1 May 2012

Development Securities PLC ("Development Securities" or "the Group" or "DSC")

Audited preliminary results for the 14-month period ended 29th February 2012

On track to deliver strong returns through real estate development

Highlights:

- **£19.9 million NAV reduction includes £5.9 million of dividends paid and £12.0 million of fair value adjustments in respect of: negative revaluation of investment property assets and certain JV schemes (£4.4 million); exceptional impairment (£2.8 million); fixed-interest swaps (£4.8 million)**
- **Meaningful gains to be realised through development and trading portfolio in ensuing years (over £150.0 million of assets carried at lower of cost and net realisable value)**
- **Early disposals of development and trading assets acquired after first equity raise in July 2009:**
  - Westminster Palace Gardens (£22.9 million of sale contracts exchanged for residential and office space)
  - Wick Site, Littlehampton (pre-sale of 47,500 sq. ft. foodstore site to Morrisons subject to Judicial Review period)
  - Rock portfolio (£3.8 million of profit generated to date)
- **Multiple planning consents secured to reposition or redevelop secondary assets into prime or near-prime use**
- **17 further acquisitions of real estate with good options for repositioning. £163.0 million of the proceeds of equity raises invested to date in more than 40 assets**
- **Forward-funding secured on speculative London office development**
  - 10 Hammersmith Grove – first phase of development (110,000 sq. ft. of prime office space) forward-funded by Scottish Widows Investment Partnership Property Trust for £50 million
- **Continued access to finance through strong banking relationships**
  - Refinancing of £38.0 million facility with Lloyds Banking Group in December 2011
  - New facilities of £118.8 million including £39.7 million of JV facilities

With the proceeds of two £100 million equity raises in July 2009 and 2010 now largely invested, Development Securities has made strong and demonstrable progress during the period to generate and unlock value across its portfolio. Early gains arising from asset disposals have been realised in the period and returns will strengthen as further individual asset business plans are fully executed to generate profits in the ensuing years.

Such progress is yet to be captured in the results and accordingly, the Group today announces a loss before tax of £10.2 million for the 14-month period ended 29th February 2012 compared to a profit before tax of £2.6 million for the year ended 31st December 2010. Shareholder funds declined to £313.2 million from £333.1 million at the end of the previous year.

Given the emerging and likely success of its business plan, the Group has recommended the payment of a final dividend for the period of 3.2 pence per share payable on 26th October 2012 to shareholders on the register on 28th September 2012, making a total dividend of 5.6 pence per share for the 14-month period, equivalent to that paid for the previous year.

The Group maintained its low risk financial structure, with gearing at 58.9 per cent (2010: 27.7 per cent), and weighted average maturity of borrowings at 8.4 years (2010: 8.5 years) (both figures including share of joint ventures). Through its strong banking relationships, the Group secured new facilities totalling £79.1 million on its own Balance Sheet, together with a further £39.7 million in joint ventures.

With limited UK GDP growth anticipated in the medium-term, the Group continues to focus on driving capital growth by developing and regenerating secondary real estate into sectors of the prime or near-prime market where demand is evident.

Financial summary

Summarised audited results for the 14-month period ended 29th February 2012

	29th Feb 2012	31st Dec 2010	31st Dec 2009
(Loss)/profit before tax	£(10.2) million	£2.6 million	£(11.4) million
(Loss)/earnings per share*	(10.3)p	1.7p	(16.8)p
Net assets	£313.2 million	£333.1 million	£244.0 million
Net assets per share	256p	272p	297p
Dividend per share	5.6p	4.8p	4.8p
Gearing	58.9%	27.7%	23.9%

*Restated following Placing and Rights Issue.

For further information, please contact:

Michael Marx/Graham Prothero/Lucy Grimble

Development Securities PLC

020 7828 4777

Chairman's Statement 2012

"Creating value and growth through real estate regeneration and asset transformation in the UK, in locations and sectors where demand is in evidence"

On track to achieve our strategic objectives

With demonstrable progress and significant activity achieved during the period, I am pleased to report that your Company is on track to achieve its strategic objectives: creating value and growth through real estate development and asset transformation in sectors and locations of the UK where demand is in evidence. The impact of this progress in financial terms is yet to be captured in our results, and we report a loss before tax of £10.2 million for the 14 months ended 29th February 2012, as compared to a profit before tax of £2.6 million for the year ended 31st December 2010. Shareholders' funds declined accordingly to £313.2 million from £333.1 million at the end of 2010. Net assets per share ended the period at 256 pence per share, compared to 272 pence per share at 31st December 2010.

Given our balance sheet strength and the emerging and likely success of our business plan, the Board has recommended the payment of a final dividend for the period of 3.2 pence per share payable on 26th October 2012 to shareholders on the register on 28th September 2012. This brings the total dividend payment for the 14-month period to 5.6 pence, equivalent to that paid for the previous twelve months.

The main contributory factors to the loss before tax were a charge of £4.7 million arising from a small downturn in the valuation of our £237.9 million investment portfolio and an impairment provision of £2.8 million in respect of our small serviced office division. Asset realisations from our development and trading portfolio have begun to benefit our earnings statement and setting aside revaluation movements and the impairment provision, we broke even in the eight months to 29th February 2012; we anticipate a stronger impact as more assets are realised from our active value creation strategy. The net asset decline of £19.9 million over the 14 months reflects the loss before tax of £10.2 million, together with the dividend of £5.9 million paid to shareholders and a provision of £4.3 million arising from the mark-to-market impact of a long-term fixed rate loan, the impact of which will unwind over the term of this financing.

Developing value

As you will be aware, in July 2010, we completed the second of two step changes in the size of your Company when we raised equity of £100 million, the same amount as raised twelve months previously. We set out to invest the proceeds of this fresh equity in real estate opportunities through which we could apply our development expertise to realise gains through repositioning and redeveloping secondary assets into the prime or near-prime market. The majority of these funds has now been invested into the property market in more than 40 separate transactions. It is from these transactions and others that we intend will follow in the near-term, that significant value will be added for our shareholders. The business case for our two approaches to shareholders for further funds was based on our assessment that the banking sector would not be able to provide the liquidity essential for a fully functioning property market for some time and that equity would therefore command a powerful position in deal negotiations. We anticipated that this restriction on the markets would continue for some time, thus allowing us to execute our individual asset business plans and recycle some of the proceeds back into a still illiquid marketplace for a further round of profitable opportunities. Our assessment was that the average asset business plan would take just over three years to execute and generate realised gains and that is a view to which we adhere today.

Accordingly, at 29th February 2012, with 32 months passed since our first equity raise in July 2009, we are now beginning to realise gains on these newly acquired assets. It is pleasing to note that not only have some gains been realised ahead of time but also that the quantum of the gains realised on assets where exits have been secured, has been in line or ahead of their individual business plans.

This progress is reported against a backdrop of ongoing and much reported difficulties in the European banking sector which have exacerbated the continuing economic uncertainties in both the UK and in Continental Europe. In addition, the eurozone fiscal crisis has not only reduced the demand for UK exports to that region, but has also restricted the banks' access to funds for lending to businesses and perhaps above all, undermined business confidence. Whilst the UK Government appears to have a credible strategy for its own necessary fiscal consolidation, a return to sustained growth will also need a resolution to the eurozone crisis as an important precursor. Meanwhile, it seems that the best the UK economy can hope for in the near-term is a more or less sideways movement in GDP performance – effectively, stagnation.

In the investment property markets, 2011 was characterised by an increasing flow of overseas funds into Central London's prime office and residential markets. The financial and political turmoil in various parts of the world caused a significant flow of funds into the Sterling-denominated Central London property markets, to some extent seeking a safe haven from the perceived risks elsewhere and only tentatively based on property fundamentals. The secondary property market continued to languish and, indeed, in the final few months of the period under review, values declined slightly. This was largely a result of prospects for rental growth continuing to recede and the flight to quality strengthening amidst increasing uncertainty in the eurozone and continuing concerns over the weakness of the UK economy. For the first time in over a decade our performance was less than that of the IPD UK Monthly Property Index. The largest contribution to our 4.2 per cent underperformance was the insolvency at Peacocks in February 2012.

We believe that the prime markets of Central London will ease back and the secondary markets will recover lost ground in the near- to medium-term.

It is our view that the UK needs a vigorous regeneration of its redundant and derelict real estate assets into prime or near-prime investments servicing those areas of the economy which still retain an element of demand strength; effectively, changing functional obsolescence into functional strength. Accordingly, at this stage in the economic cycle, we do not see a strong demand for large-scale office development in our country's major conurbations, including Central London. That demand must largely await a recovery in GDP growth both domestic and international. It is our continued belief that, in an economy with virtually no upward and possibly some downward momentum, the opportunity to create growth in our industry will rely on the value-added component that can be generated through repositioning real estate into areas of demand. We will continue to pursue this strategy as and until the wide arbitrage between secondary and prime yields begins to narrow significantly. The alternative approach of expanding our investment portfolio does not hold attractions for us at this stage of the economic cycle. Whilst that strategy might offer a more stable income base for us, it offers little in the way of significant capital growth. Our skills as a developer have naturally led us into our current area of activity that relies on a detailed and technical understanding of real estate fundamentals in which we are accomplished and confident. We believe that the successes now emerging from within our development and trading portfolio are evidence of our strategy coming to fruition. Of course, our Group policy of maintaining a moderate level of gearing offsets, to a large extent, the risks associated with our development and trading property assets that are either nil or low income yielding.

Outlook

The yield curve is indicating that interest rates will remain at current, minimal levels for some considerable amount of time and we would not disagree. Current fiscal policy, together with further rounds of quantitative easing, are helping to support asset values and we believe will continue to do so. Of course, at some time, one would anticipate interest rates returning to long-term trend but that will probably need to await a perceived recovery in the UK's economic performance. When that re-rating of the cost of money does occur, it may impact negatively on property values since the perceived offset of increased rental growth will take several years to work through the cash flows attaching to individual assets. We expect the banking groups to continue to gradually reduce their exposure to real estate in a way that does not significantly impact on property values. In that regard, they will be consistent with their policy of recent years of not unduly disturbing current market equilibrium.

Conclusion

After nearly nine years of sterling service on behalf of your Company, both Victoria Mitchell and Michael Soames will be stepping down from the Board at this year's Annual General Meeting. On your behalf, I would like sincerely to thank both of these Non-executive Directors for their valuable contribution to our deliberations and for their resolute efforts and commitment in support of the progress we have made. I would also like to welcome our new Non-executive Board member, Nick Thomlinson, senior partner and Chairman of the Knight Frank Group, who joined the Board on 3rd January 2012 and brings with him significant expertise and experience derived from a lengthy career in the property industry.

The period under review has seen an enormous effort from the management and staff at Development Securities PLC in deploying equity and debt into the market across a multitude of sometimes very complicated transactions, and implementing our strategy for each either in joint venture or on our own account. I would like to place on record my thanks for their commitment, professionalism and teamwork in a challenging market where credibility, track record and brand strength have played such an important role.

David Jenkins
Chairman
1st May 2012

Chief Executive’s Statement

“Our identified strategy is starting to deliver its anticipated returns”

Creating value in spite of a weak economy

Looking at the IPD All Property Returns for 2011, one might be forgiven for thinking that nothing much has happened in the property sector. Capital returns were low over the period, as was rental growth. Given that UK GDP growth across the same period was also negligible, it should not surprise us that the key property return indicators reflected a period of economic stagnation. The UK economy is seemingly bound hand and foot by global events, from the pressures within the eurozone, to the banking crisis across most of Europe, geopolitical tensions and rising commodity prices. To the extent that it has been able, the UK Government has responded with several rounds of quantitative easing, continuing the policy of maintaining minimal interest rates at a level to sustain both economic activity and asset values and of course reducing government expenditure to lower debt levels.

Within this environment, the challenge for our industry remains how value can be created. The course we set ourselves in 2009, before our first equity raise of £100 million in July of that year, was to create capital value by the selective acquisition of secondary assets which had the potential to be repositioned or redeveloped into prime or near-prime assets rather than purely collect income return. The equity raised has allowed us to engage in such an investment strategy within a market where the value of equity has been amplified by significant constraints on the banks’ ability to generate liquidity. For the most part, we have acquired these assets from third parties who, for one reason or another, are under financial pressure and/or lack the expertise to resolve progress on a particular asset or portfolio of assets. The severe economic downturn in our sector followed the pattern of previous cycles when the upswing in property values after the crash was led by prime real estate, with secondary real estate also improving in value but nowhere near to the same extent. Accordingly, the yield differential between secondary and prime property has widened considerably. This yield differential provides us with a generous margin within which to trade and effectively exploit the arbitrage opportunity that the market presents by transforming assets from secondary to prime. This is precisely where we have placed the majority of our new equity funds.

Our initial view was that it would take an average period of some three to four years to deliver a profitable exit from each of the new investments we had made and were likely to make. It was clear, therefore, that patience would be required before we would be able to deliver the full returns we were seeking. Nevertheless, for the period under review, some of the projects have already been brought to fruition. More will be delivered in the near-term with progress made across several projects to significantly advance their individual business plans. In recent months we have achieved planning success in six projects and in some instances, have also been able to secure the exit.

