Development Securities PLC

("Development Securities" or "the Group")

AUDITED PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 28 FEBRUARY 2013

Development Securities PLC, a leading property developer and investor, today reports a full year profit after tax of £2.3 million, a turnaround from a loss of £12.0 million for the 14 months ended 29th February 2012. EPRA earnings for the year were 10.5 pence per share as compared to a loss of 8.2 pence per share as at 29th February 2012. This strengthened financial performance is largely driven by gains of £28.1 million generated from current development and trading activities with good visibility on further gains across the portfolio over the next few years.

Financial and operating highlights

- Profit after tax of £2.3 million (29th February 2012: loss after tax of £12.0 million)
- EPRA Net Asset Value (NAV) of £317.6m, equivalent to 260 pence per share, a reduction of 0.9 per cent compared with the previous period. After the payment of £6.8 million dividend, basic NAV reduced by £6.5 million to £306.7 million (29th February 2012: £313.2 million)
- £28.1 million of gains from current development and trading portfolio - all above the Group's IRR targets of 20 per cent:
    - Exit secured at Westminster Palace Gardens bringing total profits to date to £4.3 million
    - Exit secured at Wick Site, Littlehampton bringing total profit to date to £3.5 million
    - Disposals of first two phases of The MVMNT, Greenwich generating £1.3 million of gains to Development Securities
- Acquisition of two bank loan portfolios secured against 56 real estate assets and totalling £143.0 million
    - Disposals of significant element of underlying real estate collateral achieved in the year, contributing to £28.1 million of development and trading gains
- Intensive asset management across the investment portfolio supported further growth in income levels and reduced void rates. However, £12.8 million (4.7 per cent) of market-driven valuation declines across the investment portfolio including joint venture assets (29th February 2012: £4.1 million decline).
    - 4.7 per cent decline compares against 6.0 per cent decline in the UK IPD 12-month Capital Index, comparable to our portfolio and excluding Central London (UK IPD 12-month Capital Index including Central London showed a 4.2 per cent decline)
- Projects within major developments portfolio:
    - 10 Hammersmith Grove on track for practical completion in Q2 2013 with strong letting interest
    - Cambridge Science Park experiencing good pre-letting interest from the resilient regional biotech market
    - Preparations in hand for further phases of 170,000 sq. ft. at 12 Hammersmith Grove and 140.000 sq. ft. at 4 Kingdom Street, PaddingtonCentral
- Sustained progress in monetising legacy assets including:
    - Broughton residential planning consent secured in July 2012 on 19-acre site and contracts exchanged for disposal in April 2013 for £11.4 million
    - Planning application submitted in August 2012 for mixed-use scheme at 399 Edgware Road with 80,000 sq. ft. foodstore element pre-let to Morrisons
- Balance Sheet strength maintained - gearing of 47.9 per cent, excluding share of joint ventures, decreased from 48.8 per cent as at 29th February 2012
- Dividend payment maintained at 2.4 pence per share taking the total dividend for the year to 4.8 pence per share equivalent to that paid in respect of the 14-month period to 29th February 2012

Commenting on the results, Michael Marx, Chief Executive, said:

"I am pleased to report a profitable performance from the Group, driven by increased gains of £28.1 million within our current development and trading portfolio. Asset management initiatives within our investment portfolio have grown income levels in spite of weakening regional retail markets. Within our major developments pipeline, we have made good progress at 10 Hammersmith Grove with further phases in prospect both here and at PaddingtonCentral.

"We are well placed to build on this progress in the next few years with a risk-diversified portfolio of assets, good visibility on future profitability across our portfolio and a strong balance sheet. We are confident that our current focus, regenerating undervalued and redundant real estate assets, will deliver significant value to shareholders over the medium-term."

	28th Feb 2013	29th Feb 2012*
Profit/(loss) after tax	**£2.3 million**	£(12.0) million
Earnings/(loss) per share	**2.0p**	(10.3)p
EPRA Earnings/(loss) per share	**10.5p**	(8.2)p
EPRA Net assets	**£317.6 million**	£320.5 million
EPRA Net assets per share	**260p**	262p
Basic Net assets	**£306.7 million**	£313.2 million
Basic Net assets per share	**251p**	256p
Dividend per share	**4.8p**	5.6p
Net debt	**£146.8 million**	£152.9 million
Gearing	**47.9%**	48.8%

*14-month period

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A video interview with the Executive Directors will be available from 7am today at

http://www.developmentsecurities.com/devsecplc/en/ir/ir-homepage **or** http://video.merchantcantos.com/

Chairman’s Statement

On track to achieve our strategic objectives

“Gains of £28.1 million generated in our current development and trading portfolio.”

“Our focus will remain on extending our current pipeline of development and trading opportunities including the acquisition of further real estate loan portfolios.”

Results

I am pleased to report a profit after tax of £2.3 million for the year ended 28th February 2013, a significant improvement from the loss after tax of £12.0 million for the 14-month period ended 29th February 2012. A significant contributor to these results were the substantial and increased gains of £28.1 million generated within our current development and trading portfolio compared with gains of £8.6 million in the 14 months to 29th February 2012. These profits underpin and validate a significant part of our business strategy following the crash of 2008. Notwithstanding the significant progress made within this part of our business, the decline in valuations within our investment portfolio has resulted in your Company reporting a lower level of profitability than would otherwise have been the case. Profits before tax of £0.8 million for the year increased from the loss before tax of £10.2 million for the 14 months ended 29th February 2012. After the payment of £6.8 million to shareholders by way of dividends, shareholders’ funds declined by £6.5 million to £306.7 million from £313.2 million at 29th February 2012. Net assets per share ended the year at 251 pence per share compared to 256 pence per share at 29th February 2012.

The principal reason behind the decline in net assets was the fall of £12.8 million in the valuation of our investment portfolio including our share of joint venture assets, compared to £4.1 million for the previous period. Additionally we have recorded provisions of £2.2 million against some of our legacy development and trading assets where the market in some cases not only failed to advance, but actually made it more challenging for us to unlock value.

We have continued to maintain a conservative risk profile consistent with our business principles. Our gearing, excluding our share of joint ventures, remained low at 47.9 per cent compared with 48.8 per cent as at 29th February 2012.

Given our financial strength and stability, the Board has recommended the payment of a final dividend for the year of 2.4 pence per share, payable on 25th October 2013 to shareholders on the register on 27th September 2013. This brings the total dividend payment for the year to 4.8 pence per share consistent with that paid in respect of previous years.

Progress

In the absence of economic growth and momentum, we have continued to focus on real estate opportunities where we can add value. It is our view that there remain opportunities for the regeneration of redundant and undervalued real estate in the UK and, accordingly, we have built a strong pipeline of value-enhancing deals where we can apply our expertise to generate meaningful gains. The profits of £28.1 million that we have made during the year from our current development and trading business have met our expectations and validate our strategic approach to the property market following the crash of 2008.

The year under review saw your Company complete the acquisition of two real estate loan portfolios totalling £143.0 million. It is to the credit of our management team that we were not only able to secure the acquisition of these loans against strong market competition, but were also able, within the same financial year, to realise value from a number of the underlying real estate assets. We look forward to doing more such business in the years ahead.

Yields on secondary property drifted further away from those on prime property during most of 2012, resulting in a weakening of the value of our investment portfolio. Whilst a double-dip recession is not something we had anticipated, we would expect this yield differential to narrow again once the UK economy begins to evidence a meaningful and sustained recovery. In the meantime, we continue to proactively manage our investment assets and progress opportunities to drive growth through asset enhancement in order to support values and to maximise cash yield.

Large-scale office development is traditionally a late-cycle performer and as such we are unlikely to see your Company refocus its resources into the major office developments that were its hallmark product in the final phase of the previous cycle. Nonetheless, we have retained our core expertise in this area in order to ensure

that we have adequate resource for when that part of the cycle begins to gather strength. It is, however, pleasing to note that as we approach practical completion at our significant office development, 10 Hammersmith Grove, interest in the office space is strong.

Outlook

The UK economic stagnation which I anticipated in my report to Shareholders twelve months ago, proved to be a reality. Problems in the banking sector, most of them self-inflicted, have continued to constrain the ability of banks to provide adequate levels of liquidity to the property markets. The lack of consumer confidence and the deleveraging processes at work, in particular within the European economies, have inhibited business confidence generally. With such economic conditions continuing into 2013, it is hard to foresee anything other than the weakest of economic recoveries in the near- to medium-term. Property values rise on a sustained basis consequent upon either rental growth or yield compression and, to be candid, it is difficult to present a case for either at present. Whilst it is conceivable that largely cash based investors will drive up values still further in Central London, we are not of the opinion that this relates to true underlying real estate values.

As long as these conditions persist, our focus will remain on extending our current pipeline of development and trading opportunities including the acquisition of further real estate loan portfolios. In the current market, it is the regeneration of obsolete land and assets that would appear to provide the enhanced returns that we are seeking.

Conclusion

Our considerable efforts in our development and trading portfolio have generated handsome returns during the year with a strong pipeline of further gains to be delivered over the coming years. Our investment portfolio continued to drift downwards as a result of market-driven valuation declines. Clearly, the return of higher investment property values outside of London must await the broader recovery of economic activity in the UK.

Our management and staff at Development Securities have worked hard, applying diligence and expertise in capturing value. In this respect, I would like to thank them for their continued efforts on our behalf.

In February this year, we welcomed Marcus Shepherd as our new Finance Director, who joined us from Aviva Investors where he was Finance Director (Global Real Estate). Marcus has taken up the position previously occupied by Graham Prothero who moved on after four years of excellent service as our Finance Director. I would like to thank not only Graham, but all of my Executive and Non-executive colleagues for their commitment and unstinting efforts on behalf of the Company.

David Jenkins
Chairman
1st May 2013

Chief Executive's Report

Creating value through real estate regeneration

"It is pleasing to note the year ended 28th February 2013 has seen profits of £28.1 million arising from our current development and trading activity. We anticipate continued strong returns in the years ahead as further phases of our work come to maturity."

During the year we have continued to make strong progress in the execution of the strategy that we initiated in 2009. Our focus remains to proactively generate value and growth through the regeneration of redundant real estate across a diversified portfolio of UK assets. Before provisions of £2.2 million against certain legacy assets, we are pleased to have delivered gains of £28.1 million within our current development and trading portfolio during the year ended 28th February 2013. These profits will continue to flow over the coming years as we dispose of further value-enhanced assets.

Wider market

Whilst the UK economic backdrop was much the same as in the previous year, with stagnation largely continuing across the UK outside of London, FY2013 was a year which saw the deepening impact of both cyclical and structural changes within the real estate sector. The dominant cyclical theme was the continued flow of funds from overseas investors into the Central London property markets. Such investors now comprise approximately 70 per cent of new purchasers as compared to some 60 per cent a year or so ago. We are unsure whether the surge in values in these markets resulting from this inflow of capital is a true reflection of property fundamentals, or whether it is asset inflation fuelled by "irrational exuberance" and a search for safe haven status. We suspect the latter. If we are right, Central London values could now be caught within a cyclical play which may end with a value correction whose timing and magnitude are challenging to predict. It is for this reason that we have in recent years avoided undue exposure to Central London markets, preferring instead to explore value opportunities within London, the South East and other regions of the UK where we see elements of demand underpinned by credible economic activity.

Central London has provided some evidence of a structural change in recent years, with the conversion of over one million sq. ft. of office space into residential accommodation. This has helped to ease the potential pricing pressure in the prime Central London residential market as well as restricting supply and lowering vacancy rates in the office market. The latter may appear to indicate a healthy office market, when in fact current take up levels are lower than historic trends. A second structural change that continued throughout the year was apparent in the retail sector, where increasing amounts of high street shops fell vacant. Reduced consumer disposable income, the increasing market share taken by major urban shopping centres and supermarkets, and the further inroads into conventional retailing made possible via the internet all conspired to undermine the traditional high street retailer base. Whilst it is likely that the former structural change may reverse itself in time, this is less obvious with regards to the changes to the high street.

Generating value in the real estate market

With interest rates at record low levels, it is difficult to see how further meaningful yield compression can be generated. Typically, rental growth moves in line with GDP growth. Since GDP growth is presently absent and expected to remain so for some time, it is not immediately obvious how, with the exception of one or two specific markets, the UK economy can be expected to generate meaningful rental growth.

Against this backdrop, your Company has sought to generate value by continuing to exploit the dislocation in the property markets caused by the crash of 2008. We have identified opportunities both inside and outside of Central London where value can be generated through the transformation of real estate from secondary to prime markets, capturing the arbitrage between the two. The proceeds of our two equity raises, now fully invested, have enabled us to build up a portfolio of over 40 real estate opportunities from which we are crystallising gains. It is pleasing to note that the year ended 28th February 2013 has seen profits of £28.1 million arising from this development and trading activity. We anticipate continued strong returns in the years ahead as further phases of our work come to maturity.

Development and trading portfolio

The development and trading profit which we are reporting this year broadly falls into two categories. First, profits generated from our active development and trading programme. Notable successes in the development arena have been our projects at Westminster Palace Gardens in Central London, our Morrisons foodstore scheme in Littlehampton and two of the three phases at The MVMNT in Greenwich. We have now fully disposed

of the first two of these schemes, both of which were functionally obsolete when we acquired them in 2010. The second area has been to realise gains through the acquisition of loan portfolios secured against underlying real estate assets from banks and financial institutions. These loans are efficiently disposed of, sometimes after redevelopment or repositioning the underlying real estate, to end users or into areas of the market best able to transition them to the more appropriate end investors or users. After the investment of significant time and energy, it is pleasing to see that during the year we were able to secure two bank loan portfolios, secured against 56 real estate assets and totaling £143.0 million. I feel that the longer our track record extends in this area of the market, the better positioned we will be for further such business.

Investment portfolio

We continue to believe that our investment portfolio comprises well-placed property assets that will once again add value in the next upward phase of the economic cycle. The cash yield from our investment portfolio is strong and we continue to asset manage on an aggressive basis enabling us to maintain income and reduce void levels during the year. It was nonetheless disappointing to report a continuing decline in secondary property values during the year, especially outside of London. We feel that these valuation declines have been exacerbated by low levels of liquidity in the market that render these assets challenging for the valuers to mark to market. This is compounded by the reduced level of bank lending to this sector. Valuation comparables may not be strictly relevant to our portfolio since they involve disposals by weak or distressed vendors or even administrators.

The lower level of valuations across the market encourage a further downward spiral in prices as more weak holders are compelled by their sources of finance to monetise their property assets. This process will continue until a “floor” is reached, from which values can once again recover. The implication for the banking sector, however inevitable and healthy for the market in the longer term, will not be pleasant as they are themselves obliged to recognise further loan loss provisions.

