

22 March 2010

Development Securities PLC (“Development Securities” or “the Company”)

Audited preliminary results for the year ended 31st December 2009

Development Securities PLC, the leading property development and investment company, today announces a much reduced loss before tax of £11.4 million for the year ended 31st December 2009, compared to £65.6 million for the previous year. A second half profit before tax of £7.7 million significantly recovered the first half loss of £19.1 million. Shareholder funds benefited from the £100.0 million issue of new equity, ending the year at £244.0 million, increased from £161.0 million at the end of the previous year.

The fortune of the Company consolidated in 2009, concluding on a positive note. Development Securities maintained its conservative risk management profile, avoiding any form of corporate distress during the year, and has produced another year of a superior level of returns from its investment property portfolio compared to the overall market. We achieved a 9.5 per cent IPD Total Portfolio Return in 2009, compared to the IPD UK Annual Property Index of 3.0 per cent.

While it is challenging to determine the likely way forward, we believe the real estate market has seen its low point in the middle of 2009 and we do not expect it to return to that level in the foreseeable future. Our business model has proven itself again in recent years and taking into account our recently strengthened Balance sheet, the strength of our brand and the stability of our management team the Board believes the Company is better positioned than ever before at the threshold of a new economic and real estate cycle.

Financial summary

Summarised audited results for the year ended 31st December 2009

	31st Dec 2009	31st Dec 2008
Loss before tax	£(11.4) million	£(65.6) million
Loss per share	(17.5)p	(142.3)p
Net assets	£244.0 million	£161.0 million
Net assets per share*	297p	397p
Dividend per share	4.8p	4.8p
Gearing	18.7%	54.1%

* 288p immediately after the Firm Placing and Placing and Open Offer

Highlights

- Two Kingdom Street (Phase 3) at PaddingtonCentral, comprising 230,000 sq. ft. net of prime offices and 22,000 sq. ft. net of high-end studio space, achieved practical completion in February 2010. Of this, 50,000 sq. ft. has been pre-let to AstraZeneca. The last phases, Four and Five Kingdom Street, are expected to commence in 2010
- CityPark, Manchester completed in October 2009, being 147,000 sq. ft. net of high quality office accommodation (pre-sold to an owner occupier), alongside a 250-key hotel operated by Park Inn, generating a £7.0 million development profit, of which £2.3 million arose in 2009
- Investment portfolio achieved a 9.5 per cent IPD Total Portfolio Return in 2009 compared to the IPD UK Annual Property Index of 3.0 per cent
- In excess of £60.0 million of real estate has been acquired to date from the net proceeds of the capital raising (including three properties acquired since the year end for £16.1 million), which are now offering capital appreciation and rental income, with asset management strategies under way

- Average initial yield on new investment properties acquired during 2009 of 8.9 per cent
- Significant activity undertaken with joint venture partners in respect of both existing projects and new opportunities, including a 25.0 per cent stake for £1.5 million in a land promotion company which is currently engaged on seven projects across the United Kingdom, primarily regarding residential planning consents
- New £58.2 million fixed rate, fifteen year debt facility secured with Aviva Commercial Finance Limited in March 2010

Enquiries:

Michael Marx

Graham Prothero

Development Securities PLC

020 7828 4777

Mallika Basu

The Communication Group plc

07939 521 708 / 020 7630 1411

Chairman's statement

It is with both relative satisfaction and pride that I report on 2009, a year in which the fortunes of your Company ultimately consolidated, concluding on a firmly positive note with a step change in the scale of our business. Furthermore, I believe we distinguished ourselves from a large number of businesses in our industry by having consistently maintained our long established risk management profile throughout the previous cycle, thus avoiding any form of corporate distress in 2009.

I am able to report a much reduced loss before tax of £11.4 million for your Company as compared to £65.6 million for the previous year. Following the continued falls in market values during the first six months of the year, we have seen an improvement in values, both in our existing portfolio and in the acquisitions made in the late summer, producing a profit before tax for the second half of £7.7million. Shareholders' funds, benefiting from the £100.0 million issue of new equity, ended the year at £244.0 million, increased from £161.0 million at the end of the previous year. Net assets per share ended the year at 297 pence, compared with 397 pence at the end of the previous year, and 288 pence immediately following the share issue.

Given our financial strength and stability, the Board has recommended the payment of a final Ordinary dividend for the year of 2.4 pence per share payable on 6th July 2010 to shareholders on the register on 4th June 2010. This brings the Ordinary total dividend coupon for the year to 4.8 pence per share, equivalent to that paid the previous year.

As shareholders will be aware, we have consistently maintained a prudent approach to the management of risk inherent within our business activities and it was exactly that sustainable approach embedded into our business model that enabled your Company to survive the record breaking falls in property values that occurred in the final quarter of 2008 and which continued with diminishing severity in the first half of 2009. Our risk-averse funding strategy for our large-scale development projects, together with the modest level of net debt on our Balance sheet ensured that we were able to stay within our banking covenants without recourse to shareholders for emergency equity funding. As one might expect, we have no plans in the foreseeable future to make any radical changes to our risk management criteria.

In July 2009, the step change in the level of our business occurred when we raised £100.0 million by way of a Firm Placing and Placing and Open Offer at a modest discount of 9.1 per cent to the then market price. Net of expenses, the £94.0 million proceeds of this capital raising were available to be deployed into the market to take advantage of investment opportunities that became available at the low point of the cycle. We have made considerable progress in the investment of those funds and have acquired in excess of £60.0 million of real estate to date which is seemingly now offering us returns well into the double digit range. The availability to us of additional capital to complement an existing fundamentally sound financial structure has, when enhanced by our track record and real estate expertise, considerably raised our profile in the market. We are giving active consideration to the acquisition of further properties, some of which may represent an opportunity for significant redevelopment strategies. In August 2009, we acquired a senior bank loan which was secured on a neighbourhood shopping centre in south west of England, at a cost of £9.9 million. We subsequently foreclosed on this loan and the property is now directly within our ownership. Given the constraints now applying to the availability of properties for acquisition in the current market, we are giving consideration to the acquisition of further loans secured on property assets.

With the banking system in the United Kingdom remaining largely dysfunctional, the decline in real estate values continued until the low point was reached in August 2009, at which point the markets had fallen by some 44.0 per cent from their peak in 2007. In 2009, the majority of our sector replenished lost capital with additional equity raised through rights issues, and boosted by the impact of the Government's quantitative easing programme, the market began to recover. By the end of 2009, the Investment Property Databank index* (IPD) had shown a recovery in capital values of 8.0 per cent from the low point, leaving a net downward movement through 2009 of 3.6 per cent. As of now, it is unclear whether this recovery in values is the correction of a downwards overshoot or whether it represents a more significant movement that might contain more long-term implications. It was noteworthy that this recovery in values occurred notwithstanding the challenges remaining in the banking sector.

The occupational markets continue to struggle against the background of both a challenging economic reality and the prospect of increased taxation as well as cutbacks in government spending once the election is behind us later this year. It would appear likely that the recovery of the United Kingdom economy will be a slow and probably bumpy ride under the burden of both Government and consumer indebtedness.

I am pleased to report another year of a superior level of returns from our investment property portfolio compared to the overall market. We achieved a 9.5 per cent IPD Total Portfolio Return in 2009, compared to the IPD UK Annual Property Index of 3.0 per cent. Our portfolio strategy continues to focus on assets with a mix of core defensive income and asset management initiatives, including partial redevelopment, where appropriate, to enhance value in the medium-term. We consider that the likely future total returns available from the investment portfolio represent not only a superior option to cash, but also offer the prospect of some inflation protection against the future.

As capital values in the property market began to crash in the final quarter of 2007, your Company had an active large-scale development programme of some £700.0 million, most of which was under construction speculatively. Our firm policy of undertaking large-scale development in partnership with institutional investors with a long-term strategy, meant that we were immunised against any significant loss in value that was likely to occur in the short- to medium-term. Of the four main development projects then underway, two have since completed profitably for us and two have reached practical completion since the year end. We are not anticipating any loss of value in relation to these development schemes. New development projects are only economic once there is a reasonable prospect of improved tenant demand and whilst this might presently be the case in one or two selected areas of Central London, it is unlikely to prove a viable option in other instances. Accordingly, whilst we are currently pursuing sites that have development optionality, we are unlikely to see commencement of construction until later in the current cycle.

Outlook

It is some time since it has been so challenging to determine the likely way forward for the markets in which we operate. The prospects are clouded not only by the recent recession, levels of both government and consumer debt, the forthcoming general election and perhaps increased currency volatility, but also the need to recognise that two of the major markets in which we work are themselves directly influenced by the hand of government policy. Firstly, monetary policy has reduced the level of interest rates to minimal levels and we are unable to estimate at what point, if at all in 2010, the Government will change its stance in that regard. Secondly, two major domestic UK banking groups have significant government equity ownership and their combined loan book represents something like 60.0 per cent of the total loans by domestic banks to the UK commercial real estate market. We believe it inevitable that the Government will have some significant influence on how problem loans are resolved and accordingly, whether or not the current constraints on the supply side of the real estate market will be relaxed significantly. We need to recognise that the impact of market forces that one might normally expect to influence this stage of the cycle may be driven by potential changes to government policy and accordingly are difficult to assess.