We have now invested in over 40 projects in a period of just over two years, an unprecedented deal flow for the business. This has enabled us to diversify specific asset risk, thus reducing our exposure to any one particular project.

At least 50.0 per cent of these acquisitions were secured to benefit from planning gain. In a weak economy, the process of granting planning consents continues almost regardless of the difficulties besetting the economy and surrounding circumstances. Indeed, one could argue that a recession or stagnation is positive for the planning process since it encourages local authorities to allow schemes to come forward more rapidly in order that appropriate regeneration, economic stimulation and job creation can occur. To date, this seems to have been the case on the schemes on which we are working.

The difficulties of the banking sector have been subject to much comment and there is still clearly a need for the banks operating in the UK to significantly reduce their exposure to real estate lending before they can consider any serious volume of new loan originations. Since early 2009, net new commercial property lending has been below zero and we anticipate this will continue for some years until total loan exposure to our sector has been significantly reduced from present levels. Whilst, against this trend, the Group has been able to raise new bank debt on our own balance sheet, we have given consideration to the extent that limited bank lending might impact on our property exit strategies.

Given that we are aiming to sell to prime or near-prime participants, we have focussed our investments in areas of relative wealth, prosperity and hence liquidity within the UK. An analysis of the assets acquired since July 2009 reveals a concentration in Greater London, the South East and South West of England, as well as Manchester. With regard to sectors, we have recognised the continuing demand for foodstores, retail schemes around foodstores, selected residential and student accommodation and, in certain locations, hotels.

A broad analysis of the planned disposals indicates that approximately one third is targeted at institutional investors, one third at housebuilders and one third at the wider investor market. The institutional purchasers require little or no bank leverage and the housebuilding sector is now benefiting from restructured balance sheets and fresh bank facilities urged on by Government policy. Even the final sector mentioned, the wider investor market, is willing to acquire good secondary assets sometimes with cash and sometimes with bank facilities, albeit at a significantly lower level of gearing than would have been achieved prior to 2007.

The strategy we have set ourselves cannot be pursued by all market participants, not only because it requires a significant level of development expertise, but also because it generally involves smaller rather than large-scale development. Accordingly, those substantial domestic and global real estate funds that are seeking further exposure to the real estate markets in the UK are unable to easily access this part of the marketplace. They are, however, willing to partner with real estate businesses, such as ourselves, who have the expertise, brand strength and transparency that a publicly listed company provides, as well as the local knowledge that goes with being a UK specific developer. We have already entered into a number of partnership agreements with real estate funds and would anticipate more being concluded in the medium-term.

As shareholders will be aware, the overwhelming majority of our recent transactions have been outside Central London. Whilst large-scale office development in the City and the West End has been an important part of our traditional business model, market conditions have now militated against such development opportunities. For one thing, the surge of overseas investment into Central London offices has driven values to a point at which it is difficult for us to justify development risk. Whilst we have noted the declining vacancy rates in both the City and the West End markets, our concern in the last few years has been that demand may be constrained by lack of GDP growth, the continuing uncertainty that attaches to the current European economy, further redundancies in the financial services sector and improved occupational efficiencies. These difficulties are now becoming more apparent and will ultimately need to be resolved before further major office development can prudently commence. Until then, pre-lets will be hard to come by, bank loans difficult to secure and equity reluctant to come forward to take the associated risks. In the meantime, it is our view that selected business districts in London, where there is a marked supply/demand imbalance with respect to prime office stock, will offer a more realistic opportunity for commercial office development. In Hammersmith, we recently broke ground at our 275,000 sq. ft. prime office development in partnership with Scottish Widows Investment Property Partnership Trust. Our next phase at PaddingtonCentral, of 140,000 sq. ft. net, is a similar opportunity, both in terms of size and location.

The current economic slowdown has significantly impacted the serviced office sector in the UK, where we are represented by Executive Communication Centres (ECC), our wholly owned subsidiary that operates out of seven locations across the UK. Its profitability has been squeezed considerably by the impact of declining short-term income on one hand and the fixed, longer-term nature of its own rental obligations to its various landlords on the other. Since recovery of its margins is likely to be a slow and uncertain process, we have made a £2.8 million provision this year for impairment of its fixed assets and the resultant onerous leases of certain of the properties from which ECC trades.

It is now likely that the real estate sector will find it challenging to demonstrate value gains in a low growth, largely sideways-moving economy, with the ever present threat that, at some stage, interest rates begin to rise thus potentially undermining an element of property value in the near- to medium-term. Our identified strategy of driving capital growth through real estate regeneration is starting to deliver its anticipated returns. We believe that this strategy, reliant as it is on development expertise and a unique access to complex parts of the market, will allow us to navigate these difficult times and emerge with significant value growth for our shareholders.

Michael Marx
Chief Executive
1st May 2012

Operating Review

“The main driver to value creation is change of use, which repositions real estate towards those sectors where demand persists”

Property

The UK commercial property market still lacks clear direction and is showing signs of slipping back into a further period of negative value growth. Of the two main drivers to property value growth, one has probably run its course and the other requires a more positive economic environment before it can begin to manifest itself. The first, declining interest rates, led to a period of sustained, very low gilt yields ushered in by quantitative easing. One of the effects of this was to sustain property values at a higher level than that to which they might otherwise have fallen. Interest rates are now effectively at their lowest possible level and any further rounds of quantitative easing are likely only to sustain rather than boost property values. It is likely that this period of low interest rates will continue for some time given the macroeconomic indicators of economic stagnation, rising unemployment, continued fiscal tightening and extended uncertainty over the economic outlook within the eurozone. The second main driver, rental growth, requires an expanding economy which is absent today and is likely to remain so for some time. In a number of sectors, rental growth is likely to be negative rather than positive in the near-term.

Retail sector

The dramatic slowdown in the UK economy and the decline in consumer spending has served to exacerbate the decline in our high streets. In addition, structural change is increasingly evident as a result of changing consumer habits, most notably the ever increasing rise of multi-channel retailing. Such widespread functional obsolescence is more apparent than it has ever been. A real challenge lies ahead for towns and cities to regenerate substantial areas of the high street that are unlikely ever again to return to vibrant retail activity. Town centre sales fell by 1.4 per cent in 2011, the fourth consecutive year that sales have declined and the fifth year that it has been the weakest performing sub-sector of the retail market. Growth is apparent within selected areas of the market: at one end of the spectrum, the luxury goods market and at the other end, value retailers. It is the mass market, middle ground where retailers are cutting back space and our investment flows reflect these trends.

The foodstore sector has shown the strongest demand for new development product as the major food retailers have staked their respective claims for increased market share. Whilst it is encouraging to identify a sub-sector that demonstrates some strength, clearly there will come a time when this trend abates. Indeed the recent indications from one or two of the major stores suggest that competition for sites has already reduced. Nonetheless, it is helpful that the main food retailing groups are financially strong, which makes them attractive as prime tenants for institutional investment and appropriate to lead development activity.

Office market

Outside Central London, the office market is also retrenching, reflecting the impact of reduced levels of economic activity and demand. Vacancy rates are by no means at their highest historic levels, but a sustained period of weak occupier demand has, in some instances, outweighed any perceived supply shortages. Central London is a possible exception to this since London has an outward facing role to the global economy as a leading business and financial centre. However, even here, demand is weak, especially within the financial services sector and there is not only a risk that new supply could be brought to the market somewhat prematurely but also that an expanding Canary Wharf will remain a competitive challenge, especially as Crossrail approaches completion in the medium-term. To a lesser extent, the office sector is also impacted by structural change evident throughout Western Europe as the population ages and the birth rate declines, with a consequent reduction in the size of the workforce. Within the office buildings, changes are occurring and will continue to occur regarding space utilisation. Effective headcount densities within the buildings will increase as more flexible workspace solutions are implemented in order to reduce costs, often on the back of increasing technological developments. Greater demand will be required to offset the diminution in space requirements from these factors. The present scenario for global economic activity does not bode well in that regard.

Large-scale office property development is traditionally a late cycle activity as demand increases on the back of economic growth and vacancy rates fall. Accordingly, at this early point in the property cycle, new office development is primarily restricted to Central London and even there is not without its risks.

Value creation

In response to this challenging scenario, the Group continues to chart a course between secondary and prime markets. If value gain cannot be generated by either rental growth or yield compression, it can only be found within the areas of intensive asset management, regeneration and redevelopment. Simply put, our main activity in the last two years has been to realise capital growth from properties that have been sourced by us in the secondary or tertiary markets and which we endeavour to reposition towards the prime or near-prime markets. In many instances, the main driver to value creation is change of use, which repositions real estate towards those sectors where demand persists. The more than 40 projects acquired since the date of our first equity raise cover a range of sectors and regions of the UK, with an emphasis on areas that have been least impacted by the economic downturn. Hence we have a heavier weighting on Greater London, the South, South East, South West and Manchester and a focus on foodstores, retail around foodstores, selected residential schemes, student accommodation, hotels and leisure. We have largely excluded the office, traditional high street and industrial sectors from this view.

Risk management

The number of assets that we are actively managing achieves risk diversification across a range of transactions rather than a concentration of value in one or two individual assets. This is a tactical move that mitigates our move up the risk curve as we seek higher returns. Where assets have been large, we have sought to bring in partners to provide risk equity, reducing our own exposure and improving our potential returns at the same time. This is yet another way in which risk is managed. Of course, the corollary to this is that our tasks are more management intensive in order to achieve our desired levels of returns.

We have selected the following five examples as short case studies of the activity within our portfolios:

Westminster Palace Gardens, London

This 46,000 sq. ft. period Grade II listed building was acquired in June 2010 for £10.1 million and comprised commercial, residential and retail space. Planning consent was secured to convert the majority of the office suites to residential. The residential units have been pre-sold for £20.6 million and are currently being converted into luxury flats with practical completion anticipated in Q2 2012. The residual office component was sold for £2.3 million in January 2012. The retail units and freehold are under offer at £1.3 million and £1.1 million respectively.

The Old Vinyl Factory, Hayes, Greater London

An 18-acre site purchased for £16.0 million in joint venture with Cathedral Group plc. The masterplan, currently under public consultation, proposes 1.5 million sq. ft. of mixed-use regeneration paying homage to the site's rich history (this was the former HQ of EMI) creating a vibrant new district in West London. Extensive works to reposition the site and integrate the changes proposed within the community are underway. Planning consent has been secured for the first phase, 132 new residential homes, and an 80.0 per cent stake has been sold in a shell office building for an initial receipt of £3.8 million, with further value expected from overage linked to this sale. www.theoldvinylfactory.com

Bexleyheath, Kent

A prominent retail parade located on the pedestrianised high street in Bexleyheath, Kent. The building provides retail units of between 4,500 – 39,500 sq. ft. arranged over three floors. During the period £1.2 million was invested in the asset, adding 17,000 sq. ft. of retail space for Primark Stores and achieving a rental uplift and a lease term extension to 25 years, which has resulted in a weighted average unexpired lease term across the asset of 18 years.

Wick Lane, London

Acquired in April 2012 for £15.7 million in joint venture with Canadian property investor Realstar Group. This currently vacant 112-unit live/work development benefits from an excellent location overlooking the Olympic Park. A planning application for private residential use has been submitted and the units will be refurbished and let to create a long-term residential investment.

328 Sandbanks Road, Dorset

A single residential property in the prime Sandbanks area was acquired in February 2011 for £5.0 million and planning consent was subsequently secured for its redevelopment into five luxury apartments. Works are currently underway with practical completion targeted for the beginning of Q3 2012. An early targeted marketing campaign has been launched with strong anticipated interest for these prime waterside apartments. www.three-two-eight.com

Included below is a matrix of current properties giving information as to scheme details and progress achieved to date.

This matrix is not all-inclusive and it is worth making reference to some of the other more significant projects within our portfolio. Information is included in the Operating Review after this matrix.