Major developments portfolio

We have been selective in our major developments pipeline over the past few years given the weak underlying fundamentals for the London office market and lack of significant GDP growth. However, we have been active in certain locations that are signalling demand strength. In Hammersmith, West London, we are approaching practical completion at the first phase of our 275,000 sq. ft. prime office development which was funded on a speculative basis by Scottish Widows Investment Property Partnership Trust. There is good occupier interest in the majority of the space. Our next phase at PaddingtonCentral in London’s West End, of 140,000 sq. ft. net, is a similar opportunity both in terms of size and centrality.

Legacy assets

It is key to our business plan that we resolve our legacy assets, monetising them at the earliest opportunity. At Broughton, near Chester, we were pleased to have exchanged contracts to sell our residential consented land in April 2013 for £11.4 million and appear to be making encouraging progress in our strategy to secure revised planning consent at our site at 399 Edgware Road. More challenging for us is how to resolve our joint venture land holding in Central Birmingham, a significant part of which is blighted by the plans for HS2.

Conclusion

We are confident that the profits arising from within our development and trading portfolio will continue to be a significant component of our results for several more years. We also hope that the UK economy will soon begin to show evidence of some growth, especially in the wider economy outside of London. We believe that the latter will be the catalyst that once again begins to narrow the widening yield differential between secondary and prime real estate valuations.

Michael Marx
Chief Executive
1st May 2013

Operating Review

Our year at a glance

Significant progress achieved throughout the year to enhance value across our portfolio.

Q1 2012
March – May

- Pre-let secured for an 80,000 sq. ft. Morrisons foodstore at 399 Edgware Road
- £15.7 million acquisition of Wick Lane Wharf, a 112-unit residential block in East London, in joint venture with Realstar Group
- Development management agreement signed with Trinity Hall, Cambridge, for 110,000 sq. ft. scheme at Cambridge Science Park

Q2 2012
June – August

- 26,000 sq. ft. letting secured with Statoil at Two Kingdom Street, PaddingtonCentral
- Pre-let secured with Sainsbury's for an 81,000 sq. ft. foodstore at Cross Quarter, Abbey Wood, London
- Disposals achieved at The MVMNT, Greenwich, to Willmott Dixon for a residential scheme and McLaren for a 358-bed student village for £16.2 million and £9.0 million respectively
- Acquisition of the Chrome portfolio of real estate loans for £103.0 million in joint venture with the Pears Group
- Completed sale of Wick Site, Littlehampton generating cumulative profits of £3.5 million

Q3 2012
September – November

- Acquisition of 19-acre site on the Greenwich Peninsula in joint venture with Cathedral Group
- Acquisition of £40.0 million real estate bank loan portfolio

Q4 2012
December – February

- Planning consent secured at The Old Vinyl Factory, Hayes for £250 million regeneration scheme
- Practical completion reached at Eastgate Quarter, Llanelli – now 88 per cent let
- Practical completion reached at mixed-use scheme, Lawley Village, Telford – 70 per cent of retail units let
- Exited Westminster Palace Gardens following sale of freehold generating cumulative profits of £4.3 million
- Marcus Shepherd joins as new Finance Director

Q1 2013
March – May

- Resolution to Grant Planning secured at £85 million scheme, Cross Quarter, Abbey Wood, London
- Contract exchanged for sale of residential consented land at Broughton, near Chester for £11.4 million

Development and trading portfolio

Overview and performance

The IPD headline Total Return figure of 2.4 per cent masks the continued divergence in returns between London and the rest of the UK. Over 2012, values in Central London rose by 4.7 per cent but fell by 6.0 per cent outside of the capital. The polarisation of prices has now reached unprecedented levels.

We have chosen to apply our expertise and equity in seeking to use the yield differential between secondary and prime assets to our advantage. Our focus since the 2008 financial crisis has been to acquire secondary or tertiary assets which, through repositioning and redevelopment, can be sold into prime markets.

Since 2009, we have acquired over 40 assets within our development and trading portfolio covering a range of sectors and opportunities. We have partnered with expert operators where appropriate and with larger capital providers where the individual asset size does not suit our risk profile. The majority of these acquisitions have been within parts of the market that are in distress, whereby the terms of trade move in our favour to create attractive buying opportunities.

We have continued to focus on sectors and locations with strong demand including food-anchored retail schemes, mixed-use regeneration projects, student accommodation and selected residential schemes. Our portfolio is largely focused on London, the South East and Manchester, locations of relative economic strength.

Since 2009, we have secured planning consent for change of use on 28 assets across all of our property interests. In most cases, this has involved repositioning vacant or redundant sites to create real estate opportunities for which ultimate demand is strong.

Loan portfolio acquisitions

This has become an increasing focus of activity for your Company. We believe that the banks' ongoing need to reduce their exposure to real estate is structural rather than cyclical, with the impact likely to be felt for at least the next five years. Banks are increasingly better organised and more realistic about values. The challenge for us is to identify those assets that the banks bring to market that have significant upside opportunity, and where we can apply our development or asset management expertise to drive value.

During the year, we acquired two real estate loan portfolios from banks. The Chrome portfolio was acquired in August 2012 from NAMA for £103 million in partnership with the Pears Group. The underlying real estate comprised several Central London residential properties, accounting for approximately 65 per cent of the portfolio by value with the remainder consisting of neighbourhood retail schemes anchored by Tesco convenience stores and further residential, high street retail and commercial assets. The second acquisition of £40 million was completed in October 2012 comprising bank loans secured against 17 investment and development assets located in London and the South East of England. The portfolio consisted of 76 per cent commercial and 24 per cent residential assets. To date, a significant element of the underlying properties within these loan portfolios has been sold. The majority of the remaining properties will either be sold or actively repositioned through change of use, refurbishment or other asset management initiatives by the end of the current financial year.

Disposals

During the year, we were pleased to report increased profits of £28.1 million arising from our current development and trading activity through selected disposals of a number of the properties and developments acquired since our first equity raise in 2009. At Westminster Palace Gardens, we completed the disposal of the final freehold element of this scheme taking cumulative total profits to £4.3 million and representing an IRR of 31.1 per cent. At the Wick Site, Littlehampton, having obtained planning consent, we completed the sale of the property to Morrisons taking cumulative total profits on this scheme to £3.5 million and representing an IRR of 27.2 per cent. Further disposals have been achieved within the Rock portfolio with only one property now remaining, for which a sale contract has been exchanged. Total profits booked to date across the portfolio equal £8.1 million, an IRR of 40.9 per cent. These disposals validate our strategy, whereby we have added value through the repositioning of undervalued assets and created product that can be sold into the prime or near-prime markets. We anticipate further disposals across our development and trading portfolio, at similar levels of profitability in the coming years.

Planning gain

The driver for a significant element of the above gains is the improvement in value derived from securing planning consents for a change of use, as the assets are repositioned into different product for which good demand exists. During the year, we achieved notable planning success at The Old Vinyl Factory, Hayes, where

we secured planning consent for a £250 million regeneration project. This significant scheme, covering an 18-acre site which is largely derelict and vacant, will deliver a comprehensive new mixed-use development.

In April this year, we were pleased to secure Resolution to Grant Planning at our ten-acre site, Cross Quarter, Abbey Wood, London. This planning success followed on from the announcement in July 2012 that we had secured a pre-let to Sainsbury's for an 81,000 sq. ft. foodstore to anchor this scheme. It is less than two years since we first acquired this derelict site from LPA receivers acting on behalf of Lloyds Banking Group. The consented mixed-use scheme is now being marketed for funding.

Development and trading property portfolio

Property status key

1	2	3	4	5	6	7	8
Planning submitted	Planning secured	Acquisition	Under construction	Practical completion	Sales achieved	New lettings	Forward-funded

Asset name/location	Overview	Status	Progress in 2013
Chrome portfolio, various	Acquired: August 2012 • £103.0 million real estate loan portfolio acquired in joint venture with the Pears Group. Underlying real estate comprises 65 per cent Central London residential assets with the remainder consisting of neighbourhood retail schemes anchored by Tesco convenience stores and further residential, high street retail and commercial assets	3 6	• A number of loan repayments have been achieved through the sale of underlying real estate assets • Selected assets will be repositioned through planning change to enhance value ahead of ultimate disposal
Westminster Palace Gardens, London	Acquired: June 2010 • Period Grade II listed building in Central London acquired for £10.1 million consisting of commercial, residential and retail space • Planning consent achieved for conversion of office to residential providing 23 new luxury apartments which were pre-sold	6 5	• Office, retail and freehold elements sold during the year taking cumulative total profits to £4.3 million and representing an IRR of 31.1 per cent • Scheme now fully exited
Rock portfolio, various	Acquired: October 2010 • Portfolio of properties acquired for £23.2 million from administrators acting on behalf of Lloyds Banking Group. A mixture of commercial, leisure and residential assets across the UK	6	• Business plan for the assets now complete • Total profits of £8.1 million achieved to date representing an IRR of 40.9 per cent
399 Edgware Road, London	Acquired: 2005 • Seven-acre development site in North West London. Former site of Oriental City, an Asian retail and food centre	1 7	• Planning application submitted for a foodstore anchored mixed-use development including: – 80,000 sq. ft. Morrisons (pre-let) – 183 residential units – a new Asian foodcourt and retailing centre
Cross Quarter, Abbey Wood, London	Acquired: May 2011 • Ten-acre gateway site for redevelopment adjacent to Abbey Wood station (South East terminus of Crossrail)	2 7	• Resolution to Grant Planning secured for a foodstore anchored mixed-use scheme comprising: – 220 homes – 80-bed hotel – 5,000 sq. ft. of commercial space – 81,000 sq. ft. foodstore • Pre-let secured with Sainsbury's for foodstore anchor

Kensington Church Street, Central London	Acquired: June 2011 • One-acre gateway site in Central London including 14-storey office block, retail units and car park • Acquired in joint venture with Brockton Capital		• Feasibility study undertaken and pre-application meetings held with Royal Borough of Kensington & Chelsea regarding the site's potential for a comprehensive mixed-use development • Planning application to be submitted later in the year
Wick Site, Littlehampton	Acquired: July 2010 • Seven-acre site and former headquarters of the Body Shop International acquired for £7.6 million • Planning consent secured in February 2012 for a food-anchored redevelopment, including a 47,500 sq. ft. foodstore which was pre-sold to Morrisons	6	• Sale to Morrisons completed in July 2012 taking total cumulative profits to £3.5 million and representing an IRR of 27.2 per cent
The MVMNT, Greenwich, London	Acquired: September 2010 • 350,000 sq. ft. mixed-use development adjacent to Greenwich DLR station comprising: – 181 residential units – 358-bed student accommodation – 106-bed hotel – 7,000 sq. ft. of business incubator units • Practical completion anticipated in Q3 2014	6 4 8	• Sale of first two phases of scheme now complete generating overall gains to the Group of £1.3 million in the year: – sale of residential element to Willmott Dixon for £16.2 million – sale of land to McLaren for development of 358-bed student accommodation scheme for £9.0 million – 106-bed hotel pre-let to Travelodge. Terms agreed for funding of this element of the scheme – additional sale of incubator units to Greenwich Enterprise Board
The Old Vinyl Factory, Hayes	Acquired: April 2011 • 18-acre development site in Hayes, West London, acquired in joint venture with Cathedral Group for £16.0 million • The former HQ of EMI, the site contains one occupied office building and several vacant industrial buildings	2 6	• Planning consent secured for a £250 million mixed-use regeneration project comprising: – up to 642 residential units – 550,000 sq. ft. of new commercial space – a nine-screen multiplex cinema – a central street running through the development with cafes and restaurants • Discussions underway regarding residential delivery strategy

Shepherds Bush Market, London	Acquired: May 2010 • Six-acre development site including the existing Shepherds Bush market • Outline planning consent secured in February 2012 for a comprehensive regeneration including: – up to 212 residential units – new retail and leisure units – a revitalised market at the heart of the scheme		• CPO made by London Borough of Hammersmith & Fulham council to gain vacant possession of site • Awaiting outcome of judicial review which is due for full hearing in July 2013
Morden Wharf, Greenwich, London	Acquired: March 2012 • Part-leasehold, part-freehold, 19-acre site on the Greenwich Peninsula acquired in joint venture with Cathedral Group. The site is cleared, remediated and vacant bar an office building and two warehouses totalling c.128,000 sq. ft.	3	• Continuing to generate short-term income to cover head rent • Development of masterplan and negotiations with freeholder ongoing
328 Sandbanks Road, Dorset	Acquired: February 2011 • Five luxury waterside apartments developed on the site of a former single residence in a prime location on the Sandbanks coast	5 6	• Practical completion of development reached in November 2012 and sale of penthouse apartment for £3.8 million achieved shortly thereafter and at a record price per sq. ft. for Sandbanks • Marketing remaining apartments for sale
Rembrandt House, Watford	Acquired: January 2011 • 3.4-acre site comprising offices and industrial uses including a four-storey office building • Planning permission secured for a residential development of 107 units plus the refurbishment of the existing office building	4	• Demolition and site preparation works underway to prepare the site ready for sale
Lawley Village, Telford	Acquired: June 2008 • 4.5-acre urban development site comprising: – 40,000 sq. ft. Morrisons foodstore anchor (forward-funded to a client of LaSalle Investment Management) – 15,700 sq. ft. retail units – 39 residential units – nursery and extra care accommodation	6 4 7	• Practical completion of Morrisons foodstore, first phase retail units, 39 residential apartments and public house • 70 per cent of retail units let • 12 residential units sold or under offer • Pre-sale turnkey secured for extra care accommodation, public house and nursery unit for a total of £12.5 million

Eastgate Quarter, Llanelli	Acquired: April 2009 • 100,000 sq. ft. edge of town leisure scheme comprising: – six-screen cinema – 22,000 sq. ft. of restaurants – 21,000 sq. ft. of offices – 53-bed budget hotel – 236 car parking spaces – 11,500 sq. ft. of retail accommodation – new bus interchange	7 5	• Practical completion reached in January 2013 and scheme now 88 per cent let or under offer in terms of rental income (93 per cent in terms of floor area) • Pre-lets secured in the year to Odeon, Carmarthenshire County Council, Travelodge, Greene King, Costa Coffee and Nandos • Marketing for sale
Airport House, Croydon	Acquired: July 2010 • Iconic commercial building in Croydon comprising 61,800 sq. ft. of serviced office accommodation, 3,500 sq. ft. of conference rooms plus ancillary space	7	• Occupancy rates increased by 4.2 per cent in the year to 72.2 per cent to enhance value ahead of ultimate disposal • Further options being explored to convert redundant space into further office units
The Square, Hale Barns, Manchester	Acquired: March 2010 • Retail-led mixed-use redevelopment comprising a 30,000 sq. ft. foodstore anchor (pre-let to Booths), additional retail space and 24 residential units		• CPO confirmed to gain vacant possession of site • Redevelopment to commence in Q4 2013 as well as off-plan marketing of residential units • Demolition works underway to prepare site for redevelopment
Friarsgate Shopping Centre, Lichfield	Acquired: July 2011 • 395,000 sq. ft. retail-led mixed-use regeneration scheme in Lichfield city centre		• Discussions ongoing with national retailers to secure an anchor retail tenant and pre-lets for the additional retail and leisure units • Scheme now fully owned by the Group
Luneside East, Lancaster	• 17-acre site with outline planning for a residential-led mixed-use development comprising: – up to 350 residential units – 80,000 sq. ft. of business space – 25,000 sq. ft. hotel – 11,000 sq. ft. of ancillary space	4	• £4.0 million grant funding secured from the Local Enterprise Partnership which triggered the start of remediation works on site to prepare it for redevelopment • Discussions underway with a housebuilder for the sale of the residential element of the scheme

Strategic Partnerships

Asset name/location	Overview		Progress in 2013
Barwood	Acquired: January 2010 • Joint venture operation with Barwood Group to secure land promotion and strategic land opportunities across the UK. Partnership focuses on promoting land through the planning process for primarily residential development. 19 sites currently under control	2	• Six sites secured in the year • Three planning consents granted for residential-led development

Wind farms	Acquired: August 2011 • Joint venture arrangement with Njord Energy to secure and promote sites for medium-sized, onshore wind farms	• First two planning applications are being prepared for submission in June 2013 with further applications to follow in the year • Five sites under contract

Major developments portfolio

Speculative office development is in a better place now than this time last year.