It does seem likely that the UK economy will at some point begin a meaningful recovery in 2010, but it is a consensus view that this recovery is likely to be slow and bumpy.

Conclusion

In our view, the real estate market has seen its low point in the middle of 2009 and we do not expect it to return to that level in the foreseeable future. Your Company will maintain its clear rules of engagement with regard to risk management as we cautiously invest into the newly emerging cycle. We do not expect the banking system to heal itself in the near-term and those individuals and institutions who are long of cash will continue to dominate market activity. Rightly or wrongly, inflationary anxieties appear to haunt a proportion of those investors who are presently long of cash and we may expect them to invest further funds into real assets to provide themselves both with enhanced current income and some form of inflation hedge against whatever the future may hold. We expect that the investors' search for real assets will be global and not just restricted to the United Kingdom.

Our business model has proven itself again in recent years and taking into account our recently strengthened Balance sheet, the strength of our brand and the stability of our management team throughout the previous cycle we are, in my opinion, better placed than ever before as we find ourselves on the threshold of a new economic and real estate cycle.

I would like to pay tribute to my colleague, Paul Manduca, who will be stepping down from your Board at this year's Annual General Meeting after nearly nine years of unstinting service. His experience, judgment and analytical ability on complex and wide ranging issues has been of inestimable benefit and we are all indebted to him. I would also like to welcome Sarah Bates to your Board. Sarah brings with her an outstanding record of experience and skills that will undoubtedly complement and reinforce those that we already possess. Finally, I am pleased to thank, on your behalf, all of the management and staff of Development Securities for their commitment, professionalism and team work through a difficult period that has resulted in your Company emerging stronger than ever before.

David Jenkins Chairman

22nd March 2010

*refer note 16

Review of operations - Development portfolio

PaddingtonCentral, London

A multi-phased regeneration of a derelict goods yard adjacent to Paddington Station and fronting the Grand Union Canal. Phases 1 & 2 are fully let and phase 3 (Two Kingdom Street) reached practical completion in February 2010. The last phases of Four & Five Kingdom Street are expected to commence in 2010. Development Securities won the 'Deal of the Year' award for securing three large lettings in 2009.

Accommodation:	1.6m sq. ft. net
Completion:	Phase 1 – March 2002
	Phase 2 – February 2008
	Phase 3 – February 2010
	Phase 4 – 2011/2012
Funding:	Phase 1 – Aviva Investors & Equitable Life
	Phase 2 – Aviva Investors & Union Investment
	Phase 3 – Aviva Investors & Quinlan Private
End value:	Circa £1.0 billion

CityPark, Manchester

Acting as the commercial element for the 'Greenquarter,' a 1,500-unit residential scheme in Manchester, this challenging development of an urban brownfield site provides 147,000 sq. ft. net of high quality office accommodation (pre-sold to an owner occupier), alongside a 250-key hotel operated by Park Inn.

Accommodation:	147,000 sq. ft. net
Completion:	September 2009
Funding:	Forward purchased by Rainy City Properties Limited
End value:	Circa £50.0 million

Weeke Local Centre Winchester

A newly developed mixed-use property comprising a 33,000 sq. ft. foodstore, five retail units, a doctor's surgery, four apartments and 183 on-site parking spaces. The foodstore is let to Waitrose and two retail units have been let to Boots and Costa.

Accommodation:	55,000 sq. ft. net
Completion:	October 2009
Funding:	Site acquisitions funded by Development Securities. 70.0 per cent LTV was obtained from the bank for construction works
End value:	Circa £20.0 million

Two Kingdom Street, PaddingtonCentral, London

The vibrant mixed-use community at PaddingtonCentral will be strengthened through Two Kingdom Street, providing 230,000 sq. ft. net of prime offices and 22,000 sq. ft. net of high-end studio space reached practical completion in February 2010. The building is ideally positioned facing the A40 Westway, with a frontage onto the Kingdom Street Boulevard. 50,000 sq. ft. has been pre-let to the prime corporate covenant of AstraZeneca.

Accommodation:	250,000 sq. ft.
Completion:	February 2010
Funding:	Aviva Investors and Quinlan Private
End value:	Circa £150.0 million

Hammersmith Grove, London W6

A 1.5-acre site strategically located adjacent to the Hammersmith & City line underground station with easy road access to the A4/M4. The site was bought from London Underground Limited in December 2009 and has planning for 325,000 sq. ft. office accommodation. We are currently exploring the phasing options available to us.

Accommodation:	Circa 300,000 sq. ft.
Completion:	Phase 1 – expected to complete in the medium-term
Funding:	To be determined
End value:	Circa £150.0 million

St Bride Street, London EC4

An office and retail redevelopment of 56,000 sq. ft. net, that required a sensitive mixture of retaining a period façade and combining it with a complete redevelopment of an adjacent building.

Accommodation:	56,000 sq. ft.
Completion:	January 2010
Funding:	Corpus Sireo Immobiliensfonds
End value:	Circa £35.0 million

West Quay, Southampton

A new waterside office development located in the city of Southampton, adjacent to the West Quay Shopping Centre. Phase 1 of this development delivered 150,000 sq. ft. net of flexible office space on a pre-let to Carnival UK in December 2008. Phase 2 consists of a 155-key hotel and 60,000 sq. ft. of offices, with construction on the hotel element set to begin in June 2010.

Accommodation:	270,000 sq. ft. of offices and 155-key hotel
Completion:	Phase 1 – completed December 2008 Phase 2 – expected to complete in December 2011
Funding:	Phase 1 – Aviva Investors Phase 2 – AMEC
End value:	Phase 1 – Circa £50.0 million Phase 2 – Circa £11.0 million

Heart of Slough, Slough

A £400.0 million regeneration project totaling 29 acres of land aimed at revitalising Slough's town centre. Development Securities completed an agreement with Slough Borough Council in December 2009 for a consented scheme comprising 350,000 sq. ft. net of offices in three buildings. The 2.5-acre site lies immediately adjacent to the new bus station and train station, which is on the Crossrail route, with a current journey time to Paddington of 30 minutes.

Accommodation:	350,000 sq. ft.
Completion:	Phase 1 – expected to complete in the medium-term
Funding:	To be determined
End value:	Circa £80.0 million

Cambourne, Cambridge

A 50-acre site located nine miles from Cambridge city centre, which will provide some 750,000 sq. ft. net of office and R&D accommodation. Three of the four phases are complete, providing 330,000 sq. ft. net. The next phase is likely to commence once a pre-let is secured.

Accommodation:	750,000 sq. ft.
Completion:	Phase 1 & 2 – 2002 Phase 3 – May 2004 Phase 4 – expected to complete in the medium-term
Funding:	Phase 1 – Universities Superannuation Scheme Ltd Phase 2 – Aviva Investors Phase 3 – South Cambridgeshire District Council
End value:	Circa £150.0 million

The Royals Business Park, London

A 50-acre landmark docklands site located opposite London City Airport, with direct access to the Docklands Light Railway. The first phase, Building 1000, completed in September 2004 comprised 252,000 sq. ft. net of modern spacious office accommodation. Standard Life Investments forward-funded the project and sold the long leasehold interest in 2007 for circa £75.0 million to Newham District Council. Development Securities is the official development partner with The London Development Agency for future developments, which include office and hotel accommodation.

Accommodation:	1.6 million sq. ft.
Completion:	Phase 1 – September 2004
Funding:	Standard Life Investments
End value:	Circa £450.0 million

Colindale, London NW9

A 7.5-acre urban regeneration in North West London comprising 1.0 million sq. ft. net of retail, residential and car parking.

Accommodation:	300,000 sq. ft. of retail
	500,000 sq. ft. of residential
	200,000 sq. ft. of car parking
Completion:	Expected to complete in the medium-term
Funding:	To be determined
End value:	Circa £140.0 million

Curzon Street, Birmingham

A 10.5-acre site in central Birmingham acquired in November 2006 in equal partnership with Grainger PLC. The development is part of the wider regeneration of the Eastside quarter of Birmingham, which aims to provide a vibrant world class environment for business, leisure, learning, technology and creative industries. The consented scheme comprises 1.4 million sq. ft. net of office, residential, hotel and leisure accommodation facing Birmingham's new city park.

Accommodation:	1.4 million sq. ft. of mixed-use delivered in five phases
Completion:	Phase 1 – expected to complete in the medium-term. All phases delivered in 10 years
Funding:	To be determined
End value:	Circa £350.0 million

Broughton, Flintshire

Development Securities developed this 300,000 sq. ft. retail park, outside Chester, together with Pillar Property PLC in the late 1990's. Largely pre-let prior to completion with tenants including Tesco, Alders, Sears, WH Smith and Arcadia.