Matrix of Properties

Major development assets

Property	Property overview	Key activity	Progress made since 1st January 2011
Hammersmith Grove London	275,000 sq. ft. prime office development in West London	Forward-funded Under construction	• First phase 110,000 sq. ft. office space plus 6,000 sq. ft. of restaurants and cafes forward-funded by Scottish Widows Investment Partnership Property Trust • Construction underway with practical completion anticipated in Q2 2013
Two Kingdom Street London	235,000 sq. ft. prime office building within wider PaddingtonCentral development Tenants include AstraZeneca, Nokia and Rio Tinto	New lettings	• 26,000 sq. ft. let to Rio Tinto • 58,000 sq. ft. let to Nokia

Development and trading assets

Property	Property overview	Key activity	Progress made since 1st January 2011
Kensington Church Street London	Joint venture scheme with Brockton Capital 14 storey office block on one acre site in a prime London location. Acquired in June 2011 for £47.5 million. Includes surface parking for 55 cars and 13 retail units	Acquisition	• Site has a high degree of optionality and a site analysis study is close to completion
399 Edgware Road (formerly known as Colindale) London, NW9	7-acre mixed-use site in North West London Former site of Oriental City, an Asian retail and food centre	New lettings	• Pre-let secured with Morrisons for an 80,000 sq. ft. foodstore as part of wider mixed-use regeneration scheme • Working up revised planning application with submission anticipated during H2 2012 • Discussions ongoing with housebuilders over residential component
The MVMT Greenwich London	Scheme in partnership with Cathedral Group acquired September 2010 c.350,000 sq. ft. mixed-use development to include 181 residential apartments, 358 student apartments, hotel accommodation and new community facilities	Sales achieved	• Sale of residential component for £16.2 million to Willmott Dixon. • 106 bed hotel pre-let to Travelodge • Total revenue of £25.0 million generated into the partnership • Student accommodation under offer

Shepherds Bush London	Scheme in partnership with Orion Land & Leisure in order to facilitate the regeneration of the Shepherds Bush Market area Six-acre site running between Uxbridge Road and Goldhawk Road	Planning secured	• Outline planning consent secured for a mixed-use regeneration comprising a rejuvenated Shepherds Bush market at its core, up to 212 residential units, retail and leisure amenities and new public realm
Airport House Croydon	61,800 sq. ft. of office accommodation, 3,500 sq. ft. of conference rooms plus ancillary space acquired in July 2010	New lettings	• Occupancy rates and tenant quality significantly improved following extensive upgrades and refurbishments. Six per cent increase in occupancy and 24 per cent in net operating income since January 2011
Rembrandt House Watford	3.4-acre site comprising offices and industrial uses including four storey office building, Rembrandt House Acquired in January 2011	Planning secured	• Resolution to Grant Planning secured for redevelopment of site including refurbishment of Rembrandt House and development of 107 new residential units • Residential site under offer for sale
The Square, Hale Barns Cheshire	42,000 sq. ft. retail development including 30,000 sq. ft. foodstore anchor pre-leased to Booths and 24 residential apartments	Planning secured	• Improved original planning permission for redevelopment of retail centre and completed the S106 agreement • Start on site anticipated in Q4 2012
Ladybarn House Manchester	Joint venture scheme with Accrue Capital Limited Established 120-bed hall of residence adjacent to main campus of the University of Manchester Acquired in September 2011 for £6.4 million at an initial yield of 6.3 per cent	Acquisition	• Minor refurbishment undertaken prior to letting for 2011/12 academic year. Full occupancy secured • Reviewing comprehensive refurbishment options to maximise income and room mix to meet demand • Exploring the potential to extend the building by 20–30 rooms
Wick Site, Littlehampton West Sussex	Site of former Body Shop International Headquarters acquired in July 2010 for £7.6 million	Planning secured Sales achieved	• Secured planning consent for food-anchored retail scheme. • 47,500 sq. ft. foodstore pre-sold to Morrisons
Rock portfolio Various	Portfolio of properties bought for £23.2 million from administrators acting on behalf of Lloyds Banking Group Mixture of commercial, leisure and residential assets across the UK Acquired in October 2010	Sales achieved	• 39 per cent of portfolio by book value sold generating revenue of £17.2 million and profits of £3.8 million • Good progress made on individual business plans with planning secured on six assets • Further disposals in hand
Lawley Village Telford	4.5-acre urban development site to include 40,000 sq. ft. foodstore (pre-let to Morrisons), 15,700 sq. ft. retail units and 39 residential units	Forward-funded Under construction	• Morrisons unit forward-funded to a client of LaSalle Investment Management for £12.0 million • 1.1-acre plot sold to Sanctuary Group for development of an £8.0 million Extra Care facility • Remaining retail and residential units being speculatively developed
Eastgate Quarter Llanelli	100,000 sq. ft. edge of town leisure scheme plus offices, hotel and car park	New lettings Sales	• Construction underway with practical completion expected in Q4 2012

		achieved	• Currently 67 per cent let with a further seven per cent of space under offer. Pre-lets include Odeon, Travelodge and Carmarthenshire County Council
Stanground South Peterborough	New district centre with Morrisons foodstore anchor, additional retail units, community and leisure facilities. Adjacent to and will serve new 1,500-unit residential development	Sales achieved Under construction	• Retail parade reached practical completion in December 2011 • All six units have been let with three units open and trading

Investment assets

Property	Property overview	Key activity	Progress made since 1st January 2011

Manchester Arena Complex Manchester	Joint venture scheme with Patron Capital Largest indoor venue in Europe and second busiest venue in the world Acquired in June 2010		• Following the expiry of the previous naming rights deal, the contract is in the process of being re-tendered • Asset management initiatives include refurbishment of vacant office space and working with Network Rail regarding the refurbishment of Victoria Station to provide a new "front door" to the Arena Complex
The Furlong Shopping Centre Ringwood	85,000 sq. ft. food-anchored retail centre in an affluent catchment with few competing schemes Key tenants include Waitrose, Jaeger, Hobbs, Phase Eight, Joules, AGA, Boston Tea Party, Crew Clothing	New lettings	• Continued asset management initiatives to improve tenant mix • Waitrose rent review settled securing an uplift from £12.50 per sq. ft. to £19.50 per sq. ft. • 7,000 sq. ft. of new lettings across five units • Currently preparing a revised planning application for a 12,000 sq. ft. extension to the centre
Kingsland Shopping Centre, Thatcham	42,000 sq. ft. local shopping centre Key tenants include Waitrose, The Co-operative, Costa Coffee and Lloyds Pharmacy	New lettings	• Retail-led planning consent on the car park currently being renewed • Rent review of the Waitrose lease from a low base of £15.00 per sq. ft. in progress
Swanley Shopping Centre Kent	Town centre scheme benefitting from a 100,000 sq. ft. ASDA opposite (not in our ownership) Conveniently located off the M25/M20 motorways Key tenants include Wilkinson, Poundland, The Co-operative, Boots, Superdrug, Holland & Barrett	New lettings Planning secured	• Key lettings accomplished in 2011/12 to re-anchor the centre • Planning secured and 7,000 sq. ft. extension completed for Poundland. Planning for a further extension of 6,500 sq. ft. submitted
Atlantic Village Bideford	110,000 sq. ft. outlet scheme in popular tourist town anchored by ASDA (not in our ownership) Key tenants include Nike, M&S, Gap and Holland & Barrett	Planning secured New lettings	• Secured Resolution to Grant Planning for a further 104,000 sq. ft. of new retail space subject to S106 agreement • 22,400 sq. ft. of space let through tenant mix upgrades and lease renewals
Crown Glass Shopping Centre Nailsea	Local shopping centre in Bristol suburb anchored by Waitrose (not in our ownership) and a mixture of national multiple and local retailers Key tenants include WHSmith, JD Wetherspoon, HSBC and Boots	New lettings	• Continued improvement in tenant mix with two new lettings completed to WHSmith and HSBC • Refurbishment of office accommodation underway
Chorlton Cross Shopping Centre Manchester	Local shopping centre in Manchester suburb acquired in November 2011 for £9.0 million at a net initial yield of 8.1 per cent Includes retail units, office block and surface car parking	Acquisition	• £0.8 million of rental income added to the investment portfolio with potential for future redevelopment or refurbishment

Strategic partnerships

Property	Property overview	Key activity	Progress made since 1st January 2011
Hattersley Greater Manchester	Scheme in partnership with CTP c.100,000 sq. ft. foodstore pre-leased to Tesco plus 650 parking spaces	Forward-funded New lettings	• Forward-funding of development secured from Wolverhampton County Council Pension Fund • Practical completion anticipated in Q2 2012
Castle House Sheffield	Scheme in partnership with CTP 150,000 sq. ft. former Co-operative department store in good secondary pitch acquired in August 2011	Acquisition	• Acquired former Co-operative department store with leaseback on 12,000 sq. ft. to Co-operative • Undertaking refurbishment works and lease up strategy • Leasehold interest re-geared with Local Authority

Major Development Portfolio

At 10 Hammersmith Grove our building contractor, Wates Group, is making good progress and we expect to finish the building in the spring of 2013 at a moment of limited competition. If the building lets swiftly following completion, there is no reason why we should not roll straight into the development of the second phase, 12 Hammersmith Grove, comprising 160,000 sq. ft. offices with planning permission already granted.

The pace of letting at Two Kingdom Street has been disappointing, taking two years to get the building two thirds let at a rental tone that we considered acceptable. However, the quality of the tenant register is impeccable.

The letting process at St Bride Street, a 44,000 sq. ft. prime office accommodation, forward sold to Corpus Sireo, has been similarly extended, but we continue to apply ourselves to the task of letting the final two floors. No profit will arise to us from this activity.

Our hotel development at West Quay, Southampton, was successfully completed in the summer, and we received our profit payment from AMEC Pension Fund.

Turning to the future, we hope to start a further phase of offices at PaddingtonCentral, Four Kingdom Street, with planning consent for 140,000 sq. ft. of prime office accommodation. Our site in Slough, with planning consent for 385,000 sq. ft. of offices, is now cleared, ready to start and surrounded by impressive new public realm, but development in the current economic environment will only be triggered by a pre-let.

We were delighted to be appointed by Trinity Hall, Cambridge, as development manager for three of its sites on the Cambridge Science Park, immediately to the north of the city centre. It is Trinity Hall's intention to structure the funding for the development using its banking relationships, subject, of course, to occupier demand. The Cambridge occupier market has been an exception to the subdued rule and has been quite active. If we are able to secure the right level of occupier demand, we could find ourselves on site in Cambridge this year.

As to new business, we continue to seek out sites and opportunities, but only in prime locations. Bidding remains very competitive, to the point where returns to ourselves and our investors are too low to be attractive. Our outlook is cautious.

Development and trading Portfolio

At Cross Quarter, Abbey Wood in South East London, we are in detailed discussions with foodstore groups to anchor a mixed-use development. We would hope to secure an operator within the next three months following which a planning application can be submitted. To date, pre-application consultation with stakeholders has shown support of our proposals.

In Ilford, North East London, discussions are also in hand with a major food retailer and the site masterplan has now been completed, having benefited from positive engagement with the Local Authority.

The 82-bed care home development in Dartmouth, pre-let to European Care, is proceeding broadly on time and on budget, and is expected to reach practical completion in August 2012.

At the hotel in Braehead, operated by the Group under a management agreement with Campanile, trading has been below target, though remaining profitable. We are working with our partner and the manager to enhance performance and achieve our business plan.

At the Friarsgate Shopping Centre in Lichfield, the 395,000 sq. ft. retail led mixed-use scheme is now in an advanced stage of scheme design and, together with our partners, S Harrison Developments Limited, we are shortly to submit a revised planning application. Accordingly, we are now in a position to identify anchor tenant demand. Separately, the cinema is under offer by way of a pre-let. Retailer demand in the town is strong, as there is a level of under supply.

The retail element of HDD's local centre scheme at Bannerbrook was sold in December 2011 generating proceeds of £1.8 million. At the retail led 19-acre development in Buckshaw Village, five retail units have been pre-let and two plots have been sold allowing construction to commence in June 2012. At Bridgwater, the progress is similar with sufficient lettings now completed to secure development funding and start on site to take place later in the year. We have also now commenced on site at Tranmere, a local retail scheme in The Wirral, with 60.0 per cent pre-let to retailers including The Co-operative and funding secured from Santander.

Strategic partnerships

CTP

CTP, our associate company based in Manchester, has continued to recycle capital into new opportunities. In addition to progress at Hattersley, Greater Manchester and Castle House, Sheffield (referred to in the matrix of properties), the Company also completed the acquisition of its joint venture partner's share in three projects within the Yorkshire region and has already secured several lettings on vacant elements, adding value to the projects. CTP also continues to bid for new business in the Local Authority regeneration sector, an area where it has had significant success and has been selected by a Local Authority to bring forward an exciting town centre mixed-use project.

Beyond Green

In the summer, Beyond Green was disappointed to lose its planning appeal for the project in Tilehurst, West Berkshire. However, the Inspector's decision was positive in many areas and we have begun work with the planning authority and objectors to examine how a revised smaller scheme, that better reflects local environmental concerns, could be brought forward. In due course we anticipate submitting a fresh application for a reduced scheme benefiting from strong local support.

At the project in Broadland, north of Norwich, we remain on track to submit a planning application in summer 2012 for a mixed-use urban extension including around 3,500 homes. We have been encouraged by the receptive attitude of the local planning authority to a comprehensive scheme, positive stakeholder feedback on the design and sustainability principles adopted, and confirmation of Central Government funding for the Northern Distributor Road.

Barwood

Following the successful completion of two projects, where planning consent was obtained and the sites subsequently sold, the Group's loan of £2.3 million was repaid, together with a dividend of £0.3 million. The Group immediately reinvested £2.5 million into a new associate, Barwood Development Securities Ltd, which has itself entered into a long-term £15.0 million fund, as an investor alongside Aberdeen Asset Management, to secure and promote similar sites. The fund has already secured four projects and is hopeful of being fully invested during the course of 2012.