At Two Kingdom Street, PaddingtonCentral, we were delighted to secure a letting of 30,000 sq. ft. net to events company i2i. This followed on from our successful letting of a further 26,000 sq. ft. of space to Statoil, an existing occupier at One Kingdom Street, on a 15-year lease in June 2012. Some 50,000 sq. ft. net remains to be let at Two Kingdom Street, and there is interest in the space. Our next phase will be Four Kingdom Street, a building of 140,000 sq. ft. net offices, and we are exploring occupier interest for this building which, with a part of its substructure already built, can be delivered rapidly for fitting out within 15 months.

10 Hammersmith Grove, forward-funded by Scottish Widows Investment Partnership Property Trust for £50.0 million, started in January 2012 and is proceeding towards completion in Q2 2013, on time and within budget. We are pleased with progress and encouraged by the emerging quality of the product. At the time of writing, there is good occupier interest in the majority of the space. In the West London market, from Paddington to Chiswick, there is no other new space of this quality on offer. Letting 10 Hammersmith Grove will of course clear the path for a start on the adjoining site at 12 Hammersmith Grove, where we have already obtained planning permission. Investor appetite for the product would of course be much improved by any letting success at number 10.

At Cambourne Business Park, Cambridgeshire, a 50-acre site where twelve acres remain to be developed, we have started to see some improvement in activity from prospective office occupiers. Whilst this is not at the level to justify speculative development, it is a hopeful sign for the future. In addition we have commenced discussions with South Cambridgeshire District Council to obtain residential planning consent for 250 units on part of the remaining undeveloped land.

We are acting as development managers on a scheme to bring forward the last three undeveloped sites at Cambridge Science Park totalling 145,000 sq. ft. of laboratory and research space which was launched in November 2012. We have seen considerable tenant interest. A new outline planning application has been submitted and, subject to pre-lets, we anticipate a start on site being made by December 2013.

At Brunel Place, Slough, we are now beginning to raise the profile of this project, comprising 350,000 sq. ft. net offices, for which we have detailed planning consent and which we acquired from Slough Borough Council in April 2010. The improvement works to the centre of Slough, including its handsome new bus station adjacent both to our site and to the railway station, are now complete. With Crossrail now less than five years away, investor and occupier interest is likely to grow. Slough is a location that is increasingly attractive to the cost aware occupier as West London’s office rents go through a period of above average increase driven partly by the conversion of many sites in this market from office to residential.

Market conditions at St Bride Street in the City prevented our leasing the new building quickly enough to obtain any development profit share from our funding partner to whom we pre-sold the building before construction started. We did, however, earn project management fees of £0.4 million in prior years. Curzon Street, Birmingham, has also seen no improvement in outlook. Here we have planning consent for c.1.4 million sq. ft. of mixed-use development which remains blighted by its part designation as the future site of the new HS2 railway station.

In conclusion, we believe we are now seeing a market returning to some sort of equilibrium. Modest occupier demand fuelled by lease events rather than GDP growth will encourage a modicum of new office development, either pre-let or speculative, financed very largely by equity investors.

Investment portfolio

New lettings and lease regears during the year reduced void rates to 9.7 per cent and grew rental income by £0.6 million. Nonetheless, our portfolio declined in value as prime and secondary yields diverged further.

Overview and performance

Our investment portfolio comprises a range of assets, largely neighbourhood retail schemes anchored by a foodstore (44.9 per cent of our portfolio). Such assets provide opportunities to enhance value through income growth, asset management and selected refurbishment or redevelopment. We have targeted assets with high cash returns and which offer potential for value growth through proactive asset management.

During the year, our investment portfolio, including our share of joint venture investment assets, declined by £12.8 million, representing a fall of 4.7 per cent. The decline in our investment portfolio with no representation in Central London, compares to the 4.2 per cent decline in the UK IPD 12-month Capital Index and it compares favourably to the 6.0 per cent decline in the same IPD Index but excluding Central London.

With GDP outside of London declining gradually, it is perhaps not surprising that investment values are falling. The number of transactions is low and loan originations by banks are also constrained by liquidity and capital reserve issues within the financial sector. Consequently, weak holders are compelled to accept lower disposal values, thus providing weak comparable data for the valuers to fix upon.

The resultant valuations do not portray the value that might be generated were these assets to be brought by ourselves to market for sale. For example, in March 2013 we disposed of a leisure scheme in Burnley for £4.5 million generating profits of £0.5 million. This sales value was approximately ten per cent above the valuation to which the valuers were guiding us prior to the disposal.

It is quite possible that these conditions could create a continuing downward spiral until price clearing levels have been reached. In the medium- to long-term this can only be healthy for the market, if perhaps not for the banks.

It is apparent to all that parts of the retail landscape are undergoing a significant structural change. Although many shops are closing, retail capacity is in fact increasing as remote retailing takes an increasing share of sales. We anticipate that secondary high streets and non-destination town centres will continue to decline and, where appropriate, we will strengthen the trading profile of our retail assets as best we can against this trend. For example, at Atlantic Village, our retail outlet scheme in Bideford, North Devon, the planned extension of the Marks and Spencer unit has attracted several further high street brands. This scheme will benefit from a second phase, Atlantic Park, to be developed and which will comprise further leisure amenities to increase critical mass at this destination and in turn the extension to the centre where planning for 100,000 sq. ft. of trading space has been secured. At our local shopping centre in Thatcham, we acquired two units to consolidate our ownership of the centre allowing us to maintain greater control over the marketing of the entire scheme to national retailers and high street brands. We are now progressing plans to extend and upgrade the asset in order to further enhance tenant quality.

Outlook

We fully anticipate that values will eventually recover as GDP growth emerges to benefit investors with robust balance sheets. We believe that each of our investment portfolio assets has a well-conceived real estate strategy and that value will be recaptured to a substantial extent.

Top five occupiers as at 28th February 2013

	Annual rent £'m	% of contracted rent
Waitrose	1.8	11.8
Primark Stores	0.5	3.2
Sports World	0.5	3.1
Martin McColl	0.5	3.1
Brausch & Co	0.4	2.7

Investment property key statistics

Investment property – key statistics

	Portfolio value £m	Contracted rent £m	Number of assets held No.	New lettings in period £m/sq.ft.	Initial yield* in period %	Equivalent yield* %	Voids* %	Rate of rental collections within 30 days %
28th February 2013	**220.07**	**15.47**	**42**	**£0.43m/40,349 sq.ft.**	**7.50**	**7.89**	**9.70**	**96.25**
29th February 2012	237.90	14.89	42	£0.80m/67,100 sq.ft.	6.72	7.45	11.43	95.28

* Based on the core investment property assets only.

Income generating properties – Like-for-like rental income received

	Year ended 28th February 2013			
	Property owned throughout the period £'000	Acquisitions £'000	Disposals £'000	Total rental income £'000
Investment	**13,678**	**2,005**	**349**	**16,032**
Development and trading	**935**	**1,048**	**636**	**2,619**
Joint ventures	**1,728**	**1,381**	**–**	**3,109**
	16,341	**4,434**	**985**	**21,760**

	14-month period ended 29th February 2012			
Investment	15,716	957	255	16,928
Development and trading	837	1,081	2,158	4,076
Joint ventures	1,986	814	—	2,800
	18,539	2,852	2,413	23,804

Completed investment portfolio – 28th February 2013

Gross rental income – Tenant profile

PLC/Nationals	62.7%
Local Traders	20.0%
Regional Multiples	13.0%
Government	3.0%
FTSE 100	1.3%

Gross rental income – Lease term profile

0 – < 5 years	35.1%
5 – < 10 years	37.6%
10 – < 15 years	11.2%
15 – < 20 years	7.1%
20 years +	9.0%

Capital value – Location profile

South East	46.9%
South West	17.5%
North	11.8%
London	10.8%
Wales	9.3%
Midlands	3.7%

Capital value – Sector analysis

Retail	78.2%
Industrial	10.3%
Mixed	6.1%
Office	4.1%
Residential	1.3%

Investment property portfolio

Property status key

1	2	3	4	5	6	7	8
Planning submitted	Planning secured	Acquisition	Under construction	Practical completion	Sales achieved	New lettings	Forward-funded

Asset name/location	Overview		Progress in 2013	Key Metric
Manchester Arena Complex, Manchester	• Largest indoor venue in Europe and the second busiest venue in the world by ticket sales. Ownership includes office units and car park and the site is adjacent to Manchester Victoria train station • Arena operated by SMG on a 25-year lease subject to fixed uplifts • Joint venture scheme with Patron Capital	7	• Asset management initiatives included the retendering of external advertising space increasing advertising income substantially • Consultants appointed to retender the naming rights to the arena	0.8 per cent positive revaluation, outperforming IPD Monthly Index by 4.8 per cent
Wick Lane Wharf, London	• 112-bed residential block in Hackney Wick, East London acquired in April 2012 in joint venture with Realstar Group	3 7 2	• Planning consent secured for conversion from live/work to private residential units • Full occupancy achieved in four months on the available rental units, 5.0 per cent ahead of ERV	100 per cent of available units let
Atlantic Village and Atlantic Park, Bideford	• 110,000 sq. ft. outlet scheme in popular tourist town anchored by ASDA (not in our ownership) • Key tenants: Nike, Marks and Spencer, Gap, Holland & Barrett	7 1	• Extension of Marks and Spencer unit in advanced progress • Discussions ongoing with several national high street retailers interested in taking space • At Atlantic Park, planning submitted for first phase of development including a hotel/pub and drive-through fast food restaurant. Conditional land sales agreed with McDonalds and Marstons	Base rent increased by £177,000
The Furlong Shopping Centre, Ringwood	• 85,000 sq. ft. retail centre anchored by Waitrose in an affluent catchment area • Key tenants: Jaeger, Hobbs, AGA, Phase Eight, Joules and Crew Clothing	7	• New tenants secured including Joules, Gerry Weber, a local childrenswear brand and an outdoor wear specialist • Plans for extension of the scheme progressing with planning to be submitted this year	£255,000 of new income added in the year Waitrose income uplift of 13 per cent
Weeke local shopping centre, Winchester	• Local centre anchored by a 33,000 sq. ft. Waitrose foodstore • Key tenants: Costa Coffee and Boots	7	• Units reconfigured to extend Costa Coffee unit and increase income secured • National and foodstore covenants improved from 90 per cent to 92 per cent	Valuation increase of 1.4 per cent

			of total income • Weighted unexpired lease term improved to 13.4 years	
Great West Trading Estate, Brentford	• 163,000 sq. ft. of West London multi-let industrial estate	7	• Estate now fully let except for one refurbished unit	New letting at 15 per cent ahead of ERV
Crown Glass Shopping Centre, Nailsea	• Local shopping centre in a Bristol suburb anchored by Waitrose (not in ownership) and a mixture of national multiples and local retailers • Ownership also includes a large car park with development potential for additional retail floorspace • Key tenants: WH Smith, JD Wetherspoon, Boots and HSBC	7	• Lease regears completed with key tenants including Iceland • Former Peacocks unit let to 99p Stores • Refurbishment of offices completed	Net operating income increased by £57,000
Bexleyheath, Kent	• Prominent retail parade located on the pedestrianised high street in Bexleyheath, Kent • Key tenants: Primark, Rymans and Halifax	7	• Lease renewal to Rymans	5.2 per cent valuation decline as high street shops continue to be devalued coupled with ERV loss in the town
89 – 107 Queen Street, Cardiff	• Unbroken retail parade comprising eight shop units in central Cardiff		• Marketing one unit which is currently vacant following tenant administration	Valuation decline due to market-driven yield shifts
Kingsland Shopping Centre, Thatcham	• 42,000 sq. ft. local shopping centre anchored by Waitrose foodstore • Key tenants: The Co-operative, Costa Coffee and Lloyds Pharmacy	7 3	• Two units acquired to complete scheme ownership and increase rental exposure to better quality, national retailers • Extended lease agreed with Costa Coffee in a larger unit • Plans progressing to extend and upgrade the centre	Four new lettings in the year

Financial Review

Delivering results as expected from development and trading properties in a weak market.

Whilst the past year has seen less anxiety around European banks, nevertheless in the UK there has been little relaxation of the compression in lending to property companies. Net lending to commercial real estate has been negative in almost every quarter since April 2009, however the amount of loans outstanding to the sector remains stubbornly high, offering little prospect of any imminent increase in appetite from the banks. In addition current and prospective regulatory requirements around risk classification and capital allocation add to the general reluctance to consider anything other than well-let investment property, and inevitably this increases costs for the borrower. There has been significant publicity around the emergence of new entrants into the real estate debt market in the form of insurance based lenders (both domestic and overseas) and debt funds. However, these new sources of debt are still relatively small compared to the reduction in exposure sought by the historic real estate lenders in the UK market.