Planning consent for phase 2 was achieved in 2007, representing a prospective 171,000 sq. ft. extension to the retail park. Implementation of this phase is unlikely to commence until market conditions have firmed.

Accommodation:	Circa 300,000 sq. ft. of retail
Completion:	Phase 1 – completed 1999
	Phase 2 – expected to complete in the medium-term
Funding:	Phase 1 – Pillar Property PLC
	Phase 2 – To be determined
End value:	Circa £250.0 million

Review of operations - Investment review

There is little doubt that the reduction in interest rates to the current low levels has been the driver behind the rapid rise in capital values. Commercial property has benefited from the investment of cash that was not happy sitting in banks (initially) and earning a minimal return (secondly). In our view, there is some scope for this to continue in 2010 as investors remain long of cash albeit that the easy wins from the short-term bounce back have probably already disappeared and values going forward are more likely to be driven by intensive asset management.

Values have risen 8.0 per cent since the low point of August 2009 resulting in a small negative capital result for the market for 2009 as a whole. This rise in capital values comes despite the continued fall in rental values and, whilst this is not unusual in the early stage of a recovery, it is difficult to reconcile given the significant pressures on the occupier from the wider economy. How the significant government deficit is tackled will be paramount in determining whether the UK continues to climb out of recession, albeit at a very slow pace, or whether it slides back into a double dip recession.

In addition, the UK authorities will be worried about the unwanted side-effects of quantitative easing, not least the possibility that it is feeding another liquidity-driven financial bubble. The reverse is that the recent revival is a false dawn. The collapse of the market in 1990 was not as severe as in 2008 but full recovery did not take place until 1996. The false dawn was 1993 when capital values accelerated dramatically but then slowed down again in 1995. History could repeat itself.

A slow economic recovery is not conducive to a swift return to rental stabilisation. In addition, shortening lease lengths and the slow unpicking of the upwards only review clause are likely to increase risk and thus yields as the owner is more frequently exposed to the possibility of market rental falls. Average secondary markets are only likely to recover when unemployment falls and occupational demand increases.

Investment strategy

At the time of our £100.0 million equity issue in July 2009, it was our assessment that the market was about to stabilise with the potential to turn moderately positive. This was one of the central themes behind the capital raising and we are pleased to report that over the summer months we acquired five assets totalling £41.7 million and yielding 8.9 per cent which have since shown £4.7 million capital appreciation. In addition, the rental income from these assets has made a substantial positive impact on the Group's Statement of comprehensive income. In each individual acquisition, we were rigorous in our appraisal, in particular, of credit risk and have largely sought to avoid assets with a significant degree of short-term lease events, thus seeking protection against the full impact of the recession.

Since these initial transactions, we have continued selectively to acquire assets and in early 2010 secured two modest sized assets in Belsize Park, London and Crewe totalling £6.6 million and yielding 7.5 per cent with unexpired terms of 40 and nine years respectively. Both assets have medium-term development potential to underpin their future performance.

In February 2010, we completed the acquisition of a mixed retail and office asset in Nottingham for £9.1 million, equating to a 9.8 per cent net initial yield. The asset offers our typical mix of defensive rental income (80.0 per cent of the total) in a strong location and asset management opportunities both in the retail element and in the office tower above, which requires a modest refurbishment. We expect a significant valuation uplift during 2010 as these initiatives move forward.

At Nailsea, Bristol, we completed a 'loan to own' strategy whereby we initially acquired, at a significant discount, the bank loan secured against a neighbourhood shopping centre and subsequently took control of the original equity position such that we now have full ownership of the asset. Our ability to look through the loan and understand the underlying asset was the key element in our ability to conclude an agreement with the bank. Our combination of available cash and expertise should be persuasive in this market as the banks begin to address their loan book issues in 2010.

At Wallington, we acquired a property, held in trading assets, which was subject to a bank loan considerably in excess of the asset value. However, due to our longstanding relationship with the bank, we were able to negotiate with the lender to write off their loan in return for a share of any future profits. We are pleased to report that since acquisition in August 2009, we have secured some minor revisions to the planning consent for the proposed development and in February 2010 exchanged contracts to sell the property making a respectable trading profit for your Company.

Investment portfolio

Throughout 2009, we remained committed to our strategy of focusing on assets with a mix of core defensive income and asset management initiatives to drive value in the medium-term. We remain disciplined in evaluating each opportunity both in respect of our existing portfolio and new assets, since income return will come under increasing pressure as the current economic difficulties remain unresolved. The recession has served to accelerate the economic decline of those locations and occupiers that were failing anyway.

The revaluation of the investment portfolio at December 2009 showed a capital appreciation of £3.7 million or 1.7 per cent. We achieved a 9.5 per cent IPD Total Portfolio Return in 2009, compared to the IPD UK Annual Property Index of 3.0 per cent. Once again, the defensive nature of the portfolio has provided resilience both in capital and rental value terms.

Development Securities' portfolio has suffered seven tenant failures, representing 1.7 per cent of rental income. Careful credit analysis of the tenant portfolio along with implementation of creative asset management initiatives, remain the essential components to our continued out-performance.

Projects in partnership

Over the course of the year, our joint venture relationships have seen significant activity in respect of both existing projects and new opportunities. These relationships continue to provide diversification to our core investment and development businesses, thus providing access to sectors and geographical areas outside our normal remit.

Blue Living

- planning application submitted at Tilehurst.
- selected to promote a site for over 3,500 homes in the South East.

Henry Davidson Developments (HDD)

- conditional contracts exchanged for the sale of 5.6-acre site to a food store operator at Stanground, Peterborough.
- commenced on site work at a scheme in Coventry, 70.0 per cent pre-let.
- secured an option position on a 30-acre residential site in the West Midlands. Entitled to receive 20.0 per cent of the land sale receipts.

We remain committed to growing our relationship with HDD which continues to deliver a stream of modest but consistent profits.

CTP

- commenced on site in Neston to deliver a food store for Sainsburys.
- commenced on site at Kensington, Liverpool where the majority of accommodation is pre-let or sold.

- signed a Development Agreement with the Local Authority to deliver a 100,000 sq. ft. food store in conjunction with an operator at Hattersley.
- sale of 80,000 sq. ft. speculative office building to the Department of Culture Food and Sport.

During the year, Development Securities injected additional loan capital into the business to alleviate short-term cash pressures. We remain impressed by the team's ability to deliver development opportunities and indeed they are currently in negotiation on two new, earnings accretive opportunities in the north of England, deals which we believe will produce positive returns in the next phase of the property cycle.

Wessex Fund

We continue to work with our local partners to implement individual asset improvement plans on the existing portfolio and are hopeful of securing some valuable planning gains during the course of 2010.

Strategic Land Investment

In November, we acquired a 25.0 per cent shareholding in a land promotion company which is currently engaged on seven projects throughout the United Kingdom, primarily regarding residential planning consents. The value of our investment is £1.5 million. The promotion of unallocated land for more valuable uses can be viewed as a high risk and long-term activity, but we believe that we are investing in a vehicle that is best in class and that the potential returns are commensurate with the risk.

Our arrangement also allows for the partner to draw down loans from Development Securities up to a total of £2.5 million to secure new projects. This loan carries with it conversion rights into 40.0 per cent of the equity in a new entity which will undertake these projects. Based on the forecast returns and projects under consideration, it is likely that your Company will take up this conversion right. To date two new projects have been secured using the facility.

Investment portfolio

Queen Street, Cardiff

An unbroken parade of eight retail units fronting Queen Street, which is Cardiff's prime retailing pitch. The retail premises are fully let, predominantly to national multiple covenants.

Accommodation:	Approximately 5,500 sq. ft. of ground floor retailing space, supported by 6,800 sq. ft. of ancillary space.
Key Tenants:	T Mobile, Santander, Carphone Warehouse.
AWUT*:	6.7 years
Key initiatives:	Since acquisition we have negotiated the surrender of one unit and re-let it on improved terms.

Kingsland Shopping Centre, Thatcham

A partially covered shopping centre, located close to Newbury, anchored by a 29,000 sq. ft. Waitrose supermarket and let to a combination of local and national retailers. The centre also benefits from a 150-space car park.

Accommodation:	A total of 50,000 sq. ft. of retail and ancillary accommodation comprising 15 retail units and an anchor supermarket.
Key Tenants:	Waitrose, Lloyds Chemist, Co-Op.
AWUT*:	10.0 years
Key initiatives:	Potential to extend the scheme to the rear to create further retailing floorspace.

Swanley Shopping Centre, Swanley

An uncovered shopping centre providing the principal retail offer in the town and located immediately opposite an ASDA superstore. The scheme comprises 30 retail units anchored by a 16,000 sq. ft. Wilkinson variety store due to open in summer 2010.