Renewable energy

During 2011, we entered into a joint venture arrangement with Njord Energy to secure and promote sites for medium sized wind farms. We view this sector very much in the same vein as strategic land promotion, being high risk but with limited capital exposure and high potential returns. To date £0.5 million has been committed, rising to a potential of £2.1 million in the event that selected projects mature. Five sites have been secured under promotion agreements and initial technical and planning analyses on all of the sites have been supportive of making detailed planning applications. These will be made later in the year and initial determinations should be forthcoming in 2013 at which point a decision will be made as to how to progress what will be consented sites in a marketplace short of such projects and very much still part of the Government's green agenda.

Investment Portfolio

We have continued with a profile of investments that focuses on both core defensive income and asset initiatives that will create value in the medium-term.

At 29th February 2012, the portfolio comprised 42 assets with a fair value of £237.9 million, increased from 37 assets with a fair value of £199.2 million at 31st December 2010.

The revaluation of the direct investment portfolio at 29th February 2012 showed a capital decrease of £4.7 million or 1.9 per cent. We were disappointed not to match the IPD Monthly Property Index return for the twelve months to 31st December 2011, but this was due in no small part to the strong contribution from Central London within the IPD Index return. Overall, our total return for this period was 4.2 per cent as against the IPD Index return of 8.7 per cent. Whilst our income return was higher by 0.7 per cent, our capital return was 4.2 per cent negative as against the Index. In the two months ended 29th February 2012, our total return was a negative 1.6 per cent as compared to a positive 0.6 per cent for the Index. Of the overall decline in values of £4.7 million for the 14 months to 29th February 2012, £2.3 million alone derived from the impact of the administration at Peacocks, which resulted in multiple store closures on 22nd February 2012. This was the first significant tenant failure within our portfolio in recent years, but has and will continue to be mitigated by the good location of the five properties involved. Indeed, at the time of writing, we estimate that approximately 50.0 per cent of the £2.3 million diminution in value has already been recaptured with two stores being retained by the Peacocks business and one store re-let to a superior covenant. The fourth store is very small and will be most probably re-let to a convenience store operator and the fifth is under offer to a national retailer, albeit at a reduced rent.

Had it not been for the demise of Peacocks, the portfolio returns would have been much closer to the IPD Index albeit still negatively impacted by the lack of Central London properties within the investment portfolio.

We continue our strategy of active management of our investment portfolio. During the period we have added 18 new lettings, representing 67,100 sq. ft. and rental income of £0.8 million. Vacant space now stands at only 11.4 per cent, 99,000 sq. ft, with an ERV of £1.0 million.

Top five occupiers as at 29th February 2012

	Annual rent £'m	% of contracted rent
Waitrose	1.82	13.22%
Primark Stores	0.49	3.53%
Martin McColl	0.47	3.42%
Sports World	0.46	3.31%
Brausch & Co	0.42	3.04%

Top five occupiers as at 31st December 2010

	Annual rent £'m	% of contracted rent
Waitrose	0.99	7.89%
Peacocks	0.65	5.18%
Sports World	0.45	3.59%
Brausch & Co	0.32	2.55%
HMV	0.32	2.55%

Top five occupiers as at 31st December 2009

	Annual rent £'m	% of contracted rent
Waitrose	0.99	8.56%
House of Fraser	0.98	8.48%
Peacocks	0.65	5.62%
Sports World	0.45	3.89%
Brausch & Co	0.32	2.77%

Investment property – key statistics

Investment Property – key statistics

	Portfolio value £m	Contracted rent £m	Number of assets held at 29th February/ 31st December	New lettings in period £m/sq.ft.	Initial yield in period %	Equivalent yield %	Voids (excluding developable land) %	Rate of rental collections within 30 days %
29th February 2012	**237.90**	**13.74**	**42**	**£0.80m/67,100 sq.ft.**	**7.27**	**7.54**	**11.43**	**95.28**
31st December 2010	199.24	12.54	37	£1.29m/101,067 sq.ft.	6.12	7.32	7.97	92.33
31st December 2009	181.04	11.56	33	£1.26m/98,975 sq.ft.	6.82	8.07	7.54	91.88

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

	Property owned throughout the period £'000	Acquisitions £'000	Disposals £'000	Transfers £'000	Total rental income £'000
	14-month period ended 29th February 2012				
Investment	**11,583**	**3,942**	**77**	**1,326**	**16,928**
Development and trading	**1,591**	**3,495**	**316**	**(1,326)**	**4,076**
Joint ventures	**—**	**2,800**	**—**	**—**	**2,800**
	13,174	**10,237**	**393**	**—**	**23,804**
	Year ended 31st December 2010				
Investment	10,058	1,428	1,265	—	12,751
Development and trading	1,313	1,057	69	—	2,439
Joint ventures	—	925	—	—	925
	11,371	3,410	1,334	—	16,115

Completed Investment Portfolio – 29th February 2012

Gross rental income	*Tenant profile*
PLC/Nationals	63.4%
Local Traders	17.9%
Regional Multiples	14.4%
FTSE 100	3.0%
Government	1.3%

Capital value	*Location profile*
South East	43.6%
South West	19.0%
North	13.2%
Wales	10.4%
London	9.8%
Midlands	4.0%

Gross rental income	*Lease term profile*
0 – < 5 years	33.5%
5 – < 10 years	37.3%
10 – < 15 years	12.1%
15 – < 20 years	8.8%
20 years +	8.3%

Capital value	*Sector analysis*
Retail	71.6%
Industrial	12.6%
Mixed	7.9%
Office	6.6%
Residential	1.3%

Financial Review

"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."

The typical sources and models for property finance seem to be at a point of change. The banks are slowly but resolutely reducing their commitment to the sector, with most restricting their appetite, and several withdrawing altogether. Net lending to UK commercial real estate has been negative in all but two quarters since April 2009. Current and prospective regulatory requirements around risk classification and capital allocation will surely exacerbate this trend, as well as driving up cost to the borrower. On the demand side, a significant proportion of the total outstanding debt to the sector of £217 billion (as at 31st January 2012) is due for repayment or refinancing by the end of 2013. To this can be added the looming maturities of some of the £47 billion of outstanding Commercial mortgage backed securities (CMBS).

We therefore face an increasing need for debt in a market where supply will be progressively constrained. This prompts a strong focus on certainty of funding, with term probably even more important than cost, and emphasises the importance of our relationships with a number of stable institutions who demonstrate long-term commitment to our marketplace and to the Group.

During 2011 we were pleased to secure two major refinancing transactions, drawing £22.5 million and £37.9 million respectively from Aviva Commercial Finance and Lloyds Banking Group, both key long-term lenders to the Group. As at 29th February 2012, our weighted average maturity was 9.4 years (8.4 years including our share of joint ventures), compared with 9.1 years as at 31st December 2010 (8.5 years including share of joint ventures). Within this average, it is important to note that we have decreased the proportion of loans maturing within four years.

We also continue to deploy partner equity at the project level, thereby extending our own equity and leveraging our expertise. Since our last year-end we have invested alongside some £24.1 million of partner capital, including £18.6 million provided by Brockton Capital at Kensington Church Street.

Following the two share issues in July 2009 and July 2010, we have been highly active in deploying the proceeds into the market. Our cash resource provides advantages of speed and certainty and enhances our ability to transact, in particular with the banks' lending timetable now typically extended by risk-averse credit approval and legal processes. Between summer 2009 and summer 2011 we executed a number of deals from equity, refinancing with debt after completion. In the second half of 2011, as economic storm clouds gathered over Europe, and in particular as uncertainty mounted over liquidity in its banking sector, we moderated that approach and currently complete transactions only when our financing is secure.

As at 29th February 2012 we had invested £157.4 million of equity in 46 projects since July 2009, representing acquisitions of £372.7 million, including partner capital of £33.2 million and debt of £182.1 million. Since the period-end this figure has risen to equity investment of £163.4 million and 48 projects, with a total acquisition cost of £397.4 million.

Consequently the Group's gearing, including share of joint ventures, has increased to a more efficient level of 58.9 per cent as at 29th February 2012, compared with 27.7 per cent as at 31st December 2010. If joint ventures are excluded, the figures are 48.8 per cent as at 29th February 2012 and 21.4 per cent as at 31st December 2010. We target a level of between 50 and 60 per cent as an efficient operating level for the business.

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 increasing importance of the development and trading portfolios to our business model increases 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 its risk in 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. We have also arranged facilities with new lenders during the period, increasing our access to finance in a constrained market. During the 14-month period to 29th February 2012, we raised new facilities totalling £118.8 million, including £39.7 million of new facilities raised by joint ventures.

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 the period end the Group had £50.2 million of cash held across nine banks.

Current bank facilities and borrowings
The Group's bank facilities are set out in the table below. As at 29th February 2012, the value of the Group's gross borrowings was £203.1 million (31st December 2010: £175.5 million). Cash balances were £50.2 million (31st December 2010: £104.1 million), including amounts of £14.6 million held as restricted deposits, giving net debt of £152.9 million and gearing of 48.8 per cent (31st December 2010: £71.4 million and 21.4 per cent).

The Group's share of net debt in joint ventures was £31.5 million (31st December 2010: £20.8 million); if this is aggregated with Group balances, net debt rises to £184.4 million and gearing to 58.9 per cent (31st December 2010: £92.2 million and 27.7 per cent).

During the 14-month period, the Group has drawn new facilities of £79.1 million, of which £37.9 million was applied to refinance existing loans and £41.2 million represented new debt.

In addition to the loans of £37.9 million from Lloyds Banking Group and £22.5 million from Aviva Commercial Finance, the Group arranged finance of £6.0 million from Royal Bank of Scotland (RBS) and £7.2 million from The Co-operative Bank secured against investment assets. We also obtained development finance of £2.5 million from RBS in respect of the project at 328 Sandbanks Road, Dorset, and a further £3.0 million from Investec Bank in respect of the acquisition of Valentines House, Ilford.

In respect of projects held in joint venture, we borrowed £26.0 million from RBS for the acquisition of Newcombe House, Kensington Church Street. We also drew £9.1 million from HSBC in respect of The Old Vinyl Factory, Hayes, and £4.6 million from The Co-operative Bank for the purchase of the Manchester student accommodation.

In addition to the amounts repaid through refinancing, the Group repaid a further £18.7 million, principally representing sales proceeds from the Rock portfolio and Westminster Palace Gardens.

Committed facilities as at 1st May 2012 total £204.1 million, with a weighted average term of 9.0 years (falling to 8.0 years including the Group's share of joint ventures). Unutilised facilities are £9.9 million.

Within the portfolio the earliest maturity date is June 2012, in respect of the Westminster Palace Gardens project. This asset has been forward sold to a purchaser who is paying for the units as they are delivered. Subject to this counterparty risk, the loan is anticipated to be repaid in advance of its term. Should there be a change to this plan the Directors do not anticipate difficulty in extending this small facility, held with a key relationship bank, to cover any delay. The loan of £2.5 million in respect of 328 Sandbanks Road, Dorset is due for repayment by February 2013. The Directors anticipate that this will be repaid from sales of the apartments during 2012. No other facilities fall due within the next twelve months. The earliest maturity in respect of facilities financing longer-term assets is June 2013.

					Principal financial covenants			
Facility type	Total facility £'000	Utilised as at 29th Feb £'000	Interest rate	Maturity	Loan to value ratio	Interest cover ratio	Minimum net worth £'000	Notes 1
Loans financing longer-term assets								
Term loan	47,500	46,255	Hedged	16-Jun-13	65%	160%	—	4
Term loan	3,000	3,000	Variable	08-Jul-14	—	—	—	
Term loan	5,669	5,638	Hedged	24-Nov-14	60%	150%	—	
Term loan	1,531	1,522	Hedged	24-Nov-14	60%	150%	—	
Term loan	6,200	6,200	Variable	12-Jul-15	80%	—	—	
Term loan	4,500	4,437	Hedged	06-Oct-15	60%	200%	100,000	
Term loan	1,500	1,500	Hedged	06-Oct-15	80%	110%	100,000	
Revolving credit	38,000	37,913	Hedged	16-Dec-16	70%	105%	—	
Term loan	57,565	56,128	Fixed	12-Mar-25	80%	110%	—	
Term loan	22,470	22,176	Fixed	12-Mar-25	80%	110%	—	
Loan notes	32,844	32,844†	Hedged	25-Oct-27	—	—	100,000	2
Debenture	20,000	20,000	Fixed	06-Jan-16	66%	—	—	
Loans financing development and trading assets								
Term loan	6,565	4,682	Hedged	25-Jun-12	65%	—	100,000	
Revolving credit	2,500	2,110	Variable	20-Sep-12	50%	150%	—	4
Term loan	5,355	2,539	Variable	04-Feb-13	45%	—	—	
Term loan	15,296	353	Hedged	28-Oct-13	65%	160%	—	
Term loan	7,000	7,000	Hedged	30-Mar-14	50%	150%	—	4
Term loan	6,750	—	Variable	02-Jun-14	60%	—	—	
Term loan	26,000	25,490	Hedged	23-Jun-14	60%	125%	100,000	4
Term loan	15,610	15,610	Variable	06-May-15	65%	—	100,000	3,4
Term loan	4,550	4,528	Variable	18-Sep-26	65%	150%	—	4
Revolving credit	3,455	—	Hedged	24 mths from draw	50%	—	100,000	

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 (29th February and 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. The loan to value ratio covenant is only testable after the third anniversary of the loan being refinanced (May 2013).

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

† Represents the amount of the Group's liability in Sterling taking account of the hedging instrument.

The £15.6 million bank loan to the Curzon Park Limited joint venture matures in May 2015, and the Group is keeping this under review, whilst monitoring the prospects for the asset itself. The loan-to-value covenant is scheduled to be measured in May 2013, which is expected to generate a partial repayment of the loan. The Group is currently in discussions with its joint venture partner and the bank to agree the approach to this exercise.

The loan of £46.3 million to the Manchester Arena Complex joint venture matures in June 2013, and the Group is currently negotiating with the lenders for an extension to this facility.

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.

Interest rate risk and hedging

As at 29th February 2012, the summary of the Group's interest rate exposure was as follows:

	Excluding share of joint ventures %	Including share of joint ventures %
Fixed rate	49.4	42.1
Floating rate, swapped into fixed	41.5	42.6
Floating rate with cap	3.2	9.3
Floating rate	5.9	6.0

The weighted average interest rate payable was 6.0 per cent, 5.7 per cent including joint ventures.

As noted in the table in note 12(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.

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 hedging 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. The effects of these fair value adjustments in the 14 months ended 29th February 2012 are set out in note 12(c).

Other financial instrument risks

Development and trading portfolios

The principal financial instrument risks in these assets are the credit risk in 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 and throughout the execution period.

As at 29th February 2012, 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 period-end was valued at £5.0 million (31st December 2010: £5.0 million), as described in note 12(a). The Directors are satisfied that the combination of the Group's risk-averse approach to development funding, its cautious 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. The Group maintains the portfolio under continuous 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.

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 15.

The financial instrument risks in respect of projects in partnership are 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
Contingent liabilities are described in note 14. The Directors ensure that these 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, which is 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 29th February 2012.

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 Statement 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. Note 12 to the financial information gives further information about the Group's financial instruments and hedging activities.

The Group has considerable financial resources. The Directors maintain a risk-averse capital structure, with gearing ideally in the range of 50-60 per cent and long average debt maturities, and with borrowings spread across a number of lenders. The Group continues to enjoy access to bank finance, as demonstrated by loans arranged during the period and further activity to date. 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, as demonstrated by the recent failure of Peacocks, at the time the Group's second largest tenant by rental income. 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 period and movement in net asset value
Total comprehensive income for the 14 months ended 29th February 2012 was a loss of £15.4 million (31st December 2010: £0.7 million loss). After dividend payments of £5.9 million and a change in minority interest of £1.4 million, net asset value reduced by £19.9 million to £313.2 million (31st December 2010: £333.1 million), representing a fall of 16.0 pence per share to 256 pence per share (31st December 2010: 272 pence per share).

The movement in net asset value may be analysed as follows. Excluding revaluation movements and the exceptional provision, profit before interest and taxation for the 14 months was £7.5 million (31st December 2010: £3.8 million). Net interest costs for the period were £10.1 million (31st December 2010: £10.0 million), aggregating to a realised loss for the 14 months of £2.6 million, reduced from the 31st December 2010 figure of £6.2 million loss. This result was increased by three fair value losses, being the exceptional provision in respect of the serviced office business of £2.8 million (31st December 2010: £nil), property revaluations of £4.4 million (31st December 2010: credit of £8.5 million), and revaluations of swap instruments of £4.8 million (31st December 2010: £2.8 million loss). Dividends paid were £5.9 million (31st December 2010: £3.9 million).

In the following analysis, all percentage movements are expressed after adjusting for the additional two months in the current reporting period.

Net rental income

Gross rental income from our investment portfolio increased to £16.9 million, compared with £12.8 million for the year ended 31st December 2010. Part of this increase reflected the inclusion of £1.3 million from Weeke Local Centre, Winchester, which in the prior year represented £1.1 million in the development and trading portfolio. Adjusting for the transfer of Winchester to the investment portfolio (and for the 14-month period), this represents an increase of 4.8 per cent over the prior year. The increase was achieved through rent from new acquisitions of £1.0 million. Direct costs were £3.7 million, giving net rental income from the investment portfolio of £13.2 million, an increase of 11.4 per cent from 2010.

Our annual rent from five Peacocks stores aggregated to £0.7 million. We suffered no loss of rent in the period, and are pleased to have retained the brand in the two largest stores, generating £0.2 million per annum. We have assigned one further lease of £0.1 million per annum, and are in negotiations to re-let the final two stores. Bad debts in the investment portfolio were restricted to £0.1 million in the 14-month period, and our void rate as at 29th February was 11.4 per cent (including 1.6 per cent in respect of the Peacocks stores), compared with 8.0 per cent as at 31st December 2010.

The Group also earned net rental income of £1.9 million from the development and trading portfolio, equivalent to the amount generated in the prior year.

Development and trading profits

Profits from development and trading increased to £8.5 million from £5.5 million in the year ended 31st December 2010. The principal projects were the residential and retail sales at Westminster Palace Gardens, which contributed £2.4 million in the period, and seven disposals from the Rock portfolio, which produced profits of £3.8 million, together with £0.7 million from the completion of the hotel at Southampton.

Operating costs

Operating costs of £14.8 million for the 14-month period were slightly below the equivalent figure of £12.9 million for the twelve months ended 31st December 2010. Within this total, staff costs were £8.8 million, equivalent to the prior year.

Exceptional impairment and provision for serviced office segment

The Group's serviced office business has made operating losses for several periods, in very difficult market conditions. Aggressive price discounting by competitors over an extended period has forced the Group to accept lower occupancy levels and reduced licence fees. The business continues to make a positive contribution to its committed, fixed costs, but certain centres are expected to continue to generate losses into the future. Consequently the Directors have determined that the fixed assets of five of the seven centres are impaired, and have made provision of £1.6 million for such impairment. In addition, four of the centres are not expected to cover all of their committed rental costs, and a further provision of £1.2 million has been made in this regard, aggregating to an exceptional charge of £2.8 million.

Net finance costs

Finance costs for the 14-month period were £13.2 million, broadly equivalent to the corresponding amount for the prior year. However the total for 2010 included a cost of £0.8 million in respect of the termination of two interest rate swaps. The higher interest charge for the reporting period reflected higher average loan balances and an increased proportion of fixed rate loans.

Finance costs include a charge of £0.5 million in respect of the fair value of interest rate swap instruments, as medium-term interest rates ended the period close to their lowest points, leaving our fixed rate hedging arrangements out of the money. In addition a similar charge of £4.3 million was included in Other comprehensive income, in respect of the interest leg of the currency and interest rate swap relating to the €47 million 2027 Unsecured Subordinated Loan Notes (see note 12(c)).

Investment portfolio

The investment property portfolio increased from £199.2 million at the beginning of the period to £237.9 million at 29th February 2012. New acquisitions of £20.2 million include Colston Tower, Bristol at £7.6 million in June and, in November, the Chorlton Cross Shopping Centre at £9.0 million, along with the Vicus Building in Manchester at £1.5 million. Improvements of £3.2 million included works across a number of assets, notably £0.9 million in respect of Swanley Shopping Centre.

The Directors have also transferred Weeke Local Centre, Winchester from the development and trading portfolio to the investment portfolio. The centre was developed for sale over 2008-2010, and letting of the final units was completed in 2011. The Group has received a number of offers to sell the centre, but the Board has decided instead to retain the asset for its income and capital growth potential. The carrying value of the asset at time of transfer was £20.0 million, which following further capital expenditure of £0.4 million has been increased as at 29th February 2012 to its fair value of £21.4 million, in accordance with IAS 40.

Further details of acquisitions, disposals and valuation movements are set out in note 7 to the financial information, and further analyses of the management and performance of the portfolio are given in the Operating Review.

Inventory – development and trading properties

We have now invested close to 90 per cent of the net proceeds of the equity raises in 2009 and 2010 in projects with potential for redevelopment. The table below analyses this investment between the principal balance sheet categories (with shares held in partnership allocated to their relevant categories).

Gross acquisition cost including development expenditure to date £'m	DS Equity to date £'m	Investment properties as at 29th February 2012 £'m	Development and trading properties as at 29th February 2012 £'m
397.4	163.4	95.4	157.0

Whilst the investment properties are carried at fair value, the majority of our acquisitions are held as development and trading assets, which are stated at the lower of cost and net realisable value, with no uplift recognised until the asset is sold. As set out in the Operating Review, we are making progress with our plans for these assets, which, as indicated when we raised the new equity, we expect to take three to four years on average. To date we have sold assets with a gross purchase cost of £47.9 million, reporting profits of £9.7 million; the continuing projects represent circa £157 million of the Group's inventory (including shares of assets in partnership) as at 29th February 2012. We anticipate that the rate of recycling these projects will accelerate in the years ending 28th February 2013 and 2014.

Inventory also includes some £42 million of "legacy" assets, whose original plans predate the market crisis of 2008, and which were disrupted by that event. We are making good progress on several of these, notably 399 Edgware Road, London NW9 (formerly known as Colindale), which represents by some way the largest of these projects.

Associates and Joint ventures

Reflecting our strategy of working with partners, investments in associates and joint ventures has increased during the period. The Group's interests in projects in partnership are structured in several ways, resulting in a number of different accounting categorisations. Note 15 summarises the position.

The current carrying values of associates and joint ventures are analysed in note 8. Notable additions to joint ventures in the period include a 24.0 per cent share of Notting Hill (Guernsey Holdco) Limited, which acquired the office and retail asset at Kensington Church Street, London for £47.5 million, with bank debt of £26.0 million; in addition we took a 50.0 per cent interest in Purplexed LLP, established to develop The Old Vinyl Factory, Hayes, which was acquired for £16.0 million, with bank debt of £9.1 million.

The Group's share of joint ventures is reported at the net asset level, as prescribed by accounting standards. The net figure of £26.6 million includes shares of investment property of £23.1 million (stated at fair value), shares inventory of £27.0 million (stated at lower of cost and net realisable value), and shares of bank debt of £26.8 million (all figures excluding the Group's share of Curzon Park Limited).

The Group's share of the net assets of Curzon Park Limited was written down to £nil in 2008. As at 29th February 2012, the Group has a debtor due from the joint venture of £5.0 million, held within Financial assets (note 12(a)), and has provided a guarantee for its share of the joint venture's bank loan of £15.6 million, as noted within contingent liabilities. The current status of the project is described in note 8(b).

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 14 months ended 29th February 2012, Sterling strengthened against the Euro, decreasing the Sterling liability of the loan by £1.0 million to £39.3 million, and reducing the fair value of the currency and interest rate swap by a similar amount. The continuing softening of long-term EURIBOR interest rates over the period caused a further reduction in the value of the instrument, such that its total fair value declined to a liability of £1.9 million as at 29th February 2012, compared with an asset of £3.3 million at 31st December 2010. Other interest rate swaps were fair valued at a liability of £0.5 million.

Other financial assets

Other financial assets include the Group's participation in the third phase of PaddingtonCentral, which has been revalued by the Directors at £5.0 million (unchanged from the previous year), together with loans to a number of joint operations and associate companies. During the period the Group advanced a further £4.7 million to CTP, which, together with accrued interest of £1.3 million, took the total investment in the group to £21.5 million. The loan to Orion Shepherds Bush Limited in respect of Shepherds Bush was increased by £2.1 million to £2.5 million. A further £0.7 million was lent to Cathedral Group in respect of The MVMT, Greenwich, taking the total to £2.2 million. As described in the Operating review, the loan to Barwood, which stood at £1.2 million as at 31st December 2010, was repaid during the period, and immediately reinvested in the new associate, Barwood Development Securities Limited.

Cash and borrowings

Details of the Group’s borrowings and cash management are set out in note 12(b) and in the Financial Review.

		29th February 2012	31st December 2010
Net debt and gearing			
Gross debt	£m	**(203.1)**	(175.5)
Cash and cash equivalents	£m	**50.2**	104.1
Net debt	£m	**(152.9)**	(71.4)
Net assets	£m	**313.2**	333.1
Gearing	%	**48.8**	21.4
Share of net debt in joint ventures	£m	**(31.5)**	(20.8)
Gearing including joint ventures	%	**58.9**	27.7
Adjusted gearing	%	**40.1**	12.7

The gross debt figure includes the €47 million 2027 Unsecured Subordinated Loan Note facility, stated in Sterling at the current fair value of £39.3 million (31st December 2010: £40.3 million), and ignoring the hedging instrument. If these long term loan notes are removed from borrowings, gearing falls to 40.1 per cent. This is calculated by deducting from net debt the current fair value of £39.3 million (31st December 2010: £40.3 million) and adding back relevant restricted cash balances of £11.0 million (31st December 2010: £10.1 million) and transaction costs of £1.0 million (31st December 2010: £1.1 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 partnership), was 37.0 per cent.

Taxation

The net current tax charge in the Statement of comprehensive income was £0.8 million principally in respect of non-resident landlord income. The Group has significant potential deferred tax asset balances, but the Directors have restricted recognition to the amount of corresponding deferred tax liabilities, as uncertain market conditions do not offer sufficient probability of profits in the foreseeable future within the terms of IAS12.

Dividends

The Board will recommend to shareholders at the Annual General Meeting on 28th August 2012 a final dividend of 3.2 pence per share (2010: 2.4 pence per share) to be paid on 26th October 2012 to shareholders on the register on 28th September 2012. This final dividend, amounting to £3.9 million, has not been included as a liability at 29th February 2012, in accordance with IFRS. The total dividend for the 14-month period will be 5.6 pence per share, equivalent to the rate of 4.8 pence per share for the year 2010.

(Loss)/earnings per share

Basic and diluted earnings per share for the 14-month period represented a loss of 10.3 pence (31st December 2010: earnings of 1.7 pence). After removing the unrealised revaluation of the investment portfolio and the gain on the disposal of trading properties and impairment of development and trading properties, the EPRA adjusted loss per share was 8.2 pence (31st December 2010: loss of 11.8 pence).

Performance measures

Key performance indicators are set out below:

		29th February 2012	31st December 2010
Net asset value movement	%	**(6.0)**	36.5
Gearing	%	**48.8**	21.4
Investment property portfolio return as reported under IPD*	%	**4.2**	15.2
Total shareholder return	%	**(25.4)**	(32.8)

*IPD monthly return reported for the 14-month period to 29th February 2012. IPD quarterly return quoted for the 12 months to 31st December 2010.

Consolidated Statement of Comprehensive Income

For the 14-month period ended 29th February 2012

	Notes	**14-month period ended 29th February 2012 £'000**	Year ended 31st December 2010 £'000
Revenue	2	**80,028**	44,432
Direct costs	2	**(59,653)**	(31,058)
Gross profit	2	**20,375**	13,374
Operating costs	2	**(14,791)**	(12,907)
Gain on disposal of investment properties	2	**211**	313
(Loss)/gain on revaluation of property portfolio		**(4,772)**	8,769
Operating profit		**1,023**	9,549
Other income		**750**	186
Exceptional impairment and provision for serviced office segment	2	**(2,845)**	—
Share of post-tax profits of joint ventures and associates		**1,577**	2,914
Loss on sale of other fixed assets		**(28)**	(32)
Profit before interest and income tax		**477**	12,617
Finance income	4(a)	**2,571**	1,542
Finance costs	4(b)	**(13,215)**	(11,510)
(Loss)/profit before income tax		**(10,167)**	2,649
Income tax		**(1,879)**	(971)
(Loss)/profit after income tax		**(12,046)**	1,678
(Loss)/profit attributable to:			
Owners of the parent		**(12,592)**	1,678
Non-controlling interest		**546**	—
		(12,046)	1,678
Other comprehensive income			
(Loss)/profit for the period		**(12,046)**	1,678
Loss on revaluation of operating property		**(127)**	(310)
Loss on valuation of cross-currency interest rate swap	12(c)	**(4,268)**	(2,819)
Deferred income tax credit		**1,067**	761
Total comprehensive income for the period		**(15,374)**	(690)
Attributable to:			
Owners of the parent		**(15,920)**	(690)
Non-controlling interest		**546**	—
		(15,374)	(690)
Basic (loss)/earnings per share attributable to the parent*	6	**(10.3)p**	1.7p
Diluted (loss)/earnings per share attributable to the parent *	6	**(10.3)p**	1.7p

*Adjusted earnings per share from continuing activities is given in note 6.

Consolidated Balance Sheet

As at 29th February 2012

	Notes	29th February 2012 £'000	29th February 2012 £'000	31st December 2010 £'000	31st December 2010 £'000
Non-current assets					
Direct real estate interests					
Investment properties	7	**237,899**		199,237	
Operating property		**900**		1,190	
Trade and other receivables	10(a)	**4,265**		2,861	
			243,064		203,288
Indirect real estate interests					
Investments in associates	8	**4,276**		1,944	
Investments in joint ventures	8	**26,568**		9,718	
Intangible assets – goodwill		**1,268**		1,268	
Development participation rights	12(a)	**5,000**		5,000	
Loans to joint operations	12(a)	**20,921**		13,726	
Loans to other real estate businesses	12(a)	**8,614**		8,514	
			66,647		40,170
Other non-current assets					
Other plant and equipment		**3,446**		4,838	
Deferred income tax assets		**3,241**		5,507	
Derivative financial instruments	12(c)	**—**		3,308	
			6,687		13,653
Total non-current assets			**316,398**		257,111
Current assets					
Inventory – development and trading properties	9	**155,193**		157,683	
Other financial assets	12(a)	**1,700**		467	
Trade and other receivables	10(b)	**28,824**		25,780	
Monies held in restricted accounts and deposits		**14,595**		26,996	
Cash and cash equivalents		**35,585**		77,114	
			235,897		288,040
Total assets			**552,295**		545,151
Current liabilities					
Trade and other payables	11(a)	**(26,460)**		(24,327)	
Current income tax liabilities		**(1,143)**		(660)	
Borrowings	12(b)	**(9,879)**		(523)	
Provisions for other liabilities and charges	11(b)	**—**		(3,624)	
			(37,482)		(29,134)
Non-current liabilities					
Borrowings	12(b)	**(193,177)**		(174,976)	
Derivative financial instruments	12(c)	**(2,469)**		—	
Deferred income tax liabilities		**(3,241)**		(5,507)	
Provisions for other liabilities and charges	11(b)	**(2,684)**		(2,427)	
			(201,571)		(182,910)
Total liabilities			**(239,053)**		(212,044)
Net assets			**313,242**		333,107
Equity					
Share capital		**61,176**		61,176	
Share premium		**103,961**		103,961	
Other reserves		**40,063**		43,391	
Retained earnings		**106,134**		124,579	
Equity attributable to the owners of the parent			**311,334**		333,107
Non-controlling interests			**1,908**		—
Total equity			**313,242**		333,107
Basic/diluted net assets per share attributable to owners of the parent	6		**254p/254p**		272p/272p
Basic net assets per share based on total net assets	6		**256p**		272p

Consolidated Statement of Changes in Equity

For the 14-month period ended 29th February 2012

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total £'000
At 1st January 2010		41,128	103,961	45,759	53,171	244,019	—	244,019
Profit for the year ended 31st December 2010		—	—	—	1,678	1,678	—	1,678
Other comprehensive income:								
— Loss on revaluation of operating properties		—	—	(310)	—	(310)	—	(310)
— Loss on valuation of cross-currency interest rate swap	12(c)	—	—	(4,171)	—	(4,171)	—	(4,171)
— Exchange gain on valuation of cross-currency interest rate swap	12(c)	—	—	1,352	—	1,352	—	1,352
— Deferred income tax credited directly to equity		—	—	761	—	761	—	761
Total comprehensive income for the year ended 31st December 2010		—	—	(2,368)	1,678	(690)	—	(690)
Net proceeds of issue of new shares		20,048	—	—	73,678	93,726	—	93,726
Final dividend relating to 2009	5	—	—	—	(1,974)	(1,974)	—	(1,974)
Interim dividend relating to 2010	5	—	—	—	(1,974)	(1,974)	—	(1,974)
Total contributions by and distributions to owners of the Company		20,048	—	—	69,730	89,778	—	89,778
Balance at 31st December 2010		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 properties		—	—	(127)	—	(127)	—	(127)
— Loss on valuation of cross-currency interest rate swap	12(c)	—	—	(5,227)	—	(5,227)	—	(5,227)
— Exchange gain on valuation of cross-currency interest rate swap	12(c)	—	—	959	—	959	—	959
— Deferred income tax credited directly to equity		—	—	1,067	—	1,067	—	1,067
Total comprehensive 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	5	—	—	—	(2,937)	(2,937)	—	(2,937)
Interim dividend relating to 2012	5	—	—	—	(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**

Consolidated Cash Flow Statement

For the 14-month period ended 29th February 2012

	Notes	**29th February 2012 £'000**	31st December 2010 £'000
Cash flows from operating activities	13	**(18,852)**	(69,805)
Cash used in operations			
Interest paid		**(12,341)**	(13,831)
Income tax paid		**(329)**	(867)
Net cash used in operating activities		**(31,522)**	(84,503)
Cash flows from investing activities			
Interest received		**978**	1,065
Proceeds on disposal of plant and equipment		**33**	200
Proceeds on disposal of investment properties		**262**	25,005
Purchase of plant and equipment		**(1,177)**	(1,479)
Purchase of investment properties		**(22,244)**	(34,124)
Cash outflow to joint ventures and associates		**(16,855)**	(7,062)
Purchase of subsidiary, net of cash acquired		**—**	(1,574)
Investment in financial assets		**(8,669)**	(11,770)
Cash inflow from financial assets		**2,278**	—
Net cash used in investing activities		**(45,394)**	(29,739)
Cash flows from financing activities			
Dividends paid		**(5,874)**	(3,948)
Issue of new shares (net of transaction costs)		**—**	93,726
Repayments of borrowings		**(18,658)**	(48,289)
New bank loans raised (net of transaction costs)		**46,273**	95,661
Equity investment from non-controlling interests		**1,000**	—
Decrease/(increase) in monies held in restricted accounts and deposits		**12,401**	(9,620)
Net cash from financing activities		**35,142**	127,530
Net (decrease)/increase in cash and cash equivalents		**(41,774)**	13,288
Cash and cash equivalents at the beginning of the period		**76,283**	63,188
Net foreign currency differences arising on retranslation of cash and cash equivalents		**(108)**	(193)
Cash and cash equivalents at the end of the period		**34,401**	76,283
Cash and cash equivalents comprise:			
Cash at bank and in hand		**35,585**	77,114
Bank overdrafts	12(b)	**(1,184)**	(831)
Cash and cash equivalents at the end of the period		**34,401**	76,283

		29th February 2012 £'000	31st December 2010 £'000
Net debt comprises:			
Cash and short-term deposits		**35,585**	77,114
Monies held in restricted accounts and deposits		**14,595**	26,996
Financial liabilities:			
— Current borrowings	12(b)	**(9,879)**	(523)
— Non-current borrowings	12(b)	**(193,177)**	(174,976)
Net debt		**(152,876)**	(71,389)

Notes to the Consolidated Financial Information

For the 14-month period ended 29th February 2012

1.Basis of preparation and accounting policies

a)

(i) General information

This financial information has been extracted from the Annual Report and audited financial statements for the 14-month period ended 29th February 2012, which were authorised by the Board for issue on 1st May 2012.

This information does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006.

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 statements 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 14-month period ended 29th February 2012 and applied in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS. The accounting policies applied in this financial information are consistent with those of the Group's annual financial statements for the year ended 31st December 2010. 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.

The preparation of financial information, in conformity with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated financial information are disclosed below.

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 7) or as inventory for development and trading properties (see note 9).

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. An example has arisen in the current period, in the transfer of the Weeke Local Centre, Winchester, from our development and trading portfolio to our investment portfolio, as explained in note 7.

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 15.

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 implemented according to the timetable for adoption, which has yet to be confirmed.

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 and the hotel development at West Quay, Southampton are characterised as construction contracts (under IAS 11), whereby revenue is reported in line with construction progress. The amounts concerned are set out in note 3.

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 7. In determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present value 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 9.

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 105-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 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 Financial Review and in notes 8 and 14.

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 there is an impairment requiring a provision to be made, as described in note 2.

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.

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, except assets of £89,000, which are located in The Netherlands. In December 2010, assets of £642,000 were located in France and The Netherlands. All revenue arises from continuing operations.

	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 serviced office 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 fixed assets				**(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.

In view of continuing losses arising within the Group's serviced office business, the Directors have conducted an impairment review (as described in the Financial Review). The business operates seven centres, each of which is designated as a cash-generating unit. The review determined that the fixed assets of five of the seven centres are fully impaired, requiring a provision of £1,575,000. In addition, four of those centres are not expected to cover their committed rental costs in full, and a further provision of £1,270,000 has been made in this regard, aggregating to an exceptional provision of £2,845,000.

The net book amount of the remaining fixed assets associated with the business segment is £2,149,000. No reasonable change in underlying assumptions would give rise to a material impairment.

	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	**—**	**—**	**(1,575)**	**(1,575)**
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.

	Year ended 31st December 2010			
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Segment revenue	12,865	27,744	3,823	44,432
Direct costs	(3,682)	(22,258)	(5,118)	(31,058)
Segment result	9,183	5,486	(1,295)	13,374
Operating costs	(3,588)	(9,319)	—	(12,907)
Gain on disposal on investment properties	313	—	—	313
Gain on revaluation of investment property portfolio	8,769	—	—	8,769
Operating profit/(loss)	14,677	(3,833)	(1,295)	9,549
Other income	159	27	—	186
Share of post-tax profits/(losses) of joint ventures and associates	3,416	(502)	—	2,914
Unallocated loss on sale of other fixed assets				(32)
Profit before interest and income tax				12,617
Finance income	826	716	—	1,542

Finance costs	(8,528)	(2,982)	—	(11,510)
Profit before income tax				2,649
Income tax				(971)
Profit after income tax				1,678
Assets and liabilities				
Segment assets	249,335	223,432	7,181	479,948
Unallocated assets				65,203
Total assets				545,151
Segment liabilities	(128,239)	(71,466)	(3,094)	(202,799)
Unallocated liabilities				(9,245)
Total liabilities				(212,044)

A summary of unallocated assets and liabilities is shown below.

	Year ended 31st December 2010			
	Investment £'000	Development and trading £'000	Operating £'000	Total £'000
Other segment information				
Capital expenditure	34,124	155	543	34,822
Unallocated capital expenditure				781
Depreciation	—	(4)	(482)	(486)
Unallocated depreciation				(215)
Revenue				
Rental income	12,751	2,439	—	15,190
Serviced office income	—	—	3,823	3,823
Project management fees	—	170	—	170
Trading property sales	—	4,923	—	4,923
Other trading property income	—	5,561	—	5,561
Construction contract revenue	—	6,564	—	6,564
Development proceeds	—	8,087	—	8,087
Other	114	—	—	114
	12,865	27,744	3,823	44,432

In the year ended 31st December 2010, four transactions with a combined turnover, totalling £22,517,000, individually generated in excess of 10.0 per cent of total revenue and fell within the development and trading segment.

	29th February 2012 £'000	31st December 2010 £'000
Unallocated assets can be analysed as follows:		
Other plant and equipment	**863**	964
Deferred income tax asset	**3,241**	5,507
Derivative financial instruments	**—**	3,308
Trade and other receivables	**4,193**	5,250
Cash and cash equivalents	**23,629**	50,174
	31,926	65,203
Unallocated liabilities can be analysed as follows:		
Current borrowings	**(17)**	(17)
Trade and other payables	**(3,300)**	(3,721)
Deferred income tax liability	**(3,241)**	(5,507)
Derivative financial instruments	**(2,469)**	—
	(9,027)	(9,245)

3.Construction contract revenue

Revenue related to construction contracts amounted to £16,498,000 (31st December 2010: £6,564,000) and is included within development and trading segment revenue (refer note 2) and represented 20.6 per cent (31st December 2010: 14.8 per cent) of Group revenues.

The corresponding amount shown in Trade and other receivables in the Balance Sheet represents the aggregate amount of costs incurred plus recognised profits, less recognised losses, less progress billings.

	14-month period ended 29th February 2012 £'000	Year ended 31st December 2010 £'000
Construction contract assets	**10,594**	3,109
Construction contract liabilities	**(117)**	—
Construction contract net assets	**10,477**	3,109
This amount corresponds to:		
Aggregate costs incurred	**18,379**	5,744
Recognised profits	**4,683**	820
	23,062	6,564
Progress billings	**(12,585)**	(3,455)
Construction contract net assets	**10,477**	3,109

4.Finance income and costs

a) Finance income	**14-month period ended 29th February 2012 £'000**	Year ended 31st December 2010 £'000
Interest receivable	**2,222**	1,389
Other finance income	**349**	147
Fair value gain on financial instruments – interest rate swaps, caps and collars	**—**	6
Total finance income	**2,571**	1,542

b) Finance costs	**14-month period ended 29th February 2012 £'000**	Year ended 31st December 2010 £'000
Interest on bank loans and other borrowings	**10,078**	8,740
Interest on debenture	**2,567**	2,200
Amortisation of transaction costs	**577**	377
Fair value loss on financial instruments – interest rate swaps, caps and collars	**550**	—
Net foreign currency differences arising on retranslation of cash and cash equivalents	**108**	193
	13,880	11,510
Capitalised interest on development and trading properties	**(665)**	—
Net finance cost	**13,215**	11,510

Interest was capitalised at an average rate of 5.57 per cent. No capitalised interest (31st December 2010: £nil) was written off in the period. The tax treatment of capitalised interest follows the accounting treatment.

5.Dividends

	14-month period ended 29th February 2012 £'000	Year ended 31st December 2010 £'000
Declared and paid during the period		
Equity dividends on Ordinary shares:		
Final dividend for 2010: 2.40 pence per share (2009: 2.40 pence per share)	**2,937**	1,974

Interim dividend for 2012: 2.40 pence per share (2010: 2.40 pence per share)	**2,937**	1,974
	5,874	3,948

Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2012: 3.20 pence per share (2010: 2.40 pence per share)	**3,915**	2,937

Subject to approval by shareholders, the final dividend was approved by the Board on 30th April 2012 and has not been included as a liability or deducted from retained profits as at 29th February 2012. The final dividend is payable on 26th October 2012 to ordinary shareholders on the register at the close of business on 28th September 2012 and will be recognised in the year ending 28th February 2013.

6.(Loss)/earnings per share and net assets per share

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

Diluted (loss)/earnings per share amounts are calculated by dividing the (loss)/profit attributable to equity shareholders of the parent by the weighted average number of Ordinary shares outstanding during the period 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 period-end.

Diluted net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the period-end 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 loss is the (loss)/profit after taxation excluding investment property revaluations, (losses)/gains on disposals of investment and trading properties, impairment of development and trading properties and mark-to-market adjustments on interest rate swaps.

EPRA net assets are the Balance Sheet net assets excluding mark-to-market adjustments on financial instruments used for hedging purposes and deferred taxation on revaluations and is calculated on a fully diluted basis.

EPRA triple net assets is the 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 (loss)/earnings per share and EPRA loss per share is based on the following data:

	14-month period ended 29th February 2012 £'000	Year ended 31st December 2010 £'000
(Loss)/profit		
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share	**(12,592)**	1,678
Revaluation deficit/(surplus) (including share of joint venture revaluation surplus)	**4,226**	(12,063)
Gain on disposal of investment properties	**(211)**	(313)
Gain on disposal of trading properties	**(3,835)**	(1,133)
Impairment of development and trading properties	**1,776**	—
Mark-to-market adjustment on interest rate swaps (including share of joint venture mark-to-market adjustment)	**624**	151
EPRA adjusted loss from continuing activities attributable to owners of the Company	**(10,012)**	(11,680)

	14-month period ended 29th February 2012 '000	Year ended 31st December 2010 '000
Number of shares		
Weighted average number of Ordinary shares for the purpose of (loss)/earnings per share	**122,352**	98,970
Effect of dilutive potential Ordinary shares:		

Share options	**42**	1
Weighted average number of Ordinary shares for the purpose of diluted (loss)/earnings per share	**122,394**	98,971
Basic (loss)/earnings per share (pence)	**(10.3)p**	1.7p
Diluted (loss)/earnings per share (pence)	**(10.3)p**	1.7p
EPRA adjusted loss per share (pence)	**(8.2)p**	(11.8)p
EPRA adjusted diluted loss per share (pence)	**(8.2)p**	(11.8)p

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

	14-month period ended 29th February 2012			Year ended 31st December 2010		
	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	**311,334**	**122,352**	**254**	333,107	122,352	272
Cumulative mark-to-market adjustment on interest rate swaps	**9,196**			4,303		
EPRA adjusted net assets per share	**320,530**	**122,352**	**262**	337,410	122,352	276
Cumulative mark-to-market adjustment on interest rate swaps	**(9,196)**			(4,303)		
Fair value of debt	**6,495**			7,455		
EPRA adjusted triple net assets per share	**317,829**	**122,352**	**260**	340,562	122,352	278
Effect of dilutive potential Ordinary shares	**1,535**	**572**	**—**	1,518	448	—
Diluted net assets per share	**312,869**	**122,924**	**254**	334,625	122,800	272
EPRA diluted net assets per share	**322,065**	**122,924**	**262**	338,928	122,800	276
EPRA diluted triple net assets per share	**319,364**	**122,924**	**260**	342,080	122,800	278
Basic net assets per share based on total net assets	**313,242**	**122,352**	**256**	333,107	122,352	272

7.Investment properties

	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st January 2010	178,761	2,275	181,036
Additions:			
— acquisitions	30,027	—	30,027
— capital expenditure	4,097	—	4,097
Disposals	(24,187)	(505)	(24,692)
Surplus/(deficit) on revaluation	9,084	(315)	8,769
At valuation 31st December 2010	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

Direct costs of £3,710,000 (31st December 2010: £3,682,000) arose as a result of ownership of investment properties.

Weeke Local Centre, Winchester, a property previously constructed by the Group has been transferred from Development and trading assets. It is the Group's intention to hold the asset for income and long-term capital appreciation. At 29th February 2012, the valuation of Weeke Local Centre, Winchester increased by £1,040,000.

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.

	29th February 2012 £'000	31st December 2010 £'000
Market value as assessed by the independent valuers or Directors	**242,539**	202,118
Amount included in prepayments and accrued income in respect of lease incentives	**(4,640)**	(2,881)
Net book amount of Investment properties	**237,899**	199,237

The Group's Investment properties have been valued at 29th February 2012 and at 31st December 2010 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 or Ryden LLP, Commercial Property Consultants at a value of £208,509,000 (31st December 2010: £168,399,000).

Land held as investment property has been valued by Colliers CRE, Chartered Surveyors at £14,000,000 (31st December 2010: £12,400,000).

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 £15,390,000 (31st December 2010: £18,438,000), 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 £7,590,000 (31st December 2010: £7,104,000) 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.

£215,329,000 (31st December 2010: £145,425,000) of Investment properties are charged as security against the Group's borrowings.

8.Investments

	Investments in associates £'000	Investments in joint ventures £'000
At 1st January 2010	1,500	—
Additions	444	9,718
At 31st December 2010	1,944	9,718
Additions	2,332	16,850
At 29th February 2012	4,276	26,568

a) Investment in associates

The Group has the following interest in associates:

	% of holding	Country of incorporation	Principal activity	Reporting segment
Atlantic Park (Bideford) Limited	40	United Kingdom	Property development	Development and trading
Barwood Development Securities Limited	40	United Kingdom	Property development	Development and trading
Barwood Land and Estates Limited	25	United Kingdom	Property development	Development and trading
Continental Estates Corporation BV	29	The Netherlands	Investment company	Investment
CTP Securities Limited	25	United Kingdom	Property development	Development and trading
Wessex Property Fund	47	Jersey	Investment property	Investment

During 2010, the Group acquired 40.0 per cent of the Ordinary shares of Atlantic Park (Bideford) Limited, a company incorporated and registered in the United Kingdom, whose principal activity is investment in strategic land.

In January 2012, the Group exercised an option to acquire 40.0 per cent of the share capital in Barwood Development Securities Limited, a company incorporated and registered in the United Kingdom, whose principal activity is investment in strategic land, for £2,500,000.

In 2009, the Group acquired 25.0 per cent of the Ordinary shares of Barwood Land and Estates Limited, a company incorporated and registered in the United Kingdom, whose principal activity is investment in strategic land, for £1,500,000.

The Group holds a 29.0 per cent interest in Continental Estates Corporation BV, a company incorporated and registered in The Netherlands, whose principal activity is the holding of investments. The equity investment of £256,000 has been provided against in full in previous years.

The Group holds 25.0 per cent of the Ordinary shares of CTP Securities Limited, a company incorporated and registered in the United Kingdom, whose principal activity is property development. The rights granted under the shareholder agreement for this company reflect the status of this investment as an associate. As at 29th February 2012 and 31st December 2010, the investment in Ordinary shares has been fully provided against.

Wessex Property Fund is a Jersey property unit trust that was established on 5th April 2006. Its principal activity is to invest in property situated in the south-west of England. As at 29th February 2012 and 31st December 2010 the Group held 47.0 per cent of the units in issue. The investment has been fully provided against.

Any contingent liabilities in relation to our associate investment partners are disclosed in note 14.

b) Investment in joint ventures

As at 29th February 2012, the Group has the following interests in joint ventures:

	% of holding	Country of incorporation	Principal activity	Reporting segment	Joint venture partner	Accounting reference date
Accrue Student Housing GP Limited	50	United Kingdom	Property development	Development and trading	Accrue Capital Limited	31st August
Curzon Park Limited	50	United Kingdom	Property development	Development and trading	Grainger PLC	29th February
Development Equity Partners Limited	50	Jersey	Property development	Development and trading	Grey Rock Management Limited	29th February
Manchester Arena Complex LP	30	United Kingdom	Investment property	Investment	Patron Capital Partners	29th February
Notting Hill (Guernsey Holdco) Limited	24	Guernsey	Investment property	Development and trading	Brockton (Guernsey)	31st December
Purplexed LLP	50	United Kingdom	Property development	Development and trading	Deadhare Limited	31st March
S Harrison Developments Lichfield Limited	50	United Kingdom	Property development	Development and trading	S Harrison Developments Limited	29th February

In September 2011, the Group acquired a 50.0 per cent holding in Accrue Student Housing GP Limited with its partner Accrue Capital Limited holding the remaining 50.0 per cent of the equity. The company is registered and incorporated in the United Kingdom. The Group's 50.0 per cent share of net assets has been recognised as at 29th February 2012.

Curzon Park Limited acquired the 10.5-acre Curzon Street site in Birmingham in November 2006. In January 2012, the Government confirmed their intention to proceed with the High Speed Rail Link between London and Birmingham (HS2). The proposed route passes through our site, which may restrict development by approximately two thirds of its original potential. The Group together with our joint venture partner is liaising with HS2 and the Department for Transport to discuss a revised master plan for the site. The Group has provided for its share of net assets.

In 2010, the Group provided a further £5,000,000 funding to our Curzon Park Limited joint venture, to enable a partial repayment of the bank loan held within the entity. Our joint venture partner also made a similar contribution. These partial repayments reduced the bank's loan to the joint venture entity to £15,610,000. In turn, the bank extended the loan for a new five-year term, with loan-to-value testing suspended for three years until 6th May 2013.

In December 2011, the Group acquired a 50.0 per cent holding in Development Equity Partners Limited with its partner Grey Rock Management Limited holding the remaining 50.0 per cent of the equity. The company is registered and incorporated in Jersey. The Group's 50.0 per cent share of net assets has been recognised as at 29th February 2012.

In June 2010, the Group acquired a 30.0 per cent holding in Manchester Arena Complex Limited Partnership with its partner, Patron Capital Partners holding 70.0 per cent of the equity. The limited partnership is registered and incorporated in the United Kingdom. The Group's 30.0 per cent share of net assets has been recognised as at 29th February 2012 and 31st December 2010.

In June 2011, the Group acquired a 24.0 per cent holding in Notting Hill (Guernsey Holdco) Limited with its partner Brockton (Guernsey) holding 72.0 per cent of the equity. The company is registered and incorporated in Guernsey. The Group's 24.0 per cent share of net assets has been recognised as at 29th February 2012.

In April 2011, the Group acquired a 50.0 per cent holding in Purplexed LLP with its partner Deadhare Limited holding the remaining 50.0 per cent of the equity. The limited liability partnership is registered and incorporated in the United Kingdom. The Group's 50.0 per cent share of net assets has been recognised as at 29th February 2012.

In July 2011, the Group acquired a 50.0 per cent holding in S Harrison Developments Lichfield Limited with its partner S Harrison Developments Limited holding the remaining 50.0 per cent of the equity. The company is registered and incorporated in the United Kingdom. The Group's 50.0 per cent share of net assets has been recognised as at 29th February 2012.

The Group's joint venture partner in Wimbledon Phoenix Limited, Foinavon Limited, went into administration on 26th August 2009 at which time the Directors considered the investment in joint venture to be impaired and made a full provision. On 14th February 2011, the Group acquired the 50.0 per cent share capital previously held by Foinavon Limited. Wimbledon Phoenix Limited is now accounted for as a wholly owned subsidiary.

Any contingent liabilities in relation to our joint ventures are disclosed in note 14.

9.Inventory – development and trading properties

Inventory	Development properties £'000	Trading properties £'000	Total £'000
At 1st January 2010	35,333	43,222	78,555
Additions:			
— acquisitions	34,430	37,168	71,598
— acquired through business combination	18,114	—	18,114
— development expenditure	3,180	—	3,180
Disposals	(11,386)	(2,378)	(13,764)
Transfer from trading to development properties	4,507	(4,507)	—
At 31st December 2010	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

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £48,959,000 (31st December 2010: £42,947,000).

Net realisable value has been estimated by the Directors, taking account of our 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.

Weeke Local Centre, Winchester, a property previously constructed by the Group for sale, has been transferred to investment assets in the period. It is the Group's intention to hold the asset for income and long-term capital appreciation. Capitalised interest of £521,000 has been transferred with the asset.

Interest of £665,000 (31st December 2010: £nil) was capitalised on development and trading properties during the period. Capitalised interest included within the carrying value of such properties on the Balance Sheet is £759,000 (31st December 2010: £615,000).

10.Trade and other receivables

a) Non-current	**29th February 2012 £'000**	31st December 2010 £'000
Prepayments and accrued income	**4,265**	2,861

b) Current	**29th February 2012 £'000**	31st December 2010 £'000
Trade receivables	**4,046**	10,750
Amounts due from customers for contract work	**10,594**	3,109

Other receivables	**10,042**	4,756
Other tax and social security	**566**	3,372
Prepayments and accrued income	**3,576**	3,793
	28,824	25,780

The Group has provided £35,000 (31st December 2010: £72,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for at the period-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.

11.Trade and other payables

a) Current	29th February 2012 £'000	31st December 2010 £'000
Trade payables	**2,240**	1,027
Amounts due to customers for contract work	**117**	—
Other payables	**8,118**	6,387
Other tax and social security	**2,122**	1,625
Accruals and deferred income	**13,863**	15,288
	26,460	24,327

b) Provisions	Onerous leases £'000	Residual development liabilities £'000	Total £'000
At 1st January 2011	5,276	775	6,051
Credited to the Statement of Comprehensive Income	—	(775)	(775)
Charged to the Statement of Comprehensive Income	1,270	8	1,278
Utilised during the period	(4,178)	—	(4,178)
Unwinding of discount	308	—	308
At 29th February 2012	2,676	8	2,684

Analysis of total provisions	29th February 2012 £'000	31st December 2010 £'000
Non-current	**2,684**	2,427
Current	**—**	3,624
	2,684	6,051

Provisions of £8,000 (31st December 2010: £775,000) relate to properties and £2,676,000 (31st December 2010: £5,276,000) to onerous leases.

The property provisions of £775,000 arose from residual liabilities on completed development projects where the Group was responsible for certain development costs in prior years. The provision has been reversed in the period as it is no longer considered payable.

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

Two further provisions of £1,051,000 (31st December 2010: £1,010,000) and £355,000 (31st December 2010: £590,000) relate to onerous lease obligations entered into in 2009 and 1989 respectively.

The Group made a payment of £3,624,000 in respect of a lease to Stead & Simpson Limited in respect of which Development Securities PLC was a guarantor. The payment represented the final obligation as guarantor. A further onerous lease provision of £52,000 was utilised in the period.

12.Financial assets and financial liabilities

a) Other financial assets

Non-current	29th February 2012	31st December 2010

	£'000	£'000
Available-for-sale financial assets	**25,921**	18,726
Loan notes at amortised cost less impairment	**8,614**	8,514
	34,535	27,240

Available-for-sale financial assets comprise:	**29th February 2012 £'000**	31st December 2010 £'000
Development participation rights	**5,000**	5,000
Development loans to joint operations	**20,921**	13,726
	25,921	18,726

Development participation represents the Group's risk capital invested alongside our partners in one of our development schemes 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 ventures include a number of working capital and project-specific loans of £11,191,000 (31st December 2010: £5,703,000) 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.

Following the renegotiation of the Curzon Park Limited loan facility, the Group provided a £5,000,000 loan to the joint venture in order to repay a share of its bank debt. The joint venture partner provided a similar loan.

The Group has two funding agreements totalling £4,730,000 (31st December 2010: three agreements totalling £3,023,000), 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 (31st December 2010: £89,000) are held in Continental Estates Corporation BV, an associate. Interest is earned at a fixed rate of 6.0 per cent. Loan notes with a carrying value of £8,425,000 were issued in November 2007 by CTP Securities Limited, with a term of five years and a fixed coupon rate of 4.25 per cent. During the period the Group acquired a further £100,000 of CTP loan notes.

Current	**29th February 2012 £'000**	31st December 2010 £'000
Loans and receivables:		
CTP Securities Limited	**200**	200
Other	**1,500**	267
	1,700	467

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	**£'000**	**29th February 2012 £'000**	£'000	31st December 2010 £'000
Bank overdrafts		**1,184**		831
Current instalments due on bank loans	**2,219**		17	
Current loans maturing	**7,221**		—	
Unamortised transaction costs	**(745)**		(325)	
		8,695		(308)
		9,879		523

Non-current	**29th February 2012 £'000**	31st December 2010 £'000
First mortgage debenture 11% due 2016	**20,000**	20,000
Bank loans and loan notes	**176,004**	157,037
Unamortised transaction costs	**(2,827)**	(2,061)
	193,177	174,976

c)Derivative financial instruments

	29th February 2012	31st December 2010

	£'000	£'000
Cash flow hedge: cross-currency interest rate swap	**(1,925)**	3,302
Derivative financial instruments at fair value through profit and loss:		
Interest rate swaps, caps and collars	**(544)**	6
Derivative financial instruments	**(2,469)**	3,308

At 29th February 2012, 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:£. 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 £959,000 (31st December 2010: £1,352,000) has been recycled through the Statement of Comprehensive Income to offset the re-translation of the €47,000,000 loan. The mark-to-market movement on the interest leg of this swap of £4,268,000 loss (31st December 2010: £2,819,000 loss) is included within the net unrealised gain/(loss) reserve in equity.

At 29th February 2012, 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 £56,045,000 (31st December 2010: £6,565,000). The fair value of the derivatives amounting to £544,000 is recorded as a financial liability at 29th February 2012 (31st December 2010: £6,000 asset) with the fair value (loss)/gain taken to finance costs.

13.Note to the cash flow statement

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

	29th February 2012 £'000	31st December 2010 £'000
(Loss)/profit before income tax	**(10,167)**	2,649
Adjustments for:		
Gain on disposal of investment properties	**(211)**	(313)
Net loss/(gain) on revaluation of property portfolio	**4,772**	(8,769)
Other income	**(750)**	(186)
Share of post-tax profits of joint ventures and associates	**(1,577)**	(2,914)
Loss on sale of other fixed assets	**28**	32
Impairment of assets	**1,575**	—
Finance income	**(2,571)**	(1,542)
Finance cost	**13,215**	11,510
Depreciation of property, plant and equipment	**1,003**	701
Operating cash flows before movements in working capital	**5,317**	1,168
Increase in development and trading properties	**(18,374)**	(61,014)
Increase in receivables	**(2,661)**	(570)
Increase/(decrease) in payables	**233**	(8,318)
Decrease in provisions	**(3,367)**	(1,071)
Cash flows from operating activities	**(18,852)**	(69,805)

14.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 29th February 2012, such guarantees amounted to £34,000 (31st December 2010: £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 £503,000 (31st December 2010: £374,000) with an average unexpired lease period of 4.1 years (31st December 2010: 6.7 years).

The Group has guaranteed its share of the interest payable by Wessex Property Fund (see note 8(a)) in respect of the Fund's borrowings of £17,500,000. The interest liability is currently covered by the Fund's rental income.

The Group has guaranteed its share of the capital and interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £15,610,000.

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 Holdco) Limited.

15.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	**29th February 2012 £'000**	31st December 2010 £'000
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	**1,500**	1,500
		Financial assets	**—**	1,178
Barwood Development Securities Limited	Strategic land investment	Investment in associates	**2,500**	—
Atlantic Park (Bideford) Limited	Strategic land investment	Investment in associates	**276**	444
Wessex Property Fund	Property investment	Investment in associates	**—**	—
CTP Securities Limited	Property development	Investment in associates	**—**	—
		Financial assets	**19,916**	14,328
Continental Estates Corporation BV	Holding of investments	Investment in associates	**—**	—
		Financial assets	**89**	89
Manchester Arena Complex LP	Investment property	Investment in joint ventures	**9,627**	9,718
Curzon Park Limited	Property development	Investment in joint ventures	**—**	—
		Financial assets	**5,000**	5,000
Beyond Green Developments	Property development	Development properties	**5,112**	4,516
Wessex Investors	Property development	Development properties	**3,360**	3,121
Grantham Associates	Hotel operator	Trading property	**4,267**	4,215
Orion Shepherds Bush Limited	Property development	Financial assets	**2,545**	408
Cathedral (Greenwich Village) LLP	Property development	Financial assets	**2,185**	1,437
Property Alliance Group	Property development	Financial assets	**1,500**	—
S Harrison Developments Lichfield Limited	Property development	Investment in joint ventures	**2,423**	—
Accrue Student Housing GP Limited	Student accommodation	Investment in joint ventures	**1,438**	—
Notting Hill (Guernsey Holdco) Limited	Development property	Investment in joint ventures	**6,082**	—
Purplexed LLP	Property development	Investment in joint ventures	**6,864**	—
Development Equity Partners Limited	Property development	Investment in joint ventures	**134**	—
			74,818	45,954

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

	29th February 2012 £'000	31st December 2010 £'000
Investment in associates	**4,276**	1,944
Investment in joint ventures	**26,568**	9,718
Financial assets – current	**1,700**	200
Financial assets – non-current	**29,535**	22,240
Development properties	**8,472**	7,637
Trading properties	**4,267**	4,215
	74,818	45,954

16.Post balance sheet events

Since the balance sheet date the Group has entered into the following significant contracts:

In March 2012, the Group entered into a joint venture agreement to acquire and develop a vacant 19-acre site in East London of £1.8 million.

In April 2012, the Group entered into a joint venture established to acquire a vacant residential building adjacent to the Olympic Park in East London. Subsequently the building was purchased by the jointly controlled entity for £15,700,000. The Group's share of the entity is 35.0 per cent.

During April, contracts have been exchanged for the sale of seven Development and trading assets with a combined book value of £4,500,000. These sales are due to complete by the end of May 2012.

17.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 and capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial period, 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 pledged cash.