This difficult context, together with continuing wider economic uncertainty, underlines the importance of maintaining long-term relationships with a trusted group of principal lenders. Indeed, our conservative funding strategy, where we continue to prioritise security and term of funding over cost has enabled us to secure repeat funding from existing lenders and successfully conclude a number of loan renegotiations during the year.

During FY 2013 we drew new debt of £96.8 million, including £73.4 million within joint ventures. We also extended the £47.5 million facility secured on the Manchester Arena Complex by one year (taking maturity to June 2014) and restated the £15.6 million loan in respect of Curzon Street, Birmingham, settling an agreed repayment schedule over 36 months to May 2015. As at 28th February 2013 our weighted average debt maturity was 8.3 years (7.1 years including share of joint ventures), compared with 9.4 years as at 29th February 2012 (8.4 years including share of joint ventures).

In addition to our banking partners, we also work with equity partners on our larger projects, extending our own equity capacity and leveraging our expertise. During FY 2013 we invested alongside some £35.6 million of partner capital, principally in respect of our acquisitions at Wick Lane Wharf and the Chrome portfolio.

As at 28th February 2013 net debt stood at £196.1 million, increased from £184.4 million at 29th February 2012. This represents gearing of 63.9 per cent, just above our normal target range of 50-60 per cent, which is as expected, given a number of asset realisations planned in the near future. As at 1st May 2013 net debt had fallen to £184.4 million, representing gearing of 60.1 per cent.

If joint ventures are excluded, the Group's gearing was 47.9 per cent as at 28th February 2013, compared with 48.8 per cent a year earlier. The Group's loan-to-value ratio, calculated as net debt divided by total property assets was 38.0 per cent (29th February 2012: 37.0 per cent).

Capital structure and liquidity management

The Group's strategy for capital structure and liquidity management is to maintain a conservative balance of equity and debt appropriate to the nature and profile of our asset portfolio, achieving both certainty and flexibility. This takes into consideration our operational strategy and our intention for each asset, together with our expectations for the availability and cost of alternative sources of finance.

Our cash and overall liquidity is managed at Group level, with each of our portfolios assessed and monitored according to their own specific risks. The importance of the development and trading portfolios to our business model has increased the inevitable uncertainty as to timings of cash flows. We keep our liquidity under continual review and maintain cash buffers sufficient to absorb delays in planned asset sales.

Within our debt portfolio we maintain a mix of fixed and variable rates, in general preferring the certainty of fixed rates for our larger and longer-term borrowings. In particular we have taken advantage of current low rates to fix a higher than usual proportion of the portfolio, taking the view that certainty at these levels outweighs the potential savings in floating rates (should current levels persist into the medium-term). For shorter-term facilities we also consider caps, though the high volatility of rate expectations has typically made these instruments expensive to purchase.

The Group limits the risks inherent in the exposure to major development projects through the principle of forward sales. This is achieved in various ways, from the completed forward sale of the land and project assets, through to the contracted sale of the prospective development, with appropriate guarantees of completion. The Group's direct contribution to more modest development project finance is provided by way of equity and medium-term bank facilities which provide the necessary flexibility to draw down funds as required.

The Group's investment portfolio is financed by a blend of equity, the debenture loan and bank borrowings of an appropriate term for each asset or group of assets. Our investments in joint ventures and associates are funded from equity, with any relevant gearing deployed within the ventures themselves.

Responsibility for management of cash and liquidity risk rests with the Board. The executive team has systems in place for the monitoring and management of this key aspect of our business. Daily review is delegated to the Finance Director, who discusses this with the other members of the executive team at least on a weekly basis. The Board formally reviews the position at its meetings, which occur eight times a year.

The principal tools of assessment are: 15-month, risk-analysed cash flow forecast, which is updated in full on a quarterly basis and monthly for material changes; a schedule of agreed bank facilities and amounts drawn against them; a summary of net debt, including derivative instruments; a summary of current cash deposit balances; and a formal commentary on the position prepared by the Finance Director for each Board meeting.

For the longer-term, the Directors review the Group's capital structure, taking account of the real estate cycle, any changes in the nature and liquidity of the Group's asset portfolio, the likely forthcoming risks and opportunities for the Group, and the market for equity and debt finance. This is formally revisited at least twice a year, via the Group's Risk Committee, which reports to the Board, and at the Board's annual strategy review. In addition this is discussed as appropriate at each Board meeting.

Medium-term liquidity is provided through a mix of the Group's equity and its debt facilities. Our continuing strong relationships with several major lenders mean that the Group has not been restricted in raising new debt for both investment and development projects.

Reflecting the nature of the Group's business, short-term liquidity requirements are fairly predictable. Cash requirements are monitored on a monthly and weekly basis, and short-term cash balances are deposited accordingly.

Cash management

Cash may be invested across a range of instruments, including instant and term deposit accounts, money market funds and commercial paper. Our policy prioritises security and liquidity ahead of returns, and the Board has set limits for both minimum credit ratings and maximum concentrations with respect to counterparties. As at 28th February 2013 the Group had £59.2 million of cash held across nine banks.

Current bank facilities and borrowings

The Group's bank facilities are set out in the following table. As at 28th February 2013 the value of the Group's borrowings was £206.0 million (29th February 2012: £203.1 million). Cash balances were £59.2 million (29th February 2012: £50.2 million), including amounts of £11.5 million held as restricted deposits, giving net debt of £146.8 million and gearing of 47.9 per cent (29th February 2012: £152.9 million and 48.8 per cent).

The Group's share of net debt in joint ventures was £49.3 million (29th February 2012: £31.5 million); if this is aggregated with Group balances, net debt rises to £196.1 million and gearing to 63.9 per cent (29th February 2012: £184.4 million and 58.9 per cent).

During the year the Group, together with its joint ventures, has drawn new borrowings of £96.8 million, in addition to the extension of £63.1 million of loans in respect of Manchester Arena and Curzon Street. We have repaid a total of £54.3 million following successful project completions.

We drew a development loan of £6.2 million from Santander in respect of the Eastgate Quarter, Llanelli; this was repaid and refinanced in the year with an investment facility of £9.0 million, also from Santander.

In respect of projects held in joint venture, we borrowed £62.4 million from HSBC in respect of the £103.0 million loan portfolio acquisition, of which we repaid £30.8 million from asset sales, and £11.0 million from Royal Bank of Scotland, in respect of the acquisition of Wick Lane Wharf.

Gross committed facilities as at 1st May 2013 total £208.9 million, with a weighted average term of 8.0 years, (falling to 6.8 years including the Group's share of joint ventures). The earliest maturities in the portfolio arise in June 2014. Unutilised facilities are £1.6 million.

The Directors keep bank covenants under review, and are content with the current position. We aim to agree our loan-to-value covenants at comfortably tolerable levels, leaving sensible headroom for foreseeable changes in the general market or the specific asset. We also incorporate cure mechanisms into the facility documentation, such that we have an appropriate opportunity to restore the required loan-to-value ratio by making cash deposits or prepayments, which we have done in a small number of cases.

Group’s bank facilities

Facility type	Notes	Total facility £’000	Utilised as at 28th Feb 2013 £’000	Interest rate	Maturity	Principal financial covenants (1) Loan to value ratio	Interest cover ratio	Minimum net worth £’000
Loans financing longer-term assets								
Term loan	3	47,500	45,455	Hedged	30-Jun-14	65%	160%	–
Term loan		3,000	3,000	Variable	08-Jul-14	–	–	–
Term loan		9,000	9,000	Variable	02-Jun-14	65%	150%	–
Term loan		5,669	5,380	Hedged	24-Nov-14	60%	150%	–
Term loan		1,531	1,452	Hedged	24-Nov-14	60%	150%	–
Term loan		6,200	5,935	Variable	12-Jul-15	80%	–	–
Term loan		1,550	1,525	Hedged	09-Aug-15	70%	120%	–
Term loan		4,500	4,213	Hedged	06-Oct-15	60%	200%	100,000
Term loan		1,500	1,500	Hedged	06-Oct-15	80%	110%	100,000
Term loan	3	11,000	11,000	Hedged	04-Aug-16	55%	140%	100,000
Revolving credit		38,000	37,913	Hedged	16-Dec-16	70%	105%	–
Term loan		57,565	54,896	Fixed	12-Mar-25	80%	110%	–
Term loan		22,470	21,659	Fixed	12-Mar-25	80%	110%	–
Loan notes	2	32,844	32,844~	Hedged	25-Oct-27	–	–	100,000
Debenture		20,000	20,000	Fixed	06-Jan-16	66%	–	–
Loans financing development and trading assets								
Term loan	3,4	875	875	Variable	26-Sep-13	65%	150%	–
Term loan		15,296	–	Hedged	28-Oct-13	65%	160%	–
Revolving credit	3	2,500	2,500	Variable	30-Mar-14	50%	150%	–
Term loan	3	7,000	6,750	Hedged	30-Mar-14	50%	150%	–
Term loan	3	26,000	26,000	Hedged	23-Jun-14	60%	125%	100,000
Term loan		1,000	907	Variable	08-Feb-15	60%	–	–
Term loan	3	15,610	13,310	Variable	06-May-15	–	–	100,000
Term loan		2,500	982	Variable	10-Jul-15	60%	–	–
Term loan	3	62,400	31,555	Hedged	24-Aug-15	55%	175%	–
Term loan	3	4,550	4,441	Variable	18-Sep-26	65%	150%	–

1 Interest cover ratios are specific to the loan and the relevant property. Minimum net worth refers to the net asset value of the Group per its latest Balance Sheet (28th February or 31st August).

2 These unsecured, variable rate loan notes are denominated in Euros, with a nominal value of €47 million. The Group has entered into a cross-currency interest rate swap, such that interest rates are fixed and the Group will repay a fixed Sterling amount. The minimum net worth covenant applies to the hedge rather than the loan notes.

3 Loans relating to Joint Ventures represent the total loan facility and not the Group’s share.

4 This facility has since been refinanced and is now repayable on 18th September 2026.

~ Represents the amount of the Group’s liability in Sterling taking account of the hedging instrument.

Interest rate risk and hedging

As at 28th February 2013, the summary of the Group’s interest rate exposure was as follows:

	Excluding share of joint ventures %	Including share of joint ventures %
Fixed rate	48.0	37.9
Floating rate, swapped into fixed	39.3	38.8
Floating rate with cap	2.8	11.5
Floating rate	9.9	11.8

The weighted average interest rate payable was 5.9 per cent, 5.5 per cent including joint ventures.

As noted in note 11(c), interest rate caps and swaps are used to provide protection against exposure to interest rate fluctuations. The Directors have maintained a mix of fixed and variable rates, in order to provide an

appropriate measure of certainty within the portfolio. In view of the low absolute levels of current interest rates, the Directors have been inclined to fix a higher proportion of the portfolio.

Facilities with variable rates of interest, in particular longer-term facilities, expose the Group to the risk of interest rate fluctuation, whilst fixed rate instruments reduce flexibility and incur break costs in the event of early settlement. The Directors keep these risks under continual review, and regularly consider the possibility and likely cost of extending our interest rate hedging.

Interest rate swaps also carry counterparty risk, in respect of the potential failure of the bank on the other side of the transaction. The Group mitigates this risk by dealing only with major banks and monitoring their continuing creditworthiness. There is no current indication that any of the Group's hedge counterparties may be unable to settle its obligations.

Interest rate swaps are marked to market in the Balance Sheet, giving rise to the risk of fair value movements in the derivative instrument, and a consequent impact on net asset value. The Group also holds a cross-currency interest rate swap, which is designated as a cash flow hedge. Movements in the foreign currency leg of this swap provide a hedge against movements in the fair value of the €47 million loan notes. Movements in the interest leg are taken to reserves.

Other financial instruments risk

Development and trading portfolio

The principal financial instrument risks in these assets are the credit risk of counterparties. Given the nature of these assets the amounts owed to the Group can be significant, and these arrangements are monitored very closely both before contracts are exchanged as part of our due diligence procedures and throughout the execution period.

As at 28th February 2013, the Group had no material, unsecured debtors in respect of the sales of development and trading assets. As the recycling of our development and trading portfolio gains further momentum in the coming months, the Directors will remain alert to counterparty risk, in particular where purchasers are reliant on uncertain bank debt to fulfil their commitments to the Group.

The Group is contracted to provide £5.0 million of development funding for each phase at PaddingtonCentral, in respect of which it earns interest and a profit share, both subject to the profitability of the phase. The Group's development partners, who are contracted to pay this interest and profit share at the completion of each phase, and to repay the capital at the end of the development, are large financial institutions. This risk capital is held as a development participation within available-for-sale financial assets, and at the balance sheet date was valued at £5.0 million (29th February 2012: £5.0 million), as described in note 11(a). The Directors are satisfied that the combination of the Group's risk-averse approach to development funding, its rigorous selection of development partners and its focused and active management of each project provide reasonable comfort over the risks of these financial exposures.

Investment portfolio

The principal financial instrument risk in the investment portfolio is the credit risk implicit in potential tenant failure which, in the current economic environment, is heightened in all sectors, and most notably amongst retail tenants. The Group maintains the portfolio under continual review. The portfolio is managed by local agents, with active involvement by the Group's investment team. The Board receives at each of its meetings, analyses of tenant profile (including the concentration of credit risk, both by sector and by entity), existing and anticipated voids, overdue rents, and future and outstanding rent reviews, as well as a formal commentary by the investment team. The current profile of the portfolio and comments on performance in the year are set out in the Operating Review.

Projects in partnership

As described in the Operating Review, the Group conducts a number of projects in partnership with others, where the Group brings both development expertise and funding. These interests are carried in a number of balance sheet categories, and are summarised in note 14.

The financial instrument risks in respect of projects in partnership are the credit risk implicit in the financial strength and integrity of the operating partner, the contractual risk in the partnership arrangements and the operating success of the venture. The Group manages these risks by securing appropriate rights in each case over the use of the Group's invested capital and by active participation in the joint strategic and operating control of the ventures.

Contingent liabilities
The Directors ensure that contingent liability risks are appropriately documented and monitored, and that the risk of actual liabilities arising is restricted so far as is possible.

Foreign currency risk
The Group's operations are conducted almost exclusively in the UK. The Group's principal exposure to foreign currency movements is in the €47 million Euro-denominated loan notes and the corresponding €6.9 million security deposit. The loan notes are fully hedged to provide an effective Sterling liability.

Maximum credit risk exposure
The Directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 28th February 2013.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Report and in the Operating Review. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial instrument risks are described in the Financial Review which also covers the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. The Group has considerable financial resources. The Directors maintain a risk-averse capital structure, with gearing typically in the range of 50-60 per cent and long average debt maturities, with borrowings spread across a number of lenders. The Group continues to enjoy access to bank finance, as demonstrated by loans arranged during the year. Banking covenants are regularly monitored and appropriate cure mechanisms are incorporated in facility documents.

The Directors are alert to potential liquidity risk in the Group's cash flow forecast which, in the current phase of operations, includes significant uncertain sales income. The Directors keep both short- and medium-term cash flows under continual review, and moderate outflows according to the level of this uncertainty. The model preserves a cash buffer of £20.0 million at all times, to protect against delays in asset realisations.

The Group's rental income is also subject to risk of delay or non-payment. This risk is mitigated by proactive asset management, which includes close monitoring of tenant resilience, and a strong focus on actual and potential voids.

As a consequence of the above, the Directors believe that the Group is well-placed to manage its business risks successfully, despite the continuing uncertain economic outlook. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial information.

Result for the year and movement in net asset value
Total comprehensive income for the year ended 28th February 2013 was a profit of £2.2 million (14-month period ended 29th February 2012: loss of £15.4 million). After dividend payments of £6.8 million, net asset value reduced by £6.5 million to £306.7 million (29th February 2012: £313.2 million) representing a fall of five pence per share to 251 pence per share (29th February 2012: 256 pence per share).

The movement in net asset value may be analysed as follows, excluding revaluation movements, profit before interest and taxation for the year ended 28th February 2013 was £23.8 million (14-month period ended 29th February 2012: £7.5 million, excluding exceptional provision of £2.8 million in respect of the serviced office business). Net interest costs (excluding interest rate swap movements) for the year were £9.3 million (14-month period ended 29th February 2012: £10.1 million) aggregating to a realised profit for the year of £14.5 million contrasting with the realised loss for the 14-month period to 29th February 2012 of £2.6 million.

Investment property revaluation write downs for the year, including our share of joint ventures, totalled £12.8 million (14-month period ended 29th February 2012: £4.1 million write down). This has been a reflection of the continued outward movement in secondary yields and is despite the increase in net rental income as detailed below and discussed in more detail in the Operating Review.

Net rental income
Gross rental income from the investment portfolio for the year ended 28th February 2013 was £16.0 million. After direct costs of £3.9 million, the net rental income for the year was £12.1 million, which is a 5.5 per cent

increase when compared to the £13.2 million for the 14-month period ended 29th February 2012 on a like for like basis.

The Group also earned net rental income of £1.7 million from the development and trading portfolio which is consistent with the £1.9 million earned in the 14-month period ended 29th February 2012.

Development and trading profits

During the year under review, across its direct and joint venture holdings, the Group made development and trading profits of £28.1 million (14-month period ended 29th February 2012: £8.6 million). In addition, the Group made write downs of £2.2 million in respect of a small number of our legacy assets.

Further details of development and trading activities can be found in the Operating Review.

Operating Costs

Operating costs of £13.0 million for the year were broadly in line with the equivalent figure of £14.8 million for the 14-month period ended 29th February 2012. Within this total, staff costs were £7.7 million, comparable with the prior period on a pro-rata basis.

Net finance costs

Finance costs for the year were £12.2 million, slightly higher compared to the £13.2 million for the previous 14-month period on a pro-rata basis. This reflects a full year's charge of facilities taken out during the previous period.

Investment portfolio

During the course of the year, the investment property portfolio has decreased to £220.1 million from £237.9 million at 29th February 2012.

Expenditure during the year included an extension of our ownership at Kingsland Shopping Centre and further capital enhancements to our existing portfolio. During the year the Group disposed of Hollywood Park, Burnley, realising a profit on disposal of £0.5 million.

At 28th February 2013 the valuation of the investment property portfolio has been written down by £12.8 million (29th February 2012: £4.1 million), including our investment properties held under joint venture.

Further details of acquisitions, disposals and valuation movements are set out in note 6, and further analyses of the performance and management of the portfolio are given in the Operating Review.

Inventory – development and trading properties

During the year the Group concluded the sale of the majority of the Rock portfolio and, in addition, completed the sale of the largest unit at the Sandbanks development. After allowing for continued investment in and development of the portfolio of some £34.0 million and writedowns of £2.2 million in legacy assets, the portfolio stood at £153.4 million at 28th February 2013 (29th February 2012: £155.2 million). Further details are contained within the Operating Review.

Associates and joint ventures

Reflecting our strategy of working with partners and other equity sources, investments in associates and joint ventures has continued to increase during the year. The Group's interests in projects in partnerships are structured in a number of different accounting categorisations. Note 14 summarises the position.

Notable additions to joint ventures are the 50 per cent share in the Chrome loan portfolio and the 35 per cent holding in the Wick Lane Wharf residential asset.

Financial assets and financial liabilities

Derivative financial instruments

The Group's Euro-denominated loan notes and the related cross-currency hedge are carried as separate instruments in the Balance Sheet. During the year, Sterling weakened against the Euro, increasing the Sterling liability of the loan by £1.2 million to £40.5 million.

Other financial assets

Other financial assets include the Group's £5.0 million participation in the third phase of PaddingtonCentral (as in previous years) together with loans to a number of joint operations and associate companies reflect the way in which the Group invests in these activities.

The largest loan is to CTP which together with accrued interest at 28th February 2013 totals £15.9 million (29th February 2012: £21.5 million). During the year, repayments of loan and interest totalling £6.9 million were received and a further £1.3 million of funding was provided. During the year the loan to Orion Shepherds Bush Limited was increased by £0.5 million to £3.1 million. In respect of Cathedral Group the previous loan in respect of The MVMNT, Greenwich was repaid in the year and a further £3.1 million was lent in respect of Morden Wharf, Greenwich.

Cash and borrowings

Net debt and gearing		**28th February 2013**	29th February 2012
Gross debt	£m	**(206.0)**	(203.1)
Cash and cash equivalents	£m	**59.2**	50.2
Net debt	£m	**(146.8)**	(152.9)
Net assets	£m	**306.7**	313.2
Gearing	%	**47.9**	48.8
Share of net debt in joint ventures	£m	**(49.3)**	(31.5)
Gearing including joint ventures	%	**63.9**	58.9
Adjusted gearing	%	**38.2**	40.1

The gross debt figure includes the €47 million 2027 Unsecured Subordinated Loan Note facility, stated in Sterling at the current fair value of £40.5 million (29th February 2012: £39.3 million) and ignoring the hedging instrument. If these long-term loan notes are removed from borrowings, gearing falls to 38.2 per cent. This is calculated by deducting from net debt the current fair value of £40.5 million (29th February 2012: £39.3 million) and adding back relevant restricted cash balances of £10.0 million (29th February 2012: £11.0 million) and transaction costs of £0.9 million (29th February 2012: £1.0 million).

Loan to value gearing

Net debt expressed as a proportion of total property assets (including shares of properties and net debt in all projects in partnerships) was 38.0 per cent (29th February 2012: 37.0 per cent).

Taxation

The net current tax credit in the Statement of Comprehensive Income was £0.6 million, principally in respect of non-resident landlord income and prior year adjustments. The Group has significant potential deferred tax asset balances and the Directors previously restricted to recognition to the amount of corresponding deferred tax liabilities, as uncertain market conditions did not offer sufficient probability of profits in the foreseeable future. This year however, the Group has recognised an additional deferred tax credit of £1.0 million on certain profits projected in future accounting periods which can be forecast with a high enough degree of certainty. The Group's deferred tax treatment falls within the criteria of IAS 12.

In conjunction with our overall business strategy, the Group pursues a tax strategy that is principled, transparent and sustainable in the long-term. The Group has established ethics regarding its tax policy which have been ratified by the Board; these include the following key points:

- A commitment to ensure full compliance with all statutory obligations including full disclosure to all relevant tax authorities
- Any tax planning strategy entered into is done after full consideration of the risks and those findings are recorded in any relevant structuring document
- The maintenance of good relations with tax authorities and the interaction between tax planning and the Group's wider corporate reputation
- Management of tax affairs in a manner that seeks to maximise shareholder value whilst operating within the parameters of existing tax legislation.

The Group has certain operations in jurisdictions that have been dictated to us by our majority joint venture partners, under most circumstances the Group does not enjoy any fiscal advantage of being in these jurisdictions. The Group has also recently undertaken a Transfer Pricing review to ensure that all cross border services provided are conducted at the appropriate arm's length market rate.

The suitability of our tax strategy is kept under constant review to ensure compliance with the fiscal needs of the Group and constant evolution of tax legislation.

Dividends
The Board will recommend to shareholders at the Annual General Meeting on 28th August 2013 a final dividend of 2.4 pence per share (2012: 3.2 pence per share) to be paid on 25th October 2013 to shareholders on the register on 27th September 2013. This final dividend, amounting to £2.9 million, has not been included as a liability at 28th February 2013, in accordance with IFRS. The total dividend for the year will be 4.8 pence per share (14-month period ended 29th February 2012: 5.6 pence per share).

Earnings/(loss) per share
Basic and diluted earnings per share for the year represented a profit of 2.0 pence (14-month period ended 29th February 2012: loss of 10.3 pence). After removing the unrealised revaluation of the investment portfolio, the gain on the disposal of trading properties and impairment of development and trading properties, the EPRA adjusted profit per share was 10.5 pence (14-month period ended 29th February 2012: loss of 8.2 pence).

Performance measures
Key performance indicators are set out below:

		28th February 2013	29th February 2012
Net asset value movement	%	**(2.1)**	(6.0)
Gearing	%	**47.9**	48.8
Loan to value gearing	%	**38.0**	37.0
Development and trading gains	£m	**28.1**	8.6
Total shareholder return	%	**(4.0)**	(25.4)

Five year summary

		2013	2012†	2010	2009	2008
Revenue	£m	99.7	80.0	44.4	35.1	171.1
Profit/(loss) before taxation	£m	0.8	(10.2)	2.6	(11.4)	(65.6)
Net assets	£m	306.7	313.2	333.1	244.0	161.0
Earnings/(loss) per share	Pence	2.0	(10.3)	1.7	*(16.8)	*(134.6)
EPRA earnings/(loss) per share	Pence	10.5	(8.2)	(11.8)	*(20.3)	*32.1
Net assets per share	Pence	251	256	272	297	397
EPRA net assets per share	Pence	260	262	276	301	414

*Restated following Placing and Rights Issue.

†14-month period.

Consolidated Statement of Comprehensive Income

For the year ended 28th February 2013

	Note	**Year ended 28th February 2013 £'000**	14-month period ended 29th February 2012 £'000
Revenue	2	**99,668**	80,028
Direct costs	2	**(68,989)**	(59,653)
Gross profit	2	**30,679**	20,375
Operating costs		**(13,012)**	(14,791)
Gain on disposal of investment properties		**864**	211
Loss on revaluation of property portfolio		**(16,423)**	(4,772)
Operating profit		**2,108**	1,023
Other income		**615**	750
Exceptional impairment and provision for serviced office segment		**—**	(2,845)
Share of post-tax profits of joint ventures and associates	7	**7,682**	1,577
Income from financial asset		**500**	—
Profit from sale of investment		**20**	—
Loss on sale of other plant and equipment		**(13)**	(28)
Profit before interest and income tax		**10,912**	477
Finance income	3	**2,125**	2,571
Finance costs	3	**(12,245)**	(13,215)
Profit/(loss) before income tax		**792**	(10,167)
Income tax		**1,554**	(1,879)
Profit/(loss) after income tax		**2,346**	(12,046)
Profit/(loss) attributable to:			
Owners of the Parent		**2,421**	(12,592)
Non-controlling interest		**(75)**	546
		2,346	(12,046)
OTHER COMPREHENSIVE INCOME			
Profit/(loss) for the year/period		**2,346**	(12,046)
Loss on revaluation of operating property		**—**	(127)
Loss on valuation of cross-currency interest rate swap		**(1,024)**	(4,268)
Change in value of available-for-sale financial assets		**829**	—
Deferred income tax credit		**45**	1,067
Total comprehensive income/(loss) for the year/period		**2,196**	(15,374)
Attributable to:			
Owners of the Parent		**2,271**	(15,920)
Non-controlling interest		**(75)**	546
		2,196	(15,374)
Basic earnings/(loss) per share attributable to the Parent*	5	**2.0p**	(10.3)p
Diluted earnings/(loss) per share attributable to the Parent*	5	**2.0p**	(10.3)p

*Adjusted earnings per share from continuing activities is given in note 5.

All amounts in the Consolidated Statement of Comprehensive Income relate to continuing operations.

Consolidated Balance Sheet

As at 28th February 2013

	Note	28th February 2013 £'000	28th February 2013 £'000	29th February 2012 £'000	29th February 2012 £'000
NON-CURRENT ASSETS					
Direct real estate interests					
Investment properties	6	**220,074**		237,899	
Operating property		**740**		900	
Trade and other receivables	9	**5,100**		4,265	
			225,914		243,064
Indirect real estate interests					
Investments in associates	7	**4,276**		4,276	
Investments in joint ventures	7	**40,137**		26,568	
Intangible assets – goodwill		**238**		1,268	
Development participation rights	11	**5,000**		5,000	
Development loans to joint operations	11	**19,163**		20,921	
Loans to other real estate businesses	11	**8,625**		8,614	
			77,439		66,647
Other non-current assets					
Other plant and equipment		**3,124**		3,446	
Deferred income tax assets		**1,757**		3,241	
			4,881		6,687
Total non-current assets			**308,234**		316,398
CURRENT ASSETS					
Inventory – development and trading properties	8	**153,416**		155,193	
Other financial assets	11	**1,700**		1,700	
Trade and other receivables	9	**21,643**		28,824	
Monies held in restricted accounts and deposits		**11,527**		14,595	
Cash and cash equivalents		**47,683**		35,585	
			235,969		235,897
Total assets			**544,203**		552,295
CURRENT LIABILITIES					
Trade and other payables	10	**(24,350)**		(26,460)	
Current income tax liabilities		**(178)**		(1,143)	
Borrowings	11	**(2,001)**		(9,879)	
Provisions for other liabilities and charges	10	**(219)**		—	
			(26,748)		(37,482)
NON-CURRENT LIABILITIES					
Borrowings	11	**(203,980)**		(193,177)	
Derivative financial instruments	11	**(3,221)**		(2,469)	
Deferred income tax liabilities		**(743)**		(3,241)	
Provisions for other liabilities and charges	10	**(2,845)**		(2,684)	
			(210,789)		(201,571)
Total liabilities			**(237,537)**		(239,053)
Net assets			**306,666**		313,242
EQUITY					
Share capital		**61,176**		61,176	
Share premium		**103,961**		103,961	
Other reserves		**39,742**		40,063	
Retained earnings		**101,731**		106,134	
Equity attributable to the owners of the Parent			**306,610**		311,334
Non-controlling interest			**56**		1,908
Total equity			**306,666**		313,242
Basic/diluted net assets per share attributable to the owners of the Parent	5		**251p/251p**		254p/254p
Basic net assets per share based on total net assets	5		**251p**		256p

Consolidated Statement of Changes in Equity

For the year ended 28th February 2013

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total £'000
At 1st January 2011		61,176	103,961	43,391	124,579	333,107	—	333,107
(Loss)/profit for the 14-month period ended 29th February 2012		—	—	—	(12,592)	(12,592)	546	(12,046)
Other comprehensive income:								
— Loss on revaluation of operating property		—	—	(127)	—	(127)	—	(127)
— Loss on valuation of cross-currency interest rate swap	11	—	—	(5,227)	—	(5,227)	—	(5,227)
— Exchange gain on valuation of cross-currency interest rate swap	11	—	—	959	—	959	—	959
— Deferred income tax credited directly to equity		—	—	1,067	—	1,067	—	1,067
Total comprehensive (loss)/income for the 14-month period ended 29th February 2012		—	—	(3,328)	(12,592)	(15,920)	546	(15,374)
Share based payments		—	—	—	21	21	—	21
Final dividend relating to 2010	4	—	—	—	(2,937)	(2,937)	—	(2,937)
Interim dividend relating to 2012	4	—	—	—	(2,937)	(2,937)	—	(2,937)
Total contributions by and distributions to owners of the Company		—	—	—	(5,853)	(5,853)	—	(5,853)
Transactions with non-controlling interest		—	—	—	—	—	1,362	1,362
Balance at 29th February 2012		61,176	103,961	40,063	106,134	311,334	1,908	313,242
Profit/(loss) for the year ended 28th February 2013		—	—	—	2,421	2,421	(75)	2,346
Other comprehensive income:								
— Change in value of available-for-sale financial assets		—	—	829	—	829	—	829
— Gain on valuation of cross-currency interest rate swap	11	—	—	109	—	109	—	109
— Exchange loss on valuation of cross-currency interest rate swap	11	—	—	(1,133)	—	(1,133)	—	(1,133)
— Deferred income tax credited directly to equity		—	—	45	—	45	—	45
Total comprehensive (loss)/income for the year ended 28th February 2013		—	—	(150)	2,421	2,271	(75)	2,196
Share based payments		—	—	—	21	21	—	21
Purchase of treasury shares		—	—	(171)	—	(171)	—	(171)
Final dividend relating to 2012	4	—	—	—	(3,911)	(3,911)	—	(3,911)
Interim dividend relating to 2013	4	—	—	—	(2,934)	(2,934)	—	(2,934)
Total contributions by and distributions to owners of the Company		—	—	(171)	(6,824)	(6,995)	—	(6,995)
Transactions with non-controlling interest		—	—	—	—	—	(1,777)	(1,777)
Balance at 28th February 2013		**61,176**	**103,961**	**39,742**	**101,731**	**306,610**	**56**	**306,666**

Consolidated Cash Flow Statement

For the year ended 28th February 2013

	Note	**Year ended 28th February 2013 £'000**	14-month period ended 29th February 2012 £'000
CASH GENERATED FROM OPERATIONS			
Cash flows from operating activities	12	**36,818**	(18,852)
Interest paid		**(12,344)**	(12,341)
Income tax paid		**(164)**	(329)
Net cash generated from/(used in) operating activities		**24,310**	(31,522)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,007**	978
Proceeds on disposal of other plant and equipment		**40**	33
Proceeds on disposal of investment properties		**295**	262
Purchase of other plant and equipment		**(403)**	(1,177)
Purchase of investment properties		**(2,912)**	(22,244)
Cash outflow to joint ventures and associates		**(15,728)**	(16,855)
Cash inflow from joint ventures and associates		**7,988**	–
Investment in financial assets		**(10,988)**	(8,669)
Cash inflow from financial assets		**12,989**	2,278
Net cash used in investing activities		**(7,712)**	(45,394)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(6,845)**	(5,874)
Purchase of treasury shares		**(171)**	—
Repayments of borrowings		**(21,167)**	(18,658)
New bank loans raised (net of transaction costs)		**23,259**	46,273
Equity (repayment)/investment from non-controlling interest		**(1,572)**	1,000
Decrease in monies held in restricted accounts and deposits		**3,068**	12,401
Net cash (used in)/generated from financing activities		**(3,428)**	35,142
Net increase/(decrease) in cash and cash equivalents		**13,170**	(41,774)
Cash and cash equivalents at the beginning of the year/period		**34,401**	76,283
Exchange gains/(losses) on cash and cash equivalents		**112**	(108)
Cash and cash equivalents at the end of the year/period		**47,683**	34,401
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash at bank and in hand		**47,683**	35,585
Bank overdrafts		**–**	(1,184)
Cash and cash equivalents at the end of the year/period		**47,683**	34,401

	28th February 2013 £'000	29th February 2012 £'000
Net debt comprises:		
Monies held in restricted accounts and deposits	**11,527**	14,595
Cash and cash equivalents	**47,683**	35,585
Financial liabilities:		
— Current borrowings	**(2,001)**	(9,879)
— Non-current borrowings	**(203,980)**	(193,177)
Net debt	**(146,771)**	(152,876)

Notes to the Consolidated Financial Information

For the year ended 28th February 2013

1 Basis of preparation and accounting policies

The financial information included in the preliminary announcement does not constitute statutory financial statements of the Group for the year ended 28th February 2013 and the period ended 29th February 2012 but is derived from those financial statements. Statutory financial statements for 2012 have been delivered to the registrar of companies and those for 2013 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unmodified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without modifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

a)

(i) General information

The Consolidated financial information of the Group for the year ended 28th February 2013 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 1st May 2013.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

(ii) Going concern

The Group adopts the going concern basis in preparing its Consolidated financial information as discussed in the Financial Review.

b) Basis of preparation

The Group's financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union as they apply to the financial information of the Group for the year ended 28th February 2013 and applied in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS. The accounting policies which follow set out those policies which were applied consistently in preparing the financial information for the periods ended 28th February 2013 and 29th February 2012.

The Consolidated financial information has been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of investment property, operating property, available-for-sale financial assets and derivative instruments at fair value.

c) Critical accounting judgements and estimates

The preparation of financial information requires management to make judgements, assumptions and estimates that affect the application of accounting policies and amounts reported in the Statement of Comprehensive Income and the Balance Sheet. Such decisions are made at the time the financial information is prepared and adopted based on the best information available at the time. Actual outcomes may be different from initial estimates and are reflected in the financial information as soon as they become apparent.

Judgements other than estimates

1.1 Classification of directly owned property assets

The Group earns revenue from property development, trading and investment, and from operating serviced offices.

Property development includes the entire development process from identification of an opportunity through to construction, letting and sale of a completed scheme. This activity is undertaken both on the Group's own Balance Sheet and in partnership with institutional investors, usually via a pre-sale of the completed development.

Property trading refers to participation in the development process, where the Group acquires an interest in land and enhances the potential development, for instance by procuring or changing planning permission, before selling on to a third party to complete the development.

Property investment represents the acquisition of income-generating real estate which is held for the purposes of income and capital gain, through active asset management.

In most cases the property interest is held directly by the Group and is classified either as investment property (see note 6) or as inventory for development and trading properties (see note 8).

The varied nature of the Group's properties is such that a number exhibit characteristics consistent with more than one classification; also the Directors' strategy for an asset may change during its ownership. The Directors determine the status of each asset according to their intention on acquisition. A change in classification is made

only in exceptional circumstances, where the strategy has demonstrably changed for a period of over one year. No reclassifications have arisen during the current year.

1.2 Classification of projects in partnership
In addition to its directly owned and managed activities, the Group participates in similar activities in partnership with others, typically to access expertise in different locations or market sectors. The Group's financial participation may be by way of equity investment or loan. In each case a judgement is required as to the status of the Group's interest, as an associate, a joint venture or a financial asset, typically focusing on the extent of control exercised by the Group.

The Group's share of control is governed and achieved by a mixture of rights set out in agreements and participation in the management of each business. The exercise of control in practice does not always follow the legal structure. The Directors have considered the position in respect of each venture, taking account of the operation in practice, and have determined the status of each accordingly.

These investments are reported under the relevant balance sheet headings, with a summary in note 14.

The IASB has recently issued IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements', which (when adopted by the European Union) will amend and clarify the guidance in this area, and is likely to result in some changes to the current classification. The Directors are conducting a detailed review of the new standards and their application to the Group's arrangements. Any changes in accounting policies or classifications will be adopted in accordance with the standard in the year commencing 1st March 2014.

1.3 Acquisition of subsidiaries
The Group sometimes acquires properties through the purchase of entities which own real estate. At the time of acquisition the Group considers whether the transaction represents the acquisition of a business. In cases where the entity is capable of being operated as a business, or an integrated set of activities is acquired in addition to the property, the Group accounts for the acquisition as a business combination. When the acquisition does not represent a business, it is accounted for as the purchase of a group of assets and liabilities. In making this distinction, the Group considers the number of items of land and buildings owned by the entity, the extent of ancillary services provided by the entity, and whether the entity has its own staff to manage the property (over and above the maintenance and security of the premises).

1.4 Accounting for pre-sold development assets
Where development is undertaken on the Group's Balance Sheet under a contract for a pre-sale, a judgement is required as to whether this represents a sale of property or a contract for construction. The refurbishment of the residential units at Westminster Palace Gardens has been classified as a construction contract (under IAS 11), whereby revenue is reported in line with construction progress.

Estimates
1.5 Valuation of property assets
The key source of estimation uncertainty rests in the values of property assets, which affects several categories of asset in the Balance Sheet.

The investment property portfolio (and the operating property) are stated at fair value, which requires a number of judgements and estimates in assessing the qualities of the Group's assets relative to market transactions. The approach to this valuation and the amounts affected are set out in note 6. In determining fair value, the capitalisation of net income method and the discounted cash flow method have been used, which are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rate, and make reference to market evidence of transaction prices for similar properties.

The same uncertainties affect the determination of fair value of certain available-for-sale financial instruments, with the further complexity that the value of these assets requires estimates of future construction costs, tenant demand and market yields.

The Group's development and trading properties are carried at the lower of cost and net realisable value. The determination of net realisable value relies upon similar estimates, with the added challenge, in some cases, of judgements about uncertain planning outcomes. These amounts are disclosed in note 8.

1.6 Impairment reviews
The Group's Curzon Park Limited joint venture owns a development site in Birmingham known as Curzon Street. The current proposal for the High Speed Train Link between London and Birmingham (HS2) indicates that the planned route of HS2 passes through the site, including provision for part of the prospective station. In view of this, the ultimate value of the site is uncertain. The early indications are that the impact of HS2 may restrict future development on the 10.5-acre site by approximately two thirds of its original potential. The Group has (jointly) guaranteed the liabilities of the joint venture to the bank, and hence should the value of the

site (together with any compensation received) be insufficient to repay the amortising bank loan, the Group may incur further charges in respect of its obligations to the joint venture and the bank. The Directors believe that the site will recover at least its carrying value in the books of the joint venture, although the interim and ultimate uses of the site and timing of its development remain unclear. The site is discussed in the Operating Review.

In view of operating losses at Executive Communication Centres (ECC), the Group's serviced office subsidiary, the Group has conducted an impairment review of its investment in the business. The review required significant judgements and estimates concerning future customer demand and competitor behaviour, as well as discount rates. The review determined that no further impairment arose during the year.

The Group, through its subsidiaries and a joint venture, has participated in the acquisition of loan portfolios which are secured against underlying property investment or development assets. The loan portfolios are initially recognised at fair value and subsequently carried at the lower of amortised cost using the effective interest rate method and are reviewed for impairment at each reporting date. In assessing the effective interest rate applied and the recoverable amount the Group applies significant judgements in considering the realisable value of the underlying assets which secure those loans and timing of the loan repayment. This review determined that no provision for impairment is required.

1.7 Derivative instruments
The Group is party to a number of interest rate swap and foreign currency agreements which are accounted for as derivatives and measured at fair value. The estimation of this figure is based upon market assumptions about future movements in interest and exchange rates. The estimated fair values and the movements in the year are set out in note 11.

1.8 Income tax losses
The Group has significant carried forward income tax losses, arising mainly from valuation movements in the Group's investment and trading property portfolios. Recognition of these losses as a deferred income tax asset requires judgements and estimates about the amounts and timing of the Group's future taxable profits.

2 Segmental analysis

The segmental information presented consistently follows the information provided to the Chief Operating Decision-Maker (CODM) and reflects the three sectors in which the Group operates. The CODM, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The three operating divisions are:

- Investment – management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;
- Development and trading – managing the Group's development and trading projects. Revenue is received from project management fees, development profits and the disposal of inventory; and
- Operating – serviced office operations. Revenue is principally received from short-term licence fee income.

Unallocated assets and liabilities comprise amounts that cannot be specifically allocated to operating segments; an analysis is provided below.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom. In February 2012, assets of £89,000 were located in The Netherlands. All revenue arises from continuing operations.

	Year ended 28th February 2013			
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	**16,080**	**79,711**	**3,877**	**99,668**
Direct costs	**(3,978)**	**(59,986)**	**(5,025)**	**(68,989)**
Segment result	**12,102**	**19,725**	**(1,148)**	**30,679**
Operating costs	**(4,005)**	**(9,007)**	**—**	**(13,012)**
Gain on disposal on investment properties	**864**	**—**	**—**	**864**
Loss on revaluation of property portfolio	**(16,328)**	**—**	**(95)**	**(16,423)**
Operating (loss)/profit	**(7,367)**	**10,718**	**(1,243)**	**2,108**
Other income	**465**	**150**	**—**	**615**
Share of post-tax profits of joint ventures and associates	**2,835**	**4,847**	**—**	**7,682**
Income from financial assets	**—**	**500**	**—**	**500**
Profit on sale of investments	**—**	**20**	**—**	**20**
Unallocated loss on sale of other plant and equipment				**(13)**
Profit before interest and income tax				**10,912**
Finance income	**1,023**	**1,102**	**—**	**2,125**
Finance costs	**(8,889)**	**(3,356)**	**—**	**(12,245)**
Profit before income tax				**792**
Income tax				**1,554**
Profit after income tax				**2,346**
ASSETS AND LIABILITIES				
Segment assets	**268,903**	**237,604**	**4,476**	**510,983**
Unallocated assets				**33,220**
Total assets				**544,203**
Segment liabilities	**(152,365)**	**(73,895)**	**(3,526)**	**(229,786)**
Unallocated liabilities				**(7,751)**
Total liabilities				**(237,537)**

A summary of unallocated assets and liabilities is shown below.

In February 2012, as a result of continuing losses arising within the Group's serviced office business, the Directors conducted an impairment review. The review determined that the fixed assets of five of the seven centres were fully impaired, requiring a provision of £1,575,000. In addition, four of those centres were not expected to cover their committed rental costs in full, and a further provision of £1,270,000 was made in this regard, aggregating to an exceptional provision of £2,845,000. A further review was undertaken at 28th February 2013. The Directors do not consider it necessary to make a further provision.

The net book amount of the remaining fixed assets associated with the operating business segment is £1,996,000 (29th February 2012: £2,149,000). No reasonable change in underlying assumptions would give rise to a material impairment.

	Year ended 28th February 2013			
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	**2,409**	**191**	**156**	**2,756**
Unallocated capital expenditure				**56**
Impairment of assets	**—**	**(2,246)**	**—**	**(2,246)**
Depreciation	**—**	**(123)**	**(365)**	**(488)**
Unallocated depreciation				**(249)**
REVENUE				
Rental income	**16,032**	**2,619**	**—**	**18,651**
Serviced office income	**—**	**—**	**3,877**	**3,877**
Project management fees	**—**	**823**	**—**	**823**
Trading property sales	**—**	**24,389**	**—**	**24,389**
Other trading property income	**—**	**2,659**	**—**	**2,659**
Construction contract revenue	**—**	**7,960**	**—**	**7,960**
Development proceeds	**—**	**27,562**	**—**	**27,562**
Other property income	**—**	**13,699**	**—**	**13,699**
Other	**48**	**—**	**—**	**48**
	16,080	**79,711**	**3,877**	**99,668**

In the year ended 28th February 2013, one transaction with turnover totalling £12,500,000 generated in excess of 10.0 per cent of total revenue and fell within the development and trading segment.

	14-month period ended 29th February 2012			
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	17,085	58,393	4,550	80,028
Direct costs	(3,710)	(49,941)	(6,002)	(59,653)
Segment result	13,375	8,452	(1,452)	20,375
Operating costs	(4,350)	(10,441)	—	(14,791)
Gain on disposal on investment properties	211	—	—	211
Loss on revaluation of property portfolio	(4,686)	—	(86)	(4,772)
Operating profit/(loss)	4,550	(1,989)	(1,538)	1,023
Other income	342	408	—	750
Exceptional impairment and provision for business segment	—	—	(2,845)	(2,845)
Share of post-tax profits of joint ventures and associates	1,454	123	—	1,577
Unallocated loss on sale of other plant and equipment				(28)
Profit before interest and income tax				477
Finance income	1,382	1,189	—	2,571
Finance costs	(8,639)	(4,576)	—	(13,215)
Loss before income tax				(10,167)
Income tax				(1,879)
Loss after income tax				(12,046)
ASSETS AND LIABILITIES				
Segment assets	278,108	237,380	4,881	520,369
Unallocated assets				31,926
Total assets				552,295
Segment liabilities	(150,579)	(75,673)	(3,774)	(230,026)
Unallocated liabilities				(9,027)
Total liabilities				(239,053)

A summary of unallocated assets and liabilities is shown below.

	14-month period ended 29th February 2012			
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
OTHER SEGMENT INFORMATION				
Capital expenditure	23,370	352	565	24,287
Unallocated capital expenditure				260
Impairment of assets	—	(1,776)	(1,575)	(3,351)
Depreciation	—	(61)	(642)	(703)
Unallocated depreciation				(300)
REVENUE				
Rental income	16,928	4,076	—	21,004
Serviced office income	—	—	4,550	4,550
Project management fees	—	381	—	381
Trading property sales	—	17,207	—	17,207
Other trading property income	—	2,528	—	2,528
Construction contract revenue	—	16,498	—	16,498
Development proceeds	—	17,703	—	17,703
Other	157	—	—	157
	17,085	58,393	4,550	80,028

In the 14-month period ended 29th February 2012, one transaction with turnover totalling £12,427,000 generated in excess of 10.0 per cent of total revenue and fell within the development and trading segment.

	28th February 2013 £'000	29th February 2012 £'000
UNALLOCATED ASSETS CAN BE ANALYSED AS FOLLOWS:		
Other plant and equipment	**626**	863
Deferred income tax asset	**1,757**	3,241
Trade and other receivables	**4,506**	4,193
Cash and cash equivalents	**26,331**	23,629
	33,220	31,926
UNALLOCATED LIABILITIES CAN BE ANALYSED AS FOLLOWS:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(3,770)**	(3,300)
Deferred income tax liability	**(743)**	(3,241)
Derivative financial instruments	**(3,221)**	(2,469)
	(7,751)	(9,027)

3 Finance income and costs

a) Finance income

	Year ended 28th February 2013 £'000	14-month period ended 29th February 2012 £'000
Interest receivable	**1,742**	2,222
Other finance income	**271**	349
Net foreign currency differences arising on retranslation of cash and cash equivalents	**112**	—
Total finance income	**2,125**	2,571

b) Finance costs

	Year ended 28th February 2013 £'000	14-month period ended 29th February 2012 £'000
Interest on bank loans and other borrowings	**9,905**	10,078
Interest on debenture	**2,200**	2,567
Amortisation of transaction costs	**808**	577
Fair value loss on financial instruments – interest rate swaps, caps and collars	**860**	550
Net foreign currency differences arising on retranslation of cash and cash equivalents	**—**	108
	13,773	13,880
Capitalised interest on development and trading properties	**(1,528)**	(665)
Net finance cost	**12,245**	13,215

Interest was capitalised at an average rate of 6.03 per cent. Capitalised interest of £622,000 (29th February 2012: £nil) was written off in the year. The tax treatment of capitalised interest follows the accounting treatment.

4 Dividends

	Year ended 28th February 2013 £'000	14-month period ended 29th February 2012 £'000
DECLARED AND PAID DURING THE YEAR/PERIOD		
Equity dividends on Ordinary shares:		
Final dividend for 2012: 3.20 pence per share (2010: 2.40 pence per share)	**3,911**	2,937
Interim dividend for 2013: 2.40 pence per share (2012: 2.40 pence per share)	**2,934**	2,937
	6,845	5,874
PROPOSED FOR APPROVAL BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING		
Final dividend for 2013: 2.40 pence per share (2012: 3.20 pence per share)	**2,934**	3,915

Subject to approval by shareholders, the final dividend was approved by the Board on 30th April 2013 and has not been included as a liability or deducted from retained earnings as at 28th February 2013. The final dividend is payable on 25th October 2013 to ordinary shareholders on the register at the close of business on 27th September 2013 and will be recognised in the year ending 28th February 2014.

5 Earnings/(loss) per share and net assets per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the profit/(loss) attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Basic net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date.

Diluted net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date plus the number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Management has chosen to disclose the European Public Real Estate (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.

EPRA earnings is the profit/(loss) after taxation excluding investment property revaluations (including valuations of joint venture investment properties), gains on disposals of investment and trading properties, impairment of development and trading properties and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV) are the Balance Sheet net assets excluding mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.

EPRA NAV per share is EPRA NAV divided by the number of Ordinary shares in issue at the balance sheet date.

EPRA triple net assets is EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

The calculation of basic and diluted earnings/(loss) per share and EPRA profit/(loss) per share is based on the following data:

	Year ended 28th February 2013 £'000	14-month period ended 29th February 2012 £'000
PROFIT/(LOSS)		
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share	**2,421**	(12,592)
Revaluation deficit (including share of joint venture revaluation surplus)	**12,901**	4,226
Gain on disposal of investment properties	**(864)**	(211)
Gain on disposal of trading properties	**(4,569)**	(3,835)
Impairment of development and trading properties	**2,246**	1,776
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**724**	624
EPRA adjusted profit/(loss) from continuing activities attributable to owners of the Company	**12,859**	(10,012)

	Year ended 28th February 2013 '000	14-month period ended 29th February 2012 '000
NUMBER OF SHARES		
Weighted average number of Ordinary shares for the purpose of earnings/(loss) per share	**122,352**	122,352
Effect of dilutive potential Ordinary shares:		
Share options	**3**	42
Weighted average number of Ordinary shares for the purpose of diluted earnings/(loss) per share	**122,355**	122,394
Basic earnings/(loss) per share (pence)	**2.0p**	(10.3)p
Diluted earnings/(loss) per share (pence)	**2.0p**	(10.3)p
EPRA adjusted earnings/(loss) per share (pence)	**10.5p**	(8.2)p
EPRA adjusted diluted earnings/(loss) per share (pence)	**10.5p**	(8.2)p

Net assets per share and diluted net assets per share have been calculated as follows:

	Year ended 28th February 2013			14-month period ended 29th February 2012		
	Net assets £'000	**No. of shares '000**	**Net assets per share pence**	Net assets £'000	No. of shares '000	Net assets per share pence
Basic net assets per share attributable to the owners	**306,610**	**122,352**	**251**	311,334	122,352	254
Cumulative mark-to-market adjustment on interest rate swaps	**10,942**			9,196		
EPRA adjusted net assets per share	**317,552**	**122,352**	**260**	320,530	122,352	262
Cumulative mark-to-market adjustment on interest rate swaps	**(10,942)**			(9,196)		
Fair value of debt	**(9,897)**			(11,587)		
EPRA adjusted triple net assets per share	**296,713**	**122,352**	**243**	299,747	122,352	245
Effect of dilutive potential Ordinary shares	**1,524**	**557**	**—**	1,535	572	—
Diluted net assets per share	**308,134**	**122,909**	**251**	312,869	122,924	254
EPRA diluted net assets per share	**319,076**	**122,909**	**260**	322,065	122,924	262
EPRA diluted triple net assets per share	**298,237**	**122,909**	**243**	301,282	122,924	245
Basic net assets per share based on total net assets	**306,666**	**122,352**	**251**	313,242	122,352	256

In calculating EPRA triple net assets per share the Directors have not included an estimate of the fair value of the development and trading portfolio given the uncertainty of the timing and amount related to future sales.

6 Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st January 2011	197,782	1,455	199,237
Additions:			
— acquisitions	12,100	8,107	20,207
— capital expenditure	3,163	—	3,163
Transfer from development properties	20,029	—	20,029
Disposals	(51)	—	(51)
Deficit on revaluation	(4,139)	(547)	(4,686)
At valuation 29th February 2012	228,884	9,015	237,899
Additions:			
— acquisitions	680	—	680
— capital expenditure	1,161	568	1,729
Disposals	(3,906)	—	(3,906)
Deficit on revaluation	(14,972)	(1,356)	(16,328)
At valuation 28th February 2013	211,847	8,227	220,074

Direct costs of £3,978,000 (29th February 2012: £3,710,000) arose as a result of ownership of investment properties.

Reconciliation of market value of investment properties to the net book amount

The following table reconciles the market value of investment properties to their net book amount. The components of the reconciliation are included within their relevant balance sheet heading.

	28th February 2013 £'000	29th February 2012 £'000
Market value as assessed by the independent valuers or Directors	**225,766**	242,539
Amount included in prepayments and accrued income in respect of lease incentives	**(5,692)**	(4,640)
Net book amount of Investment property	**220,074**	237,899

The Group's Investment properties have been valued at 28th February 2013 and at 29th February 2012 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. Completed Investment properties have been valued by DTZ Debenham Tie Leung, Chartered Surveyors, Savills Commercial Limited, Chartered Surveyors, GVA Grimley Limited, Commercial Property Advisers or Ryden LLP, Commercial Property Consultants at a value of £190,764,000 (29th February 2012: £208,509,000).

Land held as investment property has been valued by Colliers CRE, Chartered Surveyors at £14,625,000 (29th February 2012: £14,000,000).

The valuers have consented to the use of their names in the financial information.

Also included within Investment properties are freehold land and buildings representing investment properties under development, amounting to £14,685,000 (29th February 2012: £15,390,000), which have been valued by the Directors. These properties comprise buildings and landholdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £7,678,000 (29th February 2012: £7,590,000) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

£198,170,000 (29th February 2012: £215,329,000) of Investment properties are charged as security against the Group's borrowings.

7 Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1st January 2011	1,944	9,718
Additions	2,500	16,747
Share of profit	—	1,105
Share of revaluation surplus	—	546
Share of mark-to-market adjustment on interest rate swaps	—	(74)
Share of results	—	1,577
Capital distributions	(168)	(1,474)
At 29th February 2012	4,276	26,568
Additions	—	15,728
Share of profit	—	4,024
Share of revaluation surplus	—	3,522
Share of mark-to-market adjustment on interest rate swaps	—	136
Share of results	—	7,682
Transfer to subsidiary	—	(2,467)
Capital distributions	—	(7,374)
At 28th February 2013	4,276	40,137

A summary of the Group's projects in partnership and the balance sheet classification of its interests is set out in note 14.

a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Note
Atlantic Park (Bideford) Limited	40	United Kingdom	Property development	Development and trading	September 2010	
Barwood Development Securities Limited	40	United Kingdom	Property development	Development and trading	January 2012	
Barwood Land and Estates Limited	25	United Kingdom	Property development	Development and trading	November 2009	
CTP Securities Limited	25	United Kingdom	Property development	Development and trading	November 2007	i
Wessex Property Fund	47	Jersey	Investment property	Investment	September 2007	i

i) The investment in the associate has been fully provided against.

The Group disposed of its 29.0 per cent holding in Continental Estates Corporation BV during the year.

Any contingent liabilities in relation to our associate investment partners are disclosed in note 13.

b) Investment in joint ventures

As at 28th February 2013, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Acquisition date	Accounting reference date
Accrue Student Housing GP Limited	50	United Kingdom	Property development	Development and trading	September 2011	31st August
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	November 2006	28th February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	December 2011	28th February
DS Renewables LLP	50	United Kingdom	Property development	Development and trading	May 2012	28th February
The Esplanade Partnership Limited	50	Jersey	Property trading	Development and trading	August 2012	28th February
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	June 2010	28th February
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	June 2011	31st December
Purplexed LLP	50	United Kingdom	Property development	Development and trading	April 2011	31st March
Winnebago Holdings Sarl	35	Luxembourg	Investment property	Investment	April 2012	31st December

On 11th February 2013, the Group acquired the remaining 50.0 per cent share capital in S Harrison Developments Lichfield Limited previously held by S Harrison Developments Limited. The company is now accounted for as a wholly owned subsidiary. The Group subsequently changed the name of the company to Development Securities (Lichfield) Limited.

Any contingent liabilities in relation to our joint ventures are disclosed in note 13.

8 Inventory

Development and trading properties	Development properties £'000	Trading properties £'000	Total £'000
At 1st January 2011	84,178	73,505	157,683
Additions:			
— acquisitions	10,906	18,204	29,110
— development expenditure	18,338	1,858	20,196
Disposals	(19,824)	(10,167)	(29,991)
Transfer to investment properties	(20,029)	—	(20,029)
Write down of development and trading properties to net realisable value	(1,657)	(119)	(1,776)
At 29th February 2012	71,912	83,281	155,193
Additions:			
— acquisitions	1,807	1,450	3,257
— development expenditure	26,171	2,326	28,497
— transfer from investment in joint venture	2,724	—	2,724
Disposals	(16,359)	(17,650)	(34,009)
Write down of trading properties to net realisable value	—	(2,246)	(2,246)
At 28th February 2013	86,255	67,161	153,416

Included in the above amounts are projects stated at net realisable value of £42,921,000 (29th February 2012: £48,959,000).

Net realisable value has been estimated by the Directors, taking account of the plans for each project, the planning status and competitive position of each asset, and the anticipated market for the scheme. For material developments, the Directors have consulted with third party chartered surveyors in setting their market assumptions.

Interest of £1,528,000 (29th February 2012: £665,000) was capitalised on development and trading properties during the year. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £1,665,000 (29th February 2012: £759,000).

On 11th February 2013, the Group acquired the remaining 50.0 per cent share capital in S Harrison Developments Lichfield Limited, a company previously held as a joint venture. The cost of the inventory acquired was £2,724,000.

9 Trade and other receivables

a) Non-current	28th February 2013 £'000	29th February 2012 £'000
Prepayments and accrued income	**5,100**	4,265

b) Current	28th February 2013 £'000	29th February 2012 £'000
Trade receivables	**2,066**	4,046
Amounts due from customers for contract work	**200**	10,594
Other receivables	**16,838**	10,042
Other tax and social security	**649**	566
Prepayments and accrued income	**1,890**	3,576
	21,643	28,824

The Group has provided £332,000 (29th February 2012: £35,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for at the year-end, there are no other material receivables, past due but not impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable.

10 Trade and other payables

a) Current	28th February 2013 £'000	29th February 2012 £'000
Trade payables	**1,390**	2,240
Amounts due to suppliers for contract work	**241**	117
Other payables	**5,579**	8,118
Other tax and social security	**1,115**	2,122
Accruals and deferred income	**16,025**	13,863
	24,350	26,460

b) Provisions	Onerous leases £'000	Residual development liabilities £'000	Total £'000
At 1st March 2012	2,676	8	2,684
Charged to the Statement of Comprehensive Income	572	177	749
Utilised during the year	(334)	(147)	(481)
Amortisation of discount	112	—	112
At 28th February 2013	3,026	38	3,064

Analysis of total provisions	28th February 2013 £'000	29th February 2012 £'000
Non-current	**2,845**	2,684
Current	**219**	—
	3,064	2,684

Provisions of £38,000 (29th February 2012: £8,000) relate to properties and £3,026,000 (29th February 2012: £2,676,000) to onerous leases.

Following a review of our serviced office operation in February 2012 it was identified that the future revenue of four of the seven centres was not sufficient to cover future rental commitments. £1,270,000 (29th February 2012: £1,270,000) has been provided to cover the onerous liability associated with these leases (refer note 2).

Two further provisions of £1,003,000 (29th February 2012: £1,051,000) and £181,000 (29th February 2012: £355,000) relate to onerous lease obligations entered into in 2009 and 1989 respectively.

During the year the Group was called upon as guarantor to take over three leases in respect of Stead and Simpson Limited. £572,000 has been provided to cover obligations in respect of those leases.

11 Financial assets and financial liabilities

a) Other financial assets

Non-current	**28th February 2013 £'000**	29th February 2012 £'000
Available-for-sale financial assets	**24,163**	25,921
Loan notes at amortised cost less impairment	**8,625**	8,614
	32,788	34,535

Available-for-sale financial assets	**28th February 2013 £'000**	29th February 2012 £'000
Development participation rights	**5,000**	5,000
Development loans to joint operations	**19,163**	20,921
	24,163	25,921

Development participation represents the Group's risk capital invested alongside our partners in one of our development schemes at PaddingtonCentral. The fair value of the participation is assessed by reference to the stage of completion of the project and progress on construction and lettings.

Development loans to joint operations include a number of working capital and project-specific loans of £7,121,000 (29th February 2012: £11,191,000) to CTP Securities Limited. The loans attract fixed coupon rates of between 5.0 and 13.0 per cent. Included in the above amount is an interest-free loan of £208,000 (29th February 2012: £208,000).

In 2010, the Group provided a £5,000,000 loan to the Curzon Park Limited joint venture in order to repay a share of its bank debt. The joint venture partner provided the equivalent amount. In October 2012, the Group, along with our joint venture partner, agreed a three-year repayment schedule in respect of the loan facility secured against the 10.5 acre site in Birmingham. A total of £2,300,000 capital has been repaid at the balance sheet date of which the Group's share is 50.0 per cent. A corresponding provision has been made in respect of this amount within the results of the joint venture.

The Group has three funding agreements totalling £7,042,000 (29th February 2012: two agreements totalling £4,730,000), in respect of projects in partnership. The loans attract fixed coupon rates of between 3.0 and 8.5 per cent.

Loan notes with a carrying value of £89,000 held in Continental Estates Corporation BV were repaid during the year. Loan notes with a carrying value of £8,425,000 were issued in November 2007 by CTP Securities Limited, with a fixed term of ten years and a fixed coupon rate of 4.25 per cent. A further £200,000 loan notes were acquired in £100,000 tranches in January and October 2012.

Current	**28th February 2013 £'000**	29th February 2012 £'000
Loans and receivables:		
CTP Securities Limited	**200**	200
Property Alliance Group	**1,500**	1,500
	1,700	1,700

The Group has provided a short-term, non-interest-bearing facility of £200,000 to CTP Securities Limited and £1,500,000 to Property Alliance Group as a contribution to a prospective future project. This amount is repayable on demand.

b) Borrowings

Current	**28th February 2013**		29th February 2012	
	£'000	**£'000**	£'000	£'000
Bank overdrafts		**—**		1,184
Current instalments due on bank loans	**2,541**		2,219	
Current loans maturing	**—**		7,221	
Unamortised transaction costs	**(540)**		(745)	
		2,001		8,695
		2,001		9,879

Non-current	**28th February 2013 £'000**	29th February 2012 £'000
First mortgage debenture 11% due 2016	**20,000**	20,000
Bank loans and loan notes	**186,310**	176,004
Unamortised transaction costs	**(2,330)**	(2,827)
	203,980	193,177

Bank loans and the debenture are secured by way of mortgages and legal charges on certain properties and cash deposits held by the Group.

c) Derivative financial instruments

	28th February 2013 £'000	29th February 2012 £'000
Cash flow hedge: cross-currency interest rate swap	**(1,817)**	(1,925)
Derivative financial instruments at fair value through profit or loss		
Interest rate swaps, caps and collars	**(1,404)**	(544)
Derivative financial instruments	**(3,221)**	(2,469)

At 28th February 2013, the Group held one cross-currency interest rate swap designated as a hedge of expected future cash flows arising from €47,000,000 variable rate loan notes issued in September 2007. The cross-currency swap is used to hedge the EURIBOR interest rate exposure to a fixed rate of 7.97 per cent and Euro currency exposure from the loan notes fixed at a rate of €1.43:£1. The terms of the derivative have been negotiated to match the terms of the loan notes.

The cash flow hedge of the expected future loan note cash flows was assessed to be 100.0 per cent effective. The mark-to-market movement in the foreign currency leg of the swap of £1,133,000 loss (29th February 2012: £959,000 gain) has been recycled through profit or loss to offset the re-translation of the €47,000,000 loan. The mark-to-market movement on the interest leg of this swap of £1,024,000 loss (29th February 2012: £4,268,000 loss) is included within the net unrealised gain/(loss) reserve in equity.

At 28th February 2013, the Group held interest rate swaps, caps and collars designated as economic hedges and not qualifying as effective hedges under IAS 39. The derivatives are used to mitigate the Group's interest rate exposure to variable rate loans of £51,983,000 (29th February 2012: £56,045,000). The fair value of the derivatives amounting to £1,404,000 is recorded as a financial liability at 28th February 2013 (29th February 2012: £544,000 liability) with the fair value loss taken to finance costs.

12 Note to the cash flow statement

Reconciliation of operating profit to net cash outflow from operating activities:

	28th February 2013 £'000	29th February 2012 £'000
Profit/(loss) before income tax	**792**	(10,167)
Adjustments for:		
Gain on disposal of investment properties	**(864)**	(211)
Net loss on revaluation of property portfolio	**16,423**	4,772
Other income	**(615)**	(750)
Share of post-tax profits of joint ventures and associates	**(7,682)**	(1,577)
Income from financial asset	**(500)**	—
Profit from sale of investment	**(20)**	—
Loss on sale of other fixed assets	**13**	28
Impairment of assets	**—**	1,575
Finance income	**(2,125)**	(2,571)
Finance cost	**12,245**	13,215
Depreciation of property, plant and equipment	**737**	1,003
Amortisation of goodwill	**1,030**	—
Operating cash flows before movements in working capital	**19,434**	5,317
Decrease/(increase) in development and trading properties	**7,566**	(18,374)
Decrease/(increase) in receivables	**10,141**	(2,661)
(Decrease)/increase in payables	**(703)**	233
Increase/(decrease) in provisions	**380**	(3,367)
Cash flows from operating activities	**36,818**	(18,852)

13 Contingent liabilities

In the normal course of its development activity the Group is required to guarantee performance bonds provided by banks in respect of certain obligations of Group companies. At 28th February 2013, such guarantees amounted to £4,708,000 (29th February 2012: £34,000).

The Group has provided guarantees for rent liabilities in respect of properties previously occupied by Group companies. In the event that the current tenants ceased to pay rent, the Group would be liable to cover any shortfall until the building could be re-let. The Group has made provision against crystallised liabilities in this regard. In respect of potential liabilities where no provision has been made, the annual rent-roll of the buildings benefiting from such guarantees is £279,000 (29th February 2012: £503,000) with an average unexpired lease period of 5.1 years (29th February 2012: 4.1 years).

The Group has guaranteed its 50.0 per cent share of the capital and interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £13,310,000.

The Group has guaranteed its share of interest up to a maximum of £575,000 in respect of the £26,000,000 loan in Notting Hill (Guernsey Propco) Limited.

14 Projects in partnership

The following is a summary of the Group's projects in partnership and the Balance Sheet classification of its financial interests:

Project/partner	Project activity	Accounting classification	**28th February 2013 £'000**	29th February 2012 £'000
Atlantic Park (Bideford) Limited	Strategic land investment	Investment in associates	**276**	276
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**2,500**	2,500
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**1,500**	1,500
Wessex Property Fund	Property investment	Investment in associates	**—**	—
Beyond Green Developments	Property development	Development properties	**6,005**	5,112
Wessex Investors	Property development	Development properties	**3,480**	3,360
Grantham Associates	Hotel operator	Trading property	**4,267**	4,267
Cathedral (Greenwich Beach) Limited	Property development	Financial assets	**3,146**	—
Cathedral (Movement, Greenwich) LLP	Property development	Financial assets	**829**	2,185
Continental Estates Corporation BV	Holding of investments	Financial assets	**—**	89
CTP Securities Limited	Property development	Financial assets	**15,946**	19,916
Curzon Park Limited	Property development	Investment in joint ventures	**—**	—
Curzon Park Limited	Property development	Financial assets	**5,000**	5,000
Orion Shepherds Bush Limited	Property development	Financial assets	**3,067**	2,545
Property Alliance Group	Property development	Financial assets	**1,500**	1,500
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	**1,474**	1,438
Development Equity Partners Limited	Property development	Investment in joint ventures	**280**	134
DS Renewables LLP	Property development	Investment in joint ventures	**—**	—
The Esplanade Partnership Limited	Property trading	Investment in joint ventures	**8,006**	—
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**9,832**	9,627
Notting Hill (Guernsey Holdco) Limited	Property development	Investment in joint ventures	**6,653**	6,082
Purplexed LLP	Property development	Investment in joint ventures	**7,552**	6,864
S Harrison Developments Lichfield Limited*	Property development	Investment in joint ventures	**—**	2,423
Winnebago Holdings Sarl	Investment property	Investment in joint ventures	**6,340**	—
			87,653	74,818

*The Group acquired the remaining 50.0 per cent share capital in S Harrison Developments Lichfield Limited and subsequently changed the name of the company to Development Securities (Lichfield) Limited.

The aggregate amounts included within each relevant Balance Sheet account are as follows:

	28th February 2013 £'000	29th February 2012 £'000
Investment in associates	**4,276**	4,276
Investment in joint ventures	**40,137**	26,568
Financial assets – current	**1,700**	1,700
Financial assets – non-current	**27,788**	29,535
Development properties	**9,485**	8,472
Trading properties	**4,267**	4,267
	87,653	74,818

15 Post balance sheet events

In April 2013, the Group exchanged contracts for sale in respect of the 19-acre land holding at Broughton, near Chester.

At 28 February 2013, the Group had exchanged contracts for sale and purchase for a number of assets. All transactions have since successfully completed.

Glossary

- Operating profit: stated after gain on disposal of investment properties and the revaluation of the Investment property portfolio and before the results of associates, jointly controlled entities and finance income and costs.
- IPD Index and Total Portfolio Return: total return from the completed investment property portfolio, comprising net rental income or expenditure, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial year, as defined and measured by Investment Property Databank Limited, a company that produces independent benchmarks of property returns.
- Total Shareholder Return: movement in share price over the year plus dividends paid as a percentage of the opening share price.
- Gearing: expressed as a percentage, is measured as net debt divided by total shareholders' funds.
- Adjusted gearing: expressed as a percentage, is calculated by deducting from net debt the current fair value of the subordinated loan notes and adding back relevant restricted cash balances and transaction costs.
- Loan to value gearing: expressed as a percentage of net debt as a proportion of total property assets, including shares of properties and net debt in all projects in partnership.
- Net debt: total debt less cash and short-term deposits, including cash held in restricted deposits.