Accommodation:	85,000 sq. ft. of retail and ancillary accommodation and 320 parking spaces.
Key Tenants:	Superdrug, Peacocks, Holland & Barratt, Barclays, Wilkinson.
AWUT*:	4.8 years
Key initiatives:	Enhance the retail environment and thereby improve prime zone A rental rates. A 15-year letting has been agreed for the anchor store with Wilkinson

Atlantic Village, Bideford

An outlet shopping centre in North Devon let to a combination of national multiple and independent retailers. Visitor numbers to the centre benefit from an adjacent ASDA superstore. The letting to Marks & Spencer in Q2 2009 has significantly improved the centre's standing in the regional retail hierarchy with associated increases in footfall and turnover.

Accommodation:	100,000 sq. ft. of retail floorspace with approximately 700 parking spaces
Key Tenants:	Marks & Spencer, Edinburgh Woollen Mill, Cotton Traders, Pavers Shoes
AWUT*:	2.4 years
Key initiatives:	A letting has been agreed to a major national multiple retailer who will be in occupation by Q3 2010. A planning application for an extension to the centre, to provide 80,000 sq. ft. of new retail floorspace, is being progressed

Victoria Street West, Grimsby

A prime, well-configured department store with dual frontage onto Victoria Street West and into Freshney Place Shopping Centre. The entire property is let to House of Fraser with over 25 years remaining. The property offers flexible accommodation and could be sub-divided if a landlord was to regain vacant possession.

Accommodation:	92,000 sq. ft. of retail and ancillary space arranged over three principal floors
Key Tenants:	House of Fraser
AWUT*:	29.5 years
Key initiatives:	We are actively monitoring tenant demand for Grimsby to determine the viability of the subdivision of the retailing space

Bank Hey Street, Blackpool

A recently refurbished building occupying a prominent island site where pedestrian footfall past the property has benefitted from the recent extension to the Houndshell Centre. The majority of the space is let to national multiple retailers and a significant proportion of the rental income benefits from fixed uplifts.

Accommodation:	50,000 sq. ft. of retail, office and ancillary space arranged over basement, ground, first and second floors
Key Tenants:	Peacocks, Sports Direct.com, JD Wetherspoon
AWUT*:	9.7 years
Key initiatives:	A letting of the seafront unit has been agreed to a leisure operator on a 30-year lease with fixed uplifts

The Furlong Shopping Centre, Ringwood

An uncovered piazza-style shopping centre, in an affluent catchment area, comprising 20 retail units and anchored by a 44,000 sq. ft. Waitrose foodstore. Since its acquisition in 2003, proactive asset management has enhanced the retailing environment and greatly improved the retail offer. The prime Zone A rental tone has improved by 300 per cent over this time.

Accommodation:	Approximately 85,000 sq. ft. of retailing floorspace with 212 parking spaces
Key Tenants:	Waitrose, Specsavers, Jaeger, Phase 8, Fat Face
AWUT*:	14.5 years
Key initiatives:	Continued improvement of retail offer; negotiations are ongoing with a national retailer for a vacant unit. Settle the forthcoming rent review of the Waitrose foodstore to improve income profile. Longer term, there are plans for an extension of the centre to the south onto Market Place to increase retailing floorspace and create a circular pedestrian loop

145-157 High Street, Eltham

A multi-let property located on the prime retailing pitch in a busy London suburb. The building comprises four retail units which are all let to national multiple retailers with long unexpired lease terms. A recently-opened Lidl supermarket lies adjacent to the property which has increased pedestrian footfall in the area.

Accommodation:	35,000 sq. ft. of retail and ancillary space arranged over three storeys
Key Tenants:	Carptright, Peacocks, Sportsdirect.com, Bathstore.com
AWUT*:	7.8 years
Key initiatives:	Capitalise on improving retail pitch by regearing occupational leases to increase lease terms

Crown Glass Centre, Nailsea

A suburban shopping centre, located approximately 15 miles from Bristol, which comprises retail, office and residential accommodation. The retail units form the majority of the passing income and are let to a combination of national multiple and local retailers. Footfall also benefits from one of the town's main car parks, providing 198 spaces, being within the ownership.

Accommodation:	44 retail units totalling 97,000 sq. ft., 44,000 sq. ft. of office accommodation and 36 residential units
Key Tenants:	Iceland, Boots, Superdrug, Peacocks
AWUT*:	3.1 years
Key initiatives:	A planning application for a foodstore-anchored extension to the west of the centre is being prepared

* Average weighted unexpired lease term

Property portfolio analysis

Sector analysis

1	Office	8.8%
2	Retail	63.1%
3	Mixed	18.7%
4	Industrial	7.0%
5	Residential	2.4%

Gross rental income - Tenant profile

1	Government	1.3%
2	FTSE 100	1.5%
3	PLC/Nationals	71.9%
4	Regional multiples	9.7%
5	Local traders	15.6%

Location profile

1	London	10.9%
2	South East	38.0%
3	South West	26.1%
4	North	25.0%

Lease profile

1	0-5 years	37.1%
2	5-10 years	22.5%
3	10-15 years	14.3%
4	15-20 years	9.3%
5	20 years +	16.8%

Income generating properties as at 28th February 2010.

Financial review

Capital structure and liquidity management

The Group's strategy for its capital is to maintain a conservative balance of equity and debt appropriate to the profile of our asset portfolio, taking account of our intentions for each asset, and our expectations for the availability and cost of alternative sources of finance.

The restrained use of bank borrowings during the bull phase of the market meant that the Group was able to weather the storm of the banking crisis and precipitous falls in property capital values in the second half of 2008 and first half of 2009, making appropriate loan-to-value repayments from Group resources reserved for that purpose, without recourse to its shareholders.

In July 2009 the Group raised circa £100.0 million of new equity (circa £94.0 million net of expenses) from a Firm Placing and Placing and Open Offer, in order to capitalise on new opportunities early in the property development cycle, as well as to enhance the Group's investment portfolio. During the second half of the year the Group has invested approximately £44.1 million of the proceeds, followed by a further £16.1 million of acquisitions since the year end.

In October 2009, cash reserves were further increased by the completion of the CityPark, Manchester development, which produced a cash inflow of £19.9 million (net of a debt repayment of £22.4 million including fees).

Consequently the Group's gearing as at 31st December 2009 was 18.7 per cent as compared with 54.1 per cent at the beginning of the year. During the year this ratio peaked at 81.3 per cent, as at 30th June, reflecting the planned position of maximum borrowings just ahead of the completion of the CityPark, Manchester development.

Our cash and overall liquidity is managed at Group level, with our investment, development and trading portfolios assessed and monitored according to their own specific risks. Within our debt facilities we maintain a mix of fixed and variable rates, in general preferring the certainty of fixed rates for our larger and longer term borrowings.

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 using our own 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 our own 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 nine times per annum.

The principal tools of assessment are a 15-month cash flow forecast, which is updated monthly, a schedule of agreed bank facilities and the amounts drawn against them, a summary of net debt and a formal monthly commentary on the position prepared by the Finance Director.

For the longer term the Directors review the Group's capital structure, taking account of the real estate cycle, the likely forthcoming risks and opportunities for the Group, and the market for equity and debt finance. This is formally revisited at least annually via the Group's Risk Committee, which reports to the Board, and informally as appropriate at each Board meeting. The Directors were pleased with the resilience of the structure through the market's trough in early 2009, and with the successful increase in the equity base during the year. We are actively considering this profile for the coming years.

Medium-term liquidity is arranged through a mix of the Group's own equity and its debt facilities. Owing to the strong relationships with its bankers, the Group has not been constrained in its ability to borrow during 2009; however the capital raising during the year and the paltry returns to be earned on cash balances deterred the Directors from raising new debt in the second half of 2009.

Owing to the nature of the Group's business, short-term liquidity requirements are reasonably predictable. Cash balances are monitored on a daily basis. Cash and short-term deposits are placed across a few banks and financial institutions with high credit ratings, taking care to avoid a significant concentration of credit risk with any one counterparty, and selecting periods which optimise the interest received whilst maintaining suitable flexibility for our operations.

Current facilities and borrowings

The Group's bank facilities are set out in the table below. As at 31st December 2009 the value of the Group's gross borrowings was £126.2 million (2008: £147.9 million). Cash balances were £80.6 million (2008: £60.7 million), including

amounts of £17.4 million (2008: £31.7 million) held as restricted deposits, giving net debt of £45.6 million and gearing of 18.7 per cent (2008: £87.2 million and 54.1 per cent).

During 2009 the Group repaid the development loan in respect of CityPark, Manchester, and, since the year end, the Group has refinanced the facility in respect of Weeke Local Centre, Winchester and repaid the £2.0 million drawn on the revolving credit facility, maturing in 2011.

In March 2010, in order to take advantage of current low long-term interest rates, the Group has completed a new 15-year facility of £58.2 million, secured against a portfolio of investment properties, from Aviva Commercial Finance Limited. Including the new facility, committed facilities as at 22nd March 2010 total £171.1 million, with a weighted average term of 11.1 years. Unutilised facilities are £70.6 million.

Of those facilities financing longer term assets, the earliest maturity date is 2013. The Directors are comfortable with this position.

Our development finance is generally shorter term. We monitor these loans carefully in conjunction with the performance of the relevant development. As at 22nd March 2010 we have no drawn balances on these facilities.

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.

Facility type	Total facility £,000	Utilised as at 31 December 2009 £'000	Interest rate	Maturity	Principal financial covenants Loan to value ratio	Interest cover ratio	Minimum net worth £'000	Notes
Loans financing longer-term assets								
Revolving credit	25,000	2,000	Variable	31-Mar-2011	-	150%	-	1
Revolving credit	32,300	32,300	Variable	31-Jan-2013	70%	105%	-	
Term loan	12,955	12,955	Hedged	31-May-2013	70%	120%	-	3
Term loan	5,997	5,997	Hedged	17-Oct-2014	80%	125%	-	4
Debenture	20,000	20,000	Fixed	06-Jan-2016	66%	-	-	
Term loan	58,200	-	Fixed	12-Mar-2025	80%	120%	-	
Loan notes	†32,844	32,844	Hedged	25-Oct-2027	-	-	100,000	5
Loans financing development and refurbishment assets								
Term loan - Facility A	14,280	-	Variable	3yrs from draw	-	-	-	
Term loan - Facility B	8,400	-	Variable	3yrs from draw	-	-	-	
Term loan - Facility C	5,320	-	Variable	3yrs from draw	-	-	-	
Term loan	13,000	12,970	Variable	02-Jun-2010	-	-	100,000	2
364 day revolving credit	10,000	-	Variable	364 days from draw	-	-	100,000	
364 day revolving credit	15,000	-	Variable	26-Jul-2010	65%	125%	160,000	6
Term loan	17,550	-	Variable	42 mths from draw	-	-	150,000	

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 (31st December and 30th June).

2 Since the year end the loan has been repaid and the facility terminated.

3 The variable rate benefits from an interest rate collar.

4 The variable rate benefits from an interest rate cap.

5 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.

6 The loan facility was renewed on 26th January 2010 for a further six-month period.

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

Interest rate risk and hedging

As noted in the table in note 12(c), interest rate caps and swaps are used to provide commercial hedges against the Group's 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 are marked to market, giving rise to the risk of fair value movements in the derivative instrument, and a consequent impact on net asset value. The increase in the interest rate curve from the low point in January 2009 produced a rise in this fair value during the year and a gain of £0.9 million in the Statement of comprehensive income. 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 the net unrealised gain reserve, in respect of which the combined effect of increased longer term rates and the strengthening of Sterling produced a gain of £2.8 million. The aggregate impact on our net asset value during 2009 of the mark-to-market of fixed interest instruments was a gain of £3.7 million.

Our interest rate and cross-currency hedges are provided by well-established banking institutions and the Group does not consider that there is an abnormal counterparty credit risk in this regard.

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.

During the year the Group received the balance of the proceeds of £42.3 million from the purchaser of the CityPark, Manchester development, in accordance with the contract. At 31st December 2009 the Group had no debtors of this magnitude.

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 year end was valued at £5.0 million (2008: £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 Development Securities 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 outstanding rent reviews, as well as a formal commentary by the investment team. The current profile of the Property portfolio analysis is presented above.

The Directors have been pleased with the low level of tenant default during 2009. Tenants in administration or liquidation account for £168,000 of rental income, being 1.7% of the portfolio. Of this amount we continue to receive rent of £98,000, leaving actual loss of rent at £70,000 (0.7%). Tenants paying monthly represent annual rent of £532,000 (4.1%).

Provision is made for overdue rents according to the specific circumstances of each case. At 31st December 2009, amounts of rent overdue by more than 30 days was £275,000, against which the Group has provided £104,000.

The Directors believe that the low level of defaults reflects the strategy of the portfolio. As at 31st December 2009 the portfolio remains well diversified among tenants, with the highest exposures being mainly to strong covenants. The deliberate sector bias towards retail has been increased during the year; this is offset by the geographic spread within that sector, and the concentration on local centres anchored by the resilient food sub-sector.

Joint ventures and associates

The Group has significant operations conducted in joint venture with partners, in respect of which the Group provides both development expertise and funding. These interests are carried in a number of Balance sheet categories, and are summarised in note 14.

The financial instrument risks in respect of joint venture operations are the financial strength of the operating partner, the contractual risk in the joint venture agreements and the operating success of the venture. The Group manages these risks by securing appropriate rights over the use of the Group's invested capital and by active participation in the joint strategic and operating control of the ventures.

Contingent liabilities

The Directors ensure that 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 31st December 2009.

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 Review of operations. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial instrument risks are described above, which also cover the Group's objectives, policies and processes for managing its capital. Note 12 of the Preliminary announcement gives further information about the Group's financial instruments and hedging activities.

The Group has considerable financial resources. Rental income continues to be robust, and has been enhanced by recent acquisitions. Our debt finance is secured for appropriate periods and we are comfortable with our covenant positions. Having assessed the headroom within the Group's cash flow forecast and the risks to those cash flows, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and Financial statements.

Statement of comprehensive income

Result for the year and net asset value

The Statement of comprehensive income discloses a loss before tax for the full year of £11.4 million (2008: loss of £65.6 million), representing a first half loss of £19.1 million significantly recovered by a profit before tax for the six months to December of £7.7 million. The principal element of this dichotomy is property revaluation, which produced a loss of £12.2 million in the first half and a strong increase of £15.9 million in the period from July to December, including an uplift of £4.7 million in respect of investment property of £41.7 million purchased since our equity raising in July. Overall, development contributions to the operating result were inevitably constrained, and the strong contribution of the investment portfolio was outweighed by net finance costs and operating expenses.

After tax and reserve movements the movement in net asset value was a reduction of £11.0 million, before the addition of the new equity capital raised in the year of £94.0 million (net of expenses).

The movement in net asset value during the year is set out in the table below

	31/12/08	30/06/09	15/07/09 Proforma following equity raising*	31/12/09
Net assets (£ million)	161.0	143.0	237.0	244.0
Number of shares (million)	40.6	40.6	82.3	82.3
Pence per share	397	352	288	297

*Calculated by adding the net proceeds raised from the Firm Placing and Placing and Open Offer of £94.0 million to the net asset value as at 30th June 2009.

Net rental income

Net rental income for the year was £5.5 million (2008: £3.0 million). Gross rental income increased by £1.2 million, reflecting additions to the investment portfolio. The increase in annual gross rental income arising from additions to the investment portfolio of £41.7 million made in the second half of 2009 is circa £3.7 million.

Rental costs reduced from £6.0 million to £4.6 million, with the principal saving coming from a reduced charge of £1.7 million in respect of onerous leases, compared with £3.3 million arising in 2008.

Trading and development profits

Following the significant contribution of £22.2 million from PaddingtonCentral and West Quay, Southampton in 2008, development profits were subdued in 2009. Revenue of £20.4 million related to the development at CityPark, Manchester; however, of total profits of £7.0 million arising over the life of this project, only £2.3 million arose in 2009, since this pre-sold building was reported as a construction contract with profits recognised as development progressed. During the year we made some writedowns of trading and development properties amounting to £2.4 million, and incurred abortive pre-development expenditure of £0.3 million. Project management fees of £1.0 million were earned from PaddingtonCentral and St Bride Street, London EC4.

Operating costs

Administrative expenses reduced from £13.4 million in 2008 to £12.8 million in 2009, reflecting a reduction in staff costs following the redundancies made in December 2008 and salary reductions accepted by senior staff. Operating costs also include a one-off charge of £1.4 million for a capital contribution in respect of the sub-letting at PaddingtonCentral.

Revaluation of investment properties

In the full year the increase in our completed portfolio, as reported by the IPD, was 2.5 per cent (capital growth), which may be compared with an all-property decrease for the IPD index of (3.6) per cent. The average yield applied to the portfolio as at 31st December 2009 was 6.9 per cent, compared with 6.7 per cent at 31st December 2008 and 7.3 per cent at 30th June 2009.

Finance costs

Net finance costs included in the Statement of comprehensive income for the year were £6.7 million, a significant reduction from the charge of £15.3 million in 2008. Interest costs reduced from £11.6 million in 2008 to £9.1 million in 2009, mainly reflecting lower borrowings after reductions made under loan-to-value covenants and notably the repayment in October 2009 of the CityPark, Manchester loan of £22.3 million. In 2008 net finance costs included a penalty of £5.9 million in respect of the early termination of a fixed rate loan.

Under IAS 39 the Group is obliged to revalue interest rate swaps to current market value, although these instruments are purchased and held by the Group to obtain certainty over interest costs, and not for trading. Consequently the general upturn of the interest rate curve over the year produced a credit to the Statement of comprehensive income of £0.9 million, partially recovering the charge of £3.2 million in 2008. To this may be added the similar credit to the net unrealised gain reserve of £2.8 million, which compares with a corresponding debit of £2.4 million in 2008. Together such mark-to-market adjustments produced an increase in net asset value of £3.7 million in 2009 against a reduction of £5.6 million in 2008.

Finally, the strengthening of Sterling against the Euro during the year caused a loss on translation of our Euro cash deposits (held as security against our Euro-denominated loan notes) of £0.6 million, compared with a gain of £1.6 million in 2008.

	2009	2008
	£'m	£'m
Net finance costs		
Interest payable on bank loans and other borrowings	9.1	11.6
Early loan repayment fee	-	5.9
Amortisation of transaction costs	0.5	0.3
Loss arising on derivatives	-	3.2
Net foreign currency movement	0.6	(1.6)
Capitalised interest	(1.4)	(1.1)
	8.8	18.3
Interest receivable	(2.1)	(3.0)
Net finance cost	6.7	15.3

Taxation

There is no charge to tax in the year as a consequence of losses brought forward and arising in the period. 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 IAS 12. During the year we recognised an additional deferred tax liability of £0.8 million, which arose in respect of the revaluation of swap movements and was charged to equity. The credit of £0.7 million in the Statement of comprehensive income represents the recognition of an additional element of the Group's deferred tax asset, adhering to the principle above.

Dividends

The Board will recommend to shareholders at the Annual General Meeting on 7th May 2010 a final dividend of 2.4 pence per share (2008: 2.4 pence) to be paid on 6th July 2010 to shareholders on the register on 4th June 2010. This final dividend, amounting to £2.0 million (2008: £1.0 million) has not been included as a liability at 31st December 2009, in accordance with IFRS.

	2009	2008
	pence	pence
Dividends		
Interim	2.4	2.4
Prior period final	2.4	4.8
Total dividends paid in the year	4.8	7.2

Loss per share

The loss per share in the year to 31st December 2009 was 17.5 pence (2008: 142.3 pence) per share and on a diluted basis was 17.5 pence loss (2008: 142.2 pence loss) per share. Loss per share and diluted loss per share for 2008 have been restated following the 2009 Firm Placing and Placing and Open Offer.

Consolidated balance sheet

Investment portfolio

Following the equity raising in July 2009, the Group has acquired five investment properties for a total value of £41.7 million. A further £1.6 million was invested in enhancing and refurbishing existing properties within the portfolio.

	2009	2008
	£'m	£'m
Investment portfolio		
Valuation at 1st January	134.1	154.8
Additions at cost	43.3	26.4
Disposals	(0.1)	(2.0)
Revaluation	3.7	(45.1)
Valuation at 31st December	181.0	134.1

Trading and development properties

During the year the Group achieved practical completion on Weeke Local Centre, Winchester. The development was completed on time and on budget, and is 91.0 per cent occupied. The Directors have received offers to purchase the asset, but are working to enhance the income.

In December 2009 the Group exchanged contracts for the acquisition of the development property at Hammersmith Grove, and the unconditional consideration of £5.0 million has been accrued in this balance. The acquisition of the new development site in Slough, also in December, was effected as a land swap, and hence did not materially increase this balance.

Projects in partnership

The representation of our projects in partnership under IFRS is complex. Note 14 sets out the Group's interests and the accounting treatment of each.

During the year the Group advanced further funds to CTP and HDD, as described in note 12(a). The principal movements in the Statement of comprehensive income were amounts earned from HDD projects of £0.5 million and an impairment provision of £0.4 million against our joint venture interest in Wimbledon Phoenix Limited.

Other financial assets

Financial assets are analysed in note 12. The Group's participation in the third phase of PaddingtonCentral has been revalued by the Directors at £5.0 million, unchanged from the previous year.

The Group's Euro-denominated loan notes and the cross-currency hedge are carried as separate instruments in the Balance sheet. Over the year the slight strengthening of Sterling against the Euro reduced the balance sheet value of the loan liability, and correspondingly reduced the carrying value of the hedging instrument from an opening balance of £7.9 million to £7.5 million at 31st December 2009.

Borrowings and financial risk

		2009	2008
Net debt and gearing			
Gross debt	£m	(126.2)	(147.9)
Cash and cash equivalents	£m	80.6	60.7
Net debt	£m	(45.6)	(87.2)
Gearing*	%	18.7	54.1
Adjusted gearing (1)	%	15.1	46.6
Adjusted gearing (2)	%	6.3	33.5

Following the equity raising in July 2009 and the completion of the CityPark, Manchester development in October 2009, the Group's gearing was 18.7 per cent at 31st December 2009.

(1) The gross debt figure includes the €47 million 2027 Unsecured Subordinated Loan Note facility, stated in Sterling at the current fair value of £41.6 million (2008: £44.9 million). This ignores the hedging instrument. If the calculation is restated using the current effective Sterling liability of £32.8 million, gearing falls to 15.1 per cent (2008: 46.6 per cent).

(2) If these unsecured, subordinated loan notes are removed from borrowings, gearing falls to 6.3 per cent. This is calculated by deducting from net debt the current fair value of £41.6 million (2008: £44.9 million) and adding back relevant restricted cash balances of £10.3 million (2008: £10.5 million) and transaction costs of £1.1 million (2008: £1.2 million).

Performance measures

Key performance indicators are set out below:

Year ended 31st December		2009	2008
Net asset value movement	%	51.5	(29.6)
Gearing	%	18.7	54.1
Investment property portfolio return as reported under IPD	%	9.5	(18.7)
Total shareholder return	%	27.6	(43.8)

* refer note 16

Financial statements

Consolidated statement of comprehensive income

For the year ended 31st December 2009

	2009 £'000	2008 £'000
Revenue	35,070	171,114
Direct costs	(30,883)	(155,958)
Gross profit	4,187	15,156
Operating costs	(12,844)	(13,395)
Gain on disposal of investment properties	-	539
Gain/(loss) on revaluation of investment property portfolio	3,681	(45,060)
Operating loss	(4,976)	(42,760)
Other income	41	2,759
Share of post-tax losses of joint ventures	(10)	(8,625)
Provision for impairment of joint ventures	(422)	-
Share of post-tax losses of associates	-	(1,212)
Income from financial assets	503	1,311
Provision for impairment of financial assets	-	(2,145)
Loss on sale of other fixed assets	(14)	(5)
Profit on sale of investments	221	293
Loss before interest and income tax	(4,657)	(50,384)
Finance income	2,065	3,042
Finance costs	(8,795)	(18,298)
Loss before income tax	(11,387)	(65,640)
Income tax	693	5,080
Loss after income tax	(10,694)	(60,560)
Other comprehensive income:		
Loss on revaluation of operating properties	(352)	(292)
Fair value of cross-currency interest rate swap	2,794	(4,014)
Available-for-sale financial assets transferred to the Statement of comprehensive income	-	(1,827)
Deferred income tax	(783)	1,620
Total comprehensive income for the year attributable to equity shareholders of the parent	(9,035)	(65,073)
Basic loss per share	(17.5)p	(142.3)p
Diluted loss per share	(17.5)p	(142.2)p

Consolidated balance sheet

As at 31st December 2009

	2009		2008	
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment				
– Operating properties	1,580		2,000	
– Other plant and equipment	4,212		3,463	
Investment properties	181,036		134,084	
Other financial assets	16,844		15,033	
Investments in associates	1,500		-	
Investments in joint ventures	-		610	
Trade and other receivables	2,354		1,768	
Deferred income tax assets	3,912		3,495	
Derivative financial instruments	7,473		7,909	
		218,911		168,362
Investment in joint venture – held for sale		-		654
Current assets				
Inventory – developments and trading properties	78,555		59,365	
Other financial assets	10,598		9,740	
Trade and other receivables	23,016		46,940	
Cash and cash equivalents	80,574		60,688	
		192,743		176,733
Total assets		411,654		345,749
Current liabilities				
Trade and other payables	(28,273)		(24,335)	
Borrowings	(12,669)		(4,661)	
		(40,942)		(28,996)
Non-current liabilities				
Borrowings	(113,533)		(143,209)	
Derivative financial instruments	(2,126)		(3,022)	
Deferred income tax liabilities	(3,912)		(3,495)	
Provisions for other liabilities and charges	(7,122)		(5,982)	
		(126,693)		(155,708)
Total liabilities		(167,635)		(184,704)
Net assets		244,019		161,045
Equity				
Share capital	41,128		20,302	
Share premium	103,961		109,907	
Revaluation reserve	437		789	
Other reserves	45,322		43,375	
Retained earnings	53,171		(13,328)	
Equity attributable to the equity shareholders of the parent		244,019		161,045
Basic net assets per share		297p		397p
Diluted net assets per share		297p		397p

Consolidated statement of changes in equity
For the year ended 31st December 2009

	Share Capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1st January 2008	20,283	109,801	48,677	50,155	228,916
Loss for the year ended 31st December 2008	-	-	-	(60,560)	(60,560)
Other comprehensive income:					
Net loss on revaluation of operating properties	-	-	(292)	-	(292)
Fair value adjustment to available-for-sale assets realised	-	-	(1,827)	-	(1,827)
Fair value of cross-currency interest rate swap	-	-	(2,418)	-	(2,418)
Fair value of cross-currency interest rate swap in prior year	-	-	(1,596)	-	(1,596)
Deferred income tax credited directly to equity	-	-	1,620	-	1,620
Total comprehensive income for the year ended 31st December 2008	20,283	109,801	44,164	(10,405)	163,843
Transactions with owners:					
Net proceeds of issue of new shares	19	106	-	-	125
Final dividend relating to 2007	-	-	-	(1,949)	(1,949)
Interim dividend relating to 2008	-	-	-	(974)	(974)
Balance at 31st December 2008	20,302	109,907	44,164	(13,328)	161,045
Loss for the year ended 31st December 2009	-	-	-	(10,694)	(10,694)
Other comprehensive income:					
Net loss on revaluation of operating properties	-	-	(352)	-	(352)
Fair value of cross-currency interest rate swap	-	-	2,794	-	2,794
Deferred income tax charged directly to equity	-	-	(783)	-	(783)
Total comprehensive income for the year ended 31st December 2009	20,302	109,907	45,823	(24,022)	152,010
Share based payments	-	-	(64)	-	(64)
Net proceeds of issue of new shares	20,826	(5,946)	-	79,141	94,021
Final dividend relating to 2008	-	-	-	(974)	(974)
Interim dividend relating to 2009	-	-	-	(974)	(974)
Balance at 31st December 2009	41,128	103,961	45,759	53,171	244,019

Consolidated cash flow statement
For the year ended 31st December 2009

	2009 £'000	2008 £'000
Net cash flow from operating activities	(4,345)	15,908
Investing activities:		
Interest received	741	5,723
Proceeds on disposal of plant and equipment	13	39
Proceeds on disposal of investment properties	-	2,573
Proceeds on disposal of investments	-	293
Purchase of plant and equipment	(1,263)	(1,507)
Purchase of investment properties	(43,307)	(26,367)
Purchase of investments	(1,500)	(1,226)
(Investment in)/return of financial assets	(3,228)	1,698
Cash (outflow)/inflow from joint ventures	(54)	516
Net cash flow from investing activities	(48,598)	(18,258)
Financing activities:		
Dividends paid	(1,948)	(2,923)
Issue of new shares	94,021	125
Repayments of borrowings	(36,533)	(81,375)
New bank loans raised	18,189	72,769
Net cash flow from financing activities	73,729	(11,404)
Net increase/(decrease) in cash and cash equivalents	20,786	(13,754)
Cash and cash equivalents at the beginning of the year	60,352	72,473
Net foreign currency differences arising on re-translation of cash and cash equivalents	(574)	1,633
Cash and cash equivalents at the end of the year	80,564	60,352
Cash and cash equivalents comprise:		
Cash at bank and in hand	63,198	28,992
Pledged cash held as security against financial liabilities	17,376	31,696
Cash and short-term deposits	80,574	60,688
Bank overdrafts	(10)	(336)
Cash and cash equivalents at the end of the year	80,564	60,352
	2009 £'000	2008 £'000
Net debt comprises:		
Cash and short-term deposits	80,574	60,688
Financial liabilities:		
Current borrowings	(12,669)	(4,661)
Non-current borrowings	(113,533)	(143,209)
Net debt	(45,628)	(87,182)

Notes to the unaudited preliminary results

1. Basis of preparation

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs.

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial information has been prepared on the going concern basis under the historical cost convention and financial assets and financial liabilities at fair value through the Statement of comprehensive income.

The financial information in the preliminary announcement does not constitute the Group's statutory accounts for the year ended 31st December 2008 and 2009 within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The auditor's reports on the 2008 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of Companies Act 2006 or equivalent preceding legislation.

2 Basis of preparation and accounting policies

a) General information

This preliminary announcement of the Group for the 12 months ended 31st December 2009 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 22nd March 2010.

b) Basis of preparation

This preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations as adopted by the European Union and in accordance with the Companies Act 2006.

The accounting policies applied in this preliminary announcement are consistent with those reported in the Group's annual financial statements for the year ended 31st December 2008.

c) Critical accounting policies

The preparation of financial statements 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 statements are 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 statements as soon as they become apparent.

Judgements other than estimates

The Group earns revenue from property development, trading and investment. 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 larger 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. The Directors determine the status of each asset on acquisition according to their intentions for the asset.

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. 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 Directors have considered the position in respect of each venture, taking account of the operation in practice, and have determined the status of each accordingly. These investments are reported under the relevant Balance sheet headings, with a summary in note 14.

The 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 subsidiary, and

whether the subsidiary has its own staff to manage the property (over and above the maintenance and security of the premises).

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 development of CityPark in Manchester is characterised as a construction contract (under IAS 11), whereby revenue is reported in line with construction progress.

3 Segmental analysis

The segmental information presented, as required for IFRS 8, 'Operating Segments', follows the information provided to the Chief Operating Decision Maker and reflects the three sectors in which the Group is operational. The three operating divisions are:

Investment – management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;

Trading and development – managing the Group's development projects. Revenue is received from project management fees, development profits and the disposal of inventory; and

Operating – serviced office operations and retail activities. Revenue is principally received from short-term licence fee income.

Unallocated assets and liabilities comprise amounts that cannot be specifically allocated to operating segments.

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 £642,000 (2008: £808,000), which are located in France and The Netherlands. All revenue arises from continuing operations.

	Year ended 31st December 2009			
	Investment £'000	Trading and development £'000	Operating £'000	Total £'000
Segment revenue	10,080	21,390	3,600	35,070
Direct costs	(4,574)	(21,414)	(4,895)	(30,883)
Segment result	5,506	(24)	(1,295)	4,187
Operating costs	(5,089)	(7,755)	-	(12,844)
Gain on revaluation of investment property portfolio	3,681	-	-	3,681
Operating profit/(loss)	4,098	(7,779)	(1,295)	(4,976)
Other income	41	-	-	41
Share of post-tax losses of joint ventures	-	(10)	-	(10)
Provision for impairment of joint ventures	-	(422)	-	(422)
Income from financial assets	-	503	-	503
Unallocated loss on sale of other fixed assets	-	-	-	(14)
Profit on sale of investments	-	221	-	221
Loss before interest and income tax				(4,657)
Finance income	1,745	320	-	2,065
Finance costs	(6,881)	(1,914)	-	(8,795)
Loss before income tax				(11,387)
Income tax				693
Loss after income tax				(10,694)
Assets and liabilities				
Segment assets	217,454	148,613	7,099	373,166
Unallocated assets				38,488
Total assets				411,654
Segment liabilities	(103,727)	(48,321)	(2,561)	(154,609)
Unallocated liabilities				(13,026)
Total liabilities				(167,635)
Other segment information				
Capital expenditure	43,307	-	1,167	44,474
Unallocated capital expenditure				116
Depreciation	-	-	396	396
Unallocated depreciation				145
Revenue				
Rental income	9,948	27	-	9,975
Operating property income	-	-	3,600	3,600
Project management fees	-	974	-	974
Construction contract revenue	-	20,389	-	20,389
Other income	132	-	-	132
	10,080	21,390	3,600	35,070

4 Fixed rate debt

The notional fair value adjustment at 31st December 2009 in respect of the Group's fixed rate debt, calculated on a replacement basis, taking into account the difference between fixed interest rates of the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments, was £5,443,000 (2008: £6,736,000) equivalent to a decrease in net assets of 4.8 pence per share after tax (2008: 11.9 pence per share).

5 Finance income and costs

a) Finance income	2009 £'000	2008 £'000
Interest receivable	1,022	2,980
Other finance income	146	62
Fair value gain on financial instruments – interest rate caps and collars	897	-
Total finance income	2,065	3,042

On 4th August 2009, the Group acquired a senior bank loan of £16,673,000, at a cost of £9,904,000, secured on a neighbourhood shopping centre. On 30th September 2009 the borrower defaulted on the loan and the Group took control of the underlying charged asset. The interest, which notionally accrued for the period 4th August 2009 to 30th September 2009, has been written off.

b) Finance costs	2009 £'000	2008 £'000
Interest on bank loans and other borrowings	6,875	9,419
Interest on debenture	2,200	2,200
Loan repayment fees	-	5,891
Amortisation of transaction costs	542	395
Fair value loss on financial instruments – interest rate caps and collars	-	3,164
Net foreign currency differences arising on re-translation of cash and cash equivalents	574	(1,633)
	10,191	19,436
Capitalised interest on development and trading properties	(1,396)	(1,138)
Net finance cost	8,795	18,298

Interest has been capitalised at an average rate of 5.25 per cent (2008: 7.06 per cent). Capitalised interest in the amount of £2,084,000 (2008: £nil) was written off in the year against gross profit as a result of property disposals.

c) Other income

Interest received in respect of the Colindale, London NW9, £52,000,000 loan notes of £2,759,000 during 2008 was credited to the Statement of comprehensive income as Other income.

6 Dividends

	2009 £'000	2008 £'000
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2008: 2.40 pence per share (2007: 4.80 pence per share)	974	1,949
Interim dividend for 2009: 2.40 pence per share (2008: 2.40 pence per share)	974	974
	1,948	2,923
Proposed for approval by shareholders at the Annual General Meeting:		
Final dividend for 2009: 2.40 pence per share (2008: 2.40 pence per share)	1,974	974

The final dividend was approved by the Board on 19th March 2010 and has not been included as a liability or deducted from retained profits as at 31st December 2009. The final dividend is payable on 6th July 2010 to ordinary shareholders on the register at the close of business on 4th June 2010 and will be recognised in 2010.

On 15th July 2009, 41,653,260 new ordinary shares of 50 pence each were allotted following a Firm Placing and Placing and Open Offer. The new shares rank pari passu in all respects with existing shares, including the right to receive dividends and other distributions after issue, save for the interim dividend in respect of the six months ended 30th June 2009.

7 Loss per share and net assets per share

Basic loss per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

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

EPRA earnings is the profit/(loss) after taxation excluding investment property revaluations 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 dilutive basis.

The calculation of basic and diluted loss per share and EPRA loss per share is based on the following data:

	2009 £'000	2008 £'000
Loss		
Loss for the purposes of basic and diluted loss per share	(10,694)	(60,560)
Revaluation (surplus)/deficit	(3,681)	45,060
Impairment of development land	2,366	26,769
Mark-to-market adjustment on interest rate swaps	(897)	3,164
EPRA adjusted earnings from continuing activities attributable to equity holders of the Company	(12,906)	14,433
	2009 £'000	2008 £'000 (restated)
Number of shares		
Weighted average number of Ordinary shares for the purposes of loss per share	61,051	42,564
Effect of dilutive potential Ordinary shares:		
Share options	6	10
Weighted average number of Ordinary shares for the purpose of diluted loss per share	61,057	42,574
Basic loss per share (pence)	(17.5)p	(142.3)p
Diluted loss per share (pence)	(17.5)p	(142.2)p
EPRA adjusted (loss)/earnings per share (pence)	(21.1)p	33.9p
EPRA adjusted diluted (loss)/earnings per share (pence)	(21.1)p	33.9p

Basic net assets per share amounts are calculated by dividing net assets by the number of Ordinary shares in issue at the year end.

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

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

	2009 Net assets £'000	No. of shares '000	2009 Net assets per share pence	2008 Net assets £'000	No. of shares '000	2008 Net assets per share pence
Basic net assets per share	244,019	82,256	297	161,045	40,603	397
Cumulative mark-to-market adjustment on interest rate swaps	3,487			7,178		
EPRA adjusted net assets per share	247,506	82,256	301	168,223	40,603	414
Effect of dilutive potential Ordinary shares	1,350	418	-	1,676	408	-
Diluted net assets per share	245,369	82,674	297	162,721	41,011	397
EPRA diluted net assets per share	248,856	82,674	301	169,899	41,011	414

On 15th July 2009, 41,653,260 new Ordinary shares of 50 pence each were allotted following a Firm Placing and Placing and Open Offer.

The weighted average number of Ordinary shares for 2008 has been adjusted accordingly.

8 Investment properties

a) Summary of investment properties	Freehold £'000	Long leasehold £'000	Total £'000
At valuation 1st January 2008	152,397	2,414	154,811
Additions:			
– acquisitions	21,122	-	21,122
– capital expenditure	5,245	-	5,245
Disposals	(2,034)	-	(2,034)
Deficit on revaluation	(44,750)	(310)	(45,060)
At valuation 31st December 2008	131,980	2,104	134,084
Additions:			
– acquisitions	41,728	-	41,728
– capital expenditure	1,579	-	1,579
Disposals	(36)	-	(36)
Surplus on revaluation	3,510	171	3,681
At valuation 31st December 2009	178,761	2,275	181,036

b) 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.

	2009 £'000	2008 £'000
Market value at 31st December assessed by the independent valuers or Directors	183,677	136,037
Amount included in prepayments and accrued income in respect of lease incentives	(2,641)	(1,953)
Net book amount of investment property at 31st December	181,036	134,084

The Group's investment properties have been valued at 31st December 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 or Savills Commercial Limited, Chartered Surveyors at a value of £153,938,000 (2008: £108,412,000).

Land held as investment property has been valued by, Colliers CRE, Chartered Surveyors at £10,000,000 (2008: £10,000,000).

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £17,098,000 (2008: £15,672,000), 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 £8,682,000 (2008: £6,970,000) 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.

£121,825,000 (2008: £114,537,000) of investment properties are charged as security against the Group's borrowings.

9 Inventory – developments and trading properties

	2009 £'000	2008 £'000
Developments in progress	35,333	17,347
Trading properties	43,222	42,018
	78,555	59,365

Included in the above amounts are projects stated at net realisable value, being trading properties of £38,552,000 (2008: £39,846,000).

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. During the year the Directors made write-downs of £2,366,000 (2008: £26,769,000) in respect of the reduced market value estimates of certain trading and development properties.

Capitalised interest on developments and trading properties to date is £615,000 (2008: £1,303,000).

Interest capitalised on developments and trading properties during the year is disclosed in note 5.

10 Trade and other receivables

	2009 £'000	2008 £'000
a) Non-current		
Prepayments and accrued income	2,354	1,768
b) Current		
Trade receivables	3,718	3,479
Amounts due from customers for contract work	-	22,009
Other receivables	15,791	14,974
Other taxation recoverable	260	4,245
Prepayments and accrued income	3,247	2,233
	23,016	46,940

The Group has provided £104,000 (2008: £151,000) for outstanding balances where recovery is considered doubtful. Apart from the receivables that have been provided for, there are no other material receivables overdue at the year end.

11 Trade and other payables

	2009 £'000	2008 £'000
a) Current		
Trade payables	244	2,725
Amounts due to customers for contract work	-	126
Other payables	9,600	4,870
Other tax and social security	6,998	4,729
Accruals and deferred income	11,431	11,885
	28,273	24,335
b) Non-current – provisions		
At 1st January	5,982	1,431
Utilised during the year	(1,843)	(558)
Charged to the Statement of comprehensive income in the year	2,983	5,109
At 31st December	7,122	5,982

Provisions of £1,114,000 (2008: £983,000) relate to properties and £6,008,000 (2008: £4,999,000) to onerous leases.

The property provisions arose from residual liabilities on completed development projects where the Group was responsible for certain development costs in prior years. The provisions include estimated costs, the timing and amount of which are currently uncertain.

The onerous lease provision has arisen from four lease obligations entered into by the Group. A provision of £3,100,000 (2008: £2,800,000) has been made in respect of a lease to Stead & Simpson Limited of which Development Securities PLC is a guarantor. Stead & Simpson Limited was placed into administration on 28th January 2008. The provision represents the liability expected to arise to the end of the lease term in December 2015. Two provisions of £1,250,000 (2008: £924,000) and £358,000 (2008: £nil) relate to onerous lease obligations entered into in 1989 and 1975 respectively.

The final provision is in respect of the Group's lease entered into on 19th December 2008 for office premises at One Kingdom Street, PaddingtonCentral. On 23rd December 2009 a lease was signed to sublet the office at PaddingtonCentral to MWB Business Exchange Plc, thereby facilitating a letting of the entire floor to this serviced office operator. The provision of £1,300,000 (2008: £1,275,000) relates to the shortfall in rent over the 15-year lease term.

12 Financial assets and financial liabilities

a) Other financial assets

Non-current	2009 £'000	2008 £'000
Available-for-sale financial assets	8,330	6,353
Loan notes at amortised cost	8,514	8,680
	16,844	15,033
Available-for-sale financial assets comprise:	2009 £'000	2008 £'000
Development participation	5,000	5,242
Development loans to joint ventures	3,330	1,111
	8,330	6,353

Development participation represents the Group's risk capital invested alongside our partners in one of our development schemes. The fair value of the participation is assessed by reference to the stage of completion of the project and progress on construction and lettings. The second phase of PaddingtonCentral was completed in 2008, and the participation was returned to the Group together with the related interest and profit share. In accordance with the agreement with our funding partner, the Group immediately reinvested £5,000,000 in the next phase, Two Kingdom Street.

Development loans to joint ventures represent a number of working capital and project specific loans to CTP Securities Limited. The loans attract fixed coupon rates of between 5.0 and 13.0 per cent. An interest free loan of £208,000 has also been made.

Loan notes with a carrying value of £89,000 (2008: £255,000) 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.

Current	£'000	2009 £'000	£'000	2008 £'000
Available-for-sale financial assets:				
Development participation		9,881		8,498
Loans and receivables:				
CTP Securities Limited	200		1,125	
Fiducia Group Limited	250		-	
Other	267		117	
		717		1,242
		10,598		9,740

In 2007, the Group entered into a five-year funding agreement with Fiducia Group Limited, providing finance by way of development participation, in the Henry Davidson Developments (HDD) