discussed in more detail in the financial section of the Operating and Financial Review.

### Market risk

In relation to the Group, market risk arises mainly from the impact that changes in interest rates might have on the Group's cost of borrowing. The weighted average rate of interest relating to the Group's debt as at 31 March 2009 was 4.0% (2008: 6.7%).

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 and uses hedging instruments to achieve an interest rate profile where the majority of borrowings are fixed or capped. As at 31 March 2009, 100% (2008: 83.2%) of the Group's net debt was fixed or protected.

During the year, the Group purchased £200m of interest rate caps with maturity dates between April 2013 and July 2013 and strike rates between 6.50% and 7.5%. Further information on the Group's interest rate caps is given in note 20.

During the year, the Group purchased £150m of interest rate swaps with a maturity date of April 2013 and an average swap rate of 4.97% and a swap of £100m with a maturity date of May 2010 and a swap rate of 3.02%. Further information on the Group's interest rate swaps is given in note 20.

The Group is also exposed to interest rate risk through the activities of its joint ventures, which borrow at variable rates and use financial instruments to safeguard against market movements in rates. This is disclosed in note 20 in respect of the Group's interests in its Quercus, iQ and N0204 (Greenwich) investments.

### Capital management

The Board's policy is to maintain a strong capital base with a view to underpinning investor, creditor and market confidence and sustaining the future development of the business. The Board receives ongoing reports on the demographic spread of shareholders and maintains regular contact with the principal investors of these in order to discuss performance and communicate strategy. The Board monitors the Group's performance in terms of its main financial indicator, total return, at both a corporate and individual asset level, and sets internal guidelines for interest cover and gearing. The Executive Directors monitor the Group's current and projected financial position against these guidelines.

In the interest of the shareholders, the Board has pursued a progressive dividend policy, but with falling property values, has deferred the declaration of dividends for two years to preserve cash and maintain its gearing within the limits agreed with its banks.

The Board also encourage employees to participate in the share ownership structure through savings investment plans, the share-based element of bonus arrangements and the various performance related employee share option schemes, all of which it considers best aligns the interest of employees with those of the Group and its shareholders.

From time to time, the Group purchases its own shares on the market. Such purchases can take the form of treasury shares with the aim of using these as treasury shares to cover entitlements under bonus arrangements and options schemes but also for cancellation on occasions when the Board considers that this course of action would enhance the value of the Group for the shareholders.

There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements other than those referred to above in connection with the Group's financing arrangements.

### i) FINANCIAL INCOME AND EXPENSE

	<b>2009</b>	2008
	<b>£000</b>	£000
Recognised in the Income Statement:		
Interest expense on financial liabilities measured at amortised cost	<b>32,907</b>	30,747
Loan costs written-off on refinancing	-	2,798
Finance expenses on liabilities not recognised at fair value in the Income Statement	<b>32,907</b>	33,545
Interest on obligations under finance leases	<b>790</b>	812
<b>Financial expenses</b>	<b>33,697</b>	34,357
Finance income on assets not recognised at fair value in the Income Statement	<b>(9,662)</b>	(9,161)
Finance income on assets recognised at fair value in the Income Statement	-	(760)
<b>Financial income</b>	<b>(9,662)</b>	(9,921)
<b>Net financial income and expense</b>	<b>24,035</b>	24,436
Capitalised interest	<b>(12,534)</b>	(12,022)
Change in fair value of financial instruments	<b>1,385</b>	(72)
Profit on termination of interest rate swaps and caps	<b>(3,297)</b>	(1,779)
<b>Net finance expenses (note 5)</b>	<b>9,589</b>	10,563
Recognised directly in equity:		
Net change in fair value of available for sale financial assets	<b>(364)</b>	757
Effective portion of changes in fair value of cashflow hedges	<b>(29,712)</b>	(416)

Foreign currency translation differences	250	232
	<b>(29,826)</b>	573

#### ii) SENSITIVITY ANALYSIS

As at 31 March 2009, it is estimated that an increase of 50 basis points in interest rates would have increased the Group's loss before tax by £1,132,000 (2008: £1,789,000) prior to the capitalisation of interest and that a decrease of 50 basis points would have reduced the Group's loss before tax by £1,132,000 (2008: £1,789,000) on a similar basis. There would have been no effect on amounts recognised directly in equity.

These estimates have been compiled by applying the interest rate change to the variable rate borrowings net of interest rate swaps in existence during the year.

The impact on the fair value of the Group's interest rate swaps and caps in existence as at 31 March 2009 of an increase in 50 basis points in interest rates would have been to reduce the loss before tax by £446,000 with a credit directly to equity of £6,846,000. A decrease in interest rates by 50 basis points would have increased the Group's loss before tax by £308,000 with a debit directly to equity of £6,846,000.

In relation to the year ended 31 March 2008, the impact on the fair value of interest rate swaps held at that year end of an increase in interest rates of 50 basis points, would have been to reduce the loss before tax by £1,500,000 with a credit directly to equity of £3,167,000. A decrease in interest rates of 50 basis points would have increased the Group's loss before tax by £870,000 with a debit directly to equity of £3,167,000.

#### iii) FINANCIAL ASSETS

The currencies in which the Group's cash and cash equivalents were held were as follows:

	2009 £000	2008 £000
Sterling	7,761	11,785
Euros	1,179	15,979
United States dollars	275	218
	<b>9,215</b>	<b>27,982</b>

Details of the Group's other financial assets are shown in the table below.

#### iv) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial assets and liabilities was as follows:

	2009 Book value £000	2009 Fair value £000	2009 Fair value adjustment £000	2008 Book value £000	2008 Fair value £000	2008 Fair value adjustment £000
Other non-current investments	10,820	10,820	-	15,196	15,196	-
Non-current receivable	-	-	-	42,987	42,987	-
Trade and other receivables						
Trade receivables	5,837	5,837	-	20,660	20,660	-
Other receivables	6,288	6,288	-	6,898	6,898	-
Amounts due under contracts for sale	-	-	-	6,500	6,500	-
Tax recoverable	596	596	-	-	-	-
Interest rate caps and basis swaps	794	794	-	1,546	1,546	-
Current investments	4	4	-	4	4	-
Cash and cash equivalents	9,215	9,215	-	27,982	27,982	-
<b>Total financial assets</b>	<b>33,554</b>	<b>33,554</b>	<b>-</b>	<b>121,773</b>	<b>121,773</b>	<b>-</b>
Trade and other payables						
Trade payables	(2,918)	(2,918)	-	(2,809)	(2,809)	-
Other payables	(10,778)	(10,778)	-	(10,963)	(10,963)	-
Accruals	(23,841)	(23,841)	-	(22,536)	(22,536)	-
Interest rate swaps	(9,376)	(9,376)	-	-	-	-
Current tax liability	-	-	-	(7,269)	(7,269)	-
Non-current liabilities:						
bank loans and other borrowings	(533,490)	(533,684)	(194)	(541,637)	(541,906)	(269)
obligations under finance leases	(11,156)	(11,156)	-	(11,727)	(11,727)	-
Other payables:						
interest rate swaps	(20,382)	(20,382)	-	(46)	(46)	-
deposits received in advance	-	-	-	(2,392)	(2,392)	-
<b>Total financial liabilities</b>	<b>(611,941)</b>	<b>(612,135)</b>	<b>(194)</b>	<b>(599,379)</b>	<b>(599,648)</b>	<b>(269)</b>
<b>Total net financial liabilities</b>	<b>(578,387)</b>	<b>(578,581)</b>	<b>(194)</b>	<b>(477,606)</b>	<b>(477,875)</b>	<b>(269)</b>
<b>Fair value on a post-tax basis</b>			<b>(140)</b>			<b>(194)</b>

The fair values of non-current liabilities: bank loans and other borrowings were calculated by JC Rathbone Associates Limited as at 31 March 2009 and reflect the replacement values of the financial instruments used to manage the Group's exposure as at that date.

v) MATURITY OF FINANCIAL LIABILITIES

The maturity analysis of financial liabilities was as follows:

As at 31 March 2009	Bank loans	10% first mortgage debenture stock	Interest	Financial liability cashflows
	£000	£000	£000	£000
Within one year	-	-	22,239	22,239
From one to two years	95,000	-	20,869	115,869
From two to five years	445,500	2,093	51,745	499,338
From five to 25 years	-	-	-	-
After 25 years	-	-	-	-
	540,500	2,093	94,853	637,446

	Financial liability cashflows (as above)	Current liabilities Trade and other payables	Current liabilities Interest rate swaps	Obligations under finance leases	Non-current liabilities Other payables	Total
	£000	£000	£000	£000	£000	£000
Within one year	22,239	37,537	9,376	774	-	69,926
From one to two years	115,869	-	-	727	9,140	125,736
From two to five years	499,338	-	-	2,370	11,242	512,950
From five to 25 years	-	-	-	15,483	-	15,483
After 25 years	-	-	-	37,646	-	37,646
	637,446	37,537	9,376	57,000	20,382	761,741

As at 31 March 2008	Bank loans	10% first mortgage debenture stock	Interest	Financial liability cashflows
	£000	£000	£000	£000
Within one year	-	-	36,926	36,926
From one to two years	-	-	36,926	36,926
From two to five years	220,000	4,807	108,822	333,629
From five to 25 years	319,500	-	27,270	346,770
After 25 years	-	-	-	-
	539,500	4,807	209,944	754,251

	Financial liability cashflows (as above)	Current liabilities Trade and other payables	Current liabilities Interest rate swaps	Obligations under finance leases	Non-current liabilities Other payables	Total
	£000	£000	£000	£000	£000	£000
Within one year	36,926	43,577	-	819	-	81,322
From one to two years	36,926	-	-	843	-	37,769
From two to five years	333,629	-	-	2,434	2,438	338,501
From five to 25 years	346,770	-	-	16,387	-	363,157
After 25 years	-	-	-	42,751	-	42,751
	754,251	43,577	-	63,234	2,438	863,500

20 FINANCIAL INSTRUMENTS

All the Group's financial instruments have been valued by JC Rathbone Associates Limited, financial risk consultants.

i) EFFECTIVE CASHFLOW HEDGES

The Group's interest swaps as at 31 March 2009 were classified as effective cashflow hedges with fair value adjustments reflected in equity as follows:

Amount	Maturity date	Swap rate	2009 Fair value adjustments
£000		%	£000
100,000	05.05.10	3.02	(1,581)
75,000	22.04.13	4.96	(6,743)

75,000	22.04.13	4.99	(6,816)
50,000	03.01.14	4.94	(4,851)
50,000	03.01.14	4.97	(4,859)
50,000	03.01.14	5.00	(4,862)
<u>400,000</u>			<u>(29,712)</u>

#### ii) INTEREST RATE CAPS

As at 31 March 2009, the Group's interest rate caps were classified as ineffective cashflow hedges with fair value adjustments reflected in the Income Statement as follows:

Amount	Maturity date	Strike rate	2009 Fair value adjustments
£000		%	£000
25,000	03.01.13	5.50	(222)
25,000	03.01.13	5.75	(137)
150,000	22.04.13	7.50	(852)
50,000	22.07.13	6.50	(304)
<u>250,000</u>			<u>(1,515)</u>

iii) In addition, as at 31 March 2009, the Group had entered into basis swaps totalling £350,000,000 (2008: £nil) with maturity dates between 22 April 2009 and 5 May 2009 which have been classified as ineffective cashflow hedges with the fair value credit of £130,000 reflected in the Income Statement.

#### iv) JOINT VENTURE FINANCIAL INSTRUMENTS

As at 31 March 2009, the interest rate swaps shown at the full amount and the Group's share of the related fair value adjustments within Quercus, a joint venture in which the Group has a 25.42% interest (2008: 26.92%), were as follows:

Amount	Maturity date	Swap rate	2009 Group share reflected in equity	2008 Group share reflected in equity
£000		%	£000	£000
50,000	22.10.07	5.32	-	(29)
40,000	22.01.09	4.86	(45)	(112)
50,000	22.10.09	4.84	(298)	(216)
25,000	25.11.09	5.02	(282)	41
80,000	22.01.13	5.11	(1,764)	(143)
100,000	22.01.13	4.99	(2,229)	(31)
<u>345,000</u>			<u>(4,618)</u>	<u>(490)</u>

As at 31 March 2009, the interest rate caps and collars shown at the full amount and the Group's share of the related fair value adjustments within iQ, a joint venture in which the Group has a 49.98% interest (2008: 49.98%), were as follows:

Amount	Maturity date	Strike rate Floor	Strike rate Cap	2009 Group share reflected in Income Statement	2009 Group share reflected in equity	2008 Group share reflected in Income Statement	2008 Group share reflected in equity
£000		%	%	£000	£000	£000	£000
12,951	04.10.12	5.08	6.00	-	(1,969)	(392)	-
12,951	04.10.12	5.28	5.75	(42)	(2,146)	-	(484)
12,951	04.10.12	4.89	6.25	(1,850)	-	(355)	-
12,952	04.10.12	4.69	6.50	(1,744)	-	(295)	-
<u>51,805</u>				<u>(3,636)</u>	<u>(4,115)</u>	<u>(1,042)</u>	<u>(484)</u>

As at 31 March 2009 the interest rate swap shown at the full amount and the Group's share of the related fair value adjustment within the Greenwich Peninsula N0204 A & B joint ventures, in which the Group has a 50% interest (2008: 50%) was as follows:

Amount	Maturity date	Swap rate	2009 Group share reflected in equity
£000		%	£000
<u>47,970</u>	30.12.11	5.28	<u>(2,960)</u>

#### 21 RECONCILIATION OF MOVEMENTS IN EQUITY

Issued capital	Share premium account	Revaluation reserve	Other capital reserves	Cashflow hedge reserve	Translation reserve	Retained earnings	Own shares held reserve	Equity shareholders' funds
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	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2007	32,457	50,797	370,814	108,136	671	86	292,481	(9,344)	846,098
Recognised income and expense for the year	-	-	(43,454)	-	(993)	232	(40,124)	-	(84,339)
Issue of shares less costs	26	546	-	-	-	-	(333)	-	239
Purchase of own shares as treasury shares	-	-	-	-	-	-	-	(3,078)	(3,078)
Cost relating to share-based payment schemes	-	-	-	-	-	-	2,147	-	2,147
Dividends paid in the year	-	-	-	-	-	-	(15,366)	-	(15,366)
<b>Balance 31 March 2008</b>	<b>32,483</b>	<b>51,343</b>	<b>327,360</b>	<b>108,136</b>	<b>(322)</b>	<b>318</b>	<b>238,805</b>	<b>(12,422)</b>	<b>745,701</b>
Recognised income and expense for the year	-	-	(152,772)	-	(41,405)	250	(98,018)	-	(291,945)
Issue of shares less costs	28	175	-	-	-	-	(71)	-	132
Shares awarded to employees under share-based bonus scheme	-	-	-	-	-	-	(482)	482	-
Cost relating to share-based payment schemes	-	-	-	-	-	-	1,829	-	1,829
Dividends paid in the year	-	-	-	-	-	-	(10,872)	-	(10,872)
<b>Balance 31 March 2009</b>	<b>32,511</b>	<b>51,518</b>	<b>174,588</b>	<b>108,136</b>	<b>(41,727)</b>	<b>568</b>	<b>131,191</b>	<b>(11,940)</b>	<b>444,845</b>

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

	2009 £000	2008 £000
Recognised in Income Statement:		
Gain on revaluation of investment properties	-	338
Deficit on revaluation of investment properties	(63,282)	(44,661)
Deficit on revaluation of development properties	(4,967)	(5,265)
(Deficit) gain on revaluation of investment and development properties in joint ventures	(72,745)	934
Gain (deficit) on revaluation of investment properties in associate	120	(125)
Recognised directly in equity:		
Gain on revaluation of development properties	-	1,838
Deficit on revaluation of development properties	(212,062)	(79,006)
Deficit on revaluation of development properties in joint ventures	(451)	-
	<b>(353,387)</b>	<b>(125,947)</b>

The Group's other capital reserves were as follows:

	Capital redemption reserve £000	Merger reserve £000	Total other capital reserves £000
<b>Balance 31 March 2008 and 31 March 2009</b>	<b>2,074</b>	<b>106,062</b>	<b>108,136</b>

The charge against retained earnings in respect of the issue of shares less costs related to options exercised by staff in a subsidiary company. There was no equivalent entry in the accounts of the Company.

As at 31 March 2009, ESOP Trusts held 2,054,154 (2008: 2,134,739) shares in the Company which had been purchased in the market at a cost of £11,908,000 (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 as set out in note 22 and share-based bonus entitlements. As at 31 March 2009, these shares had a market value of £173,000 (2008: £9,622,000). The Quintain Group Employee Benefit Trust has waived the right to receive dividends.

As at 31 March 2009, the Company also held 5,234 (2008: 5,234) of its own shares which had been purchased in the market at a cost of £32,000 (2008: £32,000). As at that date, these shares had a market value of £440 (2008: £24,000).

#### CAPITAL REDEMPTION RESERVE

The capital redemption reserve reflects the nominal value of shares purchased by the Group for cancellation.

#### MERGER RESERVE

The merger reserve has arisen following corporate acquisitions where the Group's equity has formed all or part of the consideration and represents the premium on the shares issued less costs.

#### CASHFLOW HEDGE RESERVE

The cashflow hedge reserve comprises the effective portion of the cumulative net change in the cashflow hedging instruments.

#### TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries.

## 22 ISSUED CAPITAL

	Number of shares 000	Nominal value £000
<b>Authorised as at 31 March 2008 and 2009:</b>		
Ordinary shares of 25p each	200,000	50,000
<b>Allotted, called up and fully paid:</b>		
In issue at 1 April 2007	129,826	32,457
Issue of shares under share-based payment schemes at between 25p and 460p	104	26
<b>In issue at 31 March 2008</b>	<b>129,930</b>	<b>32,483</b>
Issue of shares under share-based payment schemes at between 25p and 155.3p	112	28
<b>In issue at 31 March 2009</b>	<b>130,042</b>	<b>32,511</b>

As at 31 March 2009, share capital included 2,054,154 (2008: 2,134,739) shares held by ESOP Trusts. These shares had a nominal value of £513,539 (2008: £533,685). The Company also held 5,234 (2008: 5,234) of its own shares with a nominal value of £1,309 (2008: £1,309).

As at 31 March 2009, the following commitments to issue shares to employees under various share-based payment schemes remained outstanding:

Date of grant	Number of shares	Exercise price per share pence	Exercise period from	Exercise period To
<b>Executive Directors' Performance Share Plan (LTIP)</b>				
26.09.03	1,000,000	-	26.09.12	27.09.12
12.07.05	375,000	-	12.07.14	13.07.14
27.06.07	125,000	-	27.06.16	28.06.16
	1,500,000			
<b>1996 Approved Executive Share Option Scheme (1996 Approved)</b>				
13.06.00	29,151	155.3	13.06.03	12.06.10
04.09.01	1,504	199.5	04.09.04	03.09.11
17.06.02	13,043	271.0	17.06.05	16.06.12
13.06.03	60,382	287.0	13.06.06	12.06.13
02.02.04	8,720	344.0	02.02.07	01.02.14
13.09.04	49,745	460.0	13.09.07	12.09.14
	162,545			
<b>2005 Share Option Plan (2005 Plan)</b>				
10.07.06	25,785	653.0	10.07.09	09.07.16
27.06.07	30,333	798.2	27.06.10	26.06.17
	56,118			
<b>1996 Executive Share Option (No.2) Scheme (1996 Unapproved)</b>				
17.06.02	84,982	155.3	17.06.05	16.06.09
17.06.02	892,741	271.0	17.06.05	16.06.09
13.06.03	14,373	271.0	13.06.06	12.06.10
13.06.03	396,975	287.0	13.06.06	12.06.10
	1,389,071			
<b>2004 Unapproved Share Plan (2004 Unapproved)</b>				
13.06.03	12,290	25.0	13.06.06	12.06.10
02.02.04	7,450	25.0	02.04.07	01.02.14
02.02.04	10,551	25.0	02.04.08	01.02.14
02.02.04	11,729	25.0	02.04.09	01.02.14
13.09.04	137,521	25.0	13.09.07	12.09.14
12.07.05	156,887	25.0	12.07.08	11.07.15
09.01.06	1,566	25.0	09.01.09	09.01.16
10.07.06	110,455	25.0	10.07.09	09.07.16
27.06.07	130,406	25.0	27.06.10	26.06.17
	578,855			
<b>Deferred Bonus Plan</b>				
19.06.07	235,093	-	19.06.10	19.06.10
	235,093			
<b>Total</b>	<b>3,921,682</b>			

The Group's share based bonus payments are all equity settled.

### Executive Directors' Performance Share Plan (LTIP)

The Plan was approved by shareholders of the Company in September 2003 on the following terms:

- i) participation in the plan is confined to executive directors of the Company;
- ii) individual awards to directors are restricted to 1% of the Company's issued share capital on the date of award and an aggregate of 2.5% of the Company's issued share capital;
- iii) awards are granted at nil cost to participants; and
- iv) vesting occurs, subject to the achievement of performance conditions, over years 5,6,7,8 and 9. No release of shares shall take place until the ninth anniversary of the award date.

#### 1996 Approved Executive Share Option Scheme (1996 Approved)

The Scheme is an HMRC approved scheme with the following provisions:

- i) since 2004 vesting of the options has been subject to a share price based performance condition; and
- ii) individual awards are restricted to £30,000.

No awards have been made under the scheme since 2005.

#### 2005 Share Option Plan (2005 Plan)

The Scheme is an HMRC approved scheme. It has the following provisions:

- i) vesting of the options is subject to a share price based performance condition; and
- ii) individual awards are restricted to £30,000 and 10% of the Group's issued share capital in the aggregate.

#### 1996 Executive Share Option (No.2) Scheme (1996 Unapproved)

The Scheme is not approved by HMRC and has expired as to new awards. It has the following provisions:

- i) options do not have any performance conditions attached; and
- ii) individual awards are restricted to four times earnings over a ten year period.

Aggregate awards are restricted to:

- (a) when combined with other shares to be issued on exercise of options under this and any scheme, no more than 5% of the issued share capital Over a ten year period; and
- (b) when combined with other shares to be issued on exercise of options under this and any scheme, no more than 3% of the issued share capital Over a three year period.

#### 2004 Unapproved Share Plan (2004 Unapproved)

The Scheme is not approved by HMRC and has the following provisions:

- i) vesting of rights is subject to achievement of total return based performance conditions; and
- ii) individual awards are restricted to annual earnings.

Aggregate awards are restricted to 5% of the issued share capital of the Company on the date of issue.

#### Deferred Bonus Plan

The Plan is not approved by HMRC and its main provisions are as follows:

- i) shares are held on trust for a three year period and released, at nil cost to the participants; and
- ii) no performance conditions, other than continued employment, apply.

The movement in the year in the number and weighted average exercise price of outstanding options was as follows:

	2009 Number of shares	2009 Weighted average exercise price pence	2008 Number of shares	2008 Weighted average exercise price pence
In issue at 1 April	4,307,450	131.8	3,895,358	147.3
Options granted	-	-	553,465	62.2
Options exercised	(112,297)	272.0	(103,994)	(230.0)
Options lapsed	(273,471)	(117.6)	(37,379)	(383.9)
In issue at 31 March	3,921,682	122.4	4,307,450	131.8

The weighted average share price at the date of exercise for share options exercised during the year was 181p (2008: 550p). The options outstanding as at 31 March 2009 had a weighted average remaining contingent life of 3.1 years (2008: 4.1 years).

No options were granted during the current year. Options granted in the previous year have been valued using the Black Scholes and binomial models on the basis of the following main assumptions:

Date of grant	19.06.07 Deferred Bonus Plan	27.06.07 LTIP	27.06.07 2005 Plan	27.06.07 2004 Unapproved
Number	254,780	125,000	36,147	137,538
Exercise price (pence)	-	-	798.2	25.0
Term of option (years)	3	9	10	7
Expected volatility (%)	22	22	22	22
Expected annual dividend yield (%)	1.4	1.4	1.4	1.4
Risk free rate (%)	5.6	5.6	5.6	5.6
Fair value (pence)	705.0	715.0	184.0	718.0

Details of the Group's share-based payment schemes are disclosed in the Remuneration Report.

#### 23 CAPITAL COMMITMENTS

As at 31 March 2009, the Group had capital commitments of £32,488,000 (2008: £16,475,000) in relation to its own development properties and £56,000 (2008: £130,000) in respect of contractual commitments for repairs, maintenance and enhancement in relation to its investment properties. In respect of commitments relating to development properties, the Group is entitled to receive £8,074,000 (2008: £nil) in contracted payments from third parties for work to be carried out on their behalf.

In addition, the Group has entered into a conditional contract for £91 m in respect of the purchase of a student accommodation scheme. The conditions relate to planning and financing, the former of which has, since the year end, has been satisfied while the latter remains outstanding.

The Group's share of capital commitments in relation to its joint ventures was £36,139,000 (2008: £63,939,000).

## 24 OPERATING LEASE ARRANGEMENTS

### i) AS LESSEE

Future minimum lease payments payable by the Group under non-cancellable operating leases were as follows:

	2009 £000	2008 £000
Operating leases which expire:		
From one to two years	218	-
From two to five years	-	365
After five years	5,479	6,310
	<b>5,697</b>	<b>6,675</b>

The Group's lease commitments relate to its own offices at 16 Grosvenor Street, London W1K 4QF and 66 Grosvenor Street, London W1K 3JL.

### ii) AS LESSOR

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

The majority of properties are let for terms from five to 35 years at a market rent. Standard lease provisions include service charge recovery and upward only rent reviews every five years. On review, rents are increased either by a contractual formula or to current market rent (estimated rental value or ERV). Typically, single let properties are leased on terms where the tenant is responsible for repair, insurance and running costs while multi-let properties are leased on terms which include recovery of a share of service charge expenditure and insurance. Only one of the Group's properties is let on terms which include a turnover based element.

Future minimum lease payments receivable by the Group under such leases were as follows:

	2009 £000	2008 £000
Operating leases which expire:		
Within one year	1,732	1,388
From one to two years	4,061	4,780
From two to five years	17,978	14,001
After five years	169,954	147,480
	<b>193,725</b>	<b>167,649</b>

In addition, the Group's share of minimum lease payments receivable under non-cancellable operating leases contained within the Group's joint ventures was £476,057,000 (2008: £472,742,000).

## 25 RELATED PARTY DISCLOSURES

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

	2009 £000	2008 £000
Quercus Healthcare Property Partnership	10,610	6,416
iQ Property Partnership	2,335	2,188
Greenwich Peninsula Regeneration Limited	556	944
BioRegional Quintain Limited	326	277
Quintessential Homes (Wembley) LLP	160	260
Quantum Property Partnership	20	20
Quart Property Partnership	-	15
	<b>14,007</b>	<b>10,120</b>

The Group also received interest on loan notes amounting to £3,108,000 (2008: £2,733,000) from Greenwich Peninsula Regeneration Limited, £865,000 (2008: £nil) from Greenwich N0204 and £1,323,000 (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 13.

	2009 £000	2008 £000
Quercus Healthcare Property Partnership	57	11,447
iQ Property Partnership	693	589
Greenwich Peninsula Regeneration Limited	100	303
BioRegional Quintain Limited	1,722	1,278
Quintessential Homes (Wembley) LLP	303	-
Quantum Property Partnership	44	73
Quart Property Partnership	-	29

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**2,919**                      13,719

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Amounts due from related parties are due on demand and are unsecured.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited section of the Remuneration Report.

	<b>2009</b>	2008
	<b>£000</b>	£000
Short-term employee benefits	<b>2,104</b>	3,608
Post-employment benefits	<b>224</b>	221
Directors remuneration included in administrative expenses (note 4)	<b>2,328</b>	3,829
Share-based payments	<b>-</b>	289
	<b>2,328</b>	4,118

The share-based payments relate to the gross profit on options exercised during the year.

The members of the Board are the only key management personnel as defined under IAS 24.

## **26 ACQUISITION OF SUBSIDIARY**

During the prior year, the Group acquired for a cash consideration of £5,451,000 the remaining 50% of Countryside Quintain Birmingham Limited, which was classified as a joint venture as at 31 March 2007. This was treated as the acquisition of a trading property which was the sole asset of the company and was fair valued at £6,812,000 together with a deferred tax liability of £1,361,000. There were no acquisitions in the current year.

## **27 FINANCIAL STATEMENTS**

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 March 2009 or 2008 which were prepared under International Financial Reporting Standards, as adopted by the European Union ("IFRSs"). Statutory accounts for 2008 have been delivered to the Registrar of Companies. The auditors have reported on those accounts. Their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Statutory accounts for 2009 will be delivered to the Registrar of Companies following the Company's annual general meeting and made available on the Company's website [www.quintain-estates.com](http://www.quintain-estates.com). The auditors have reported on those accounts. Their report was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985, but was modified to include an emphasis of matter paragraph which drew attention to note 1 to the financial statements, fully reproduced as note 1 in this preliminary announcement, which indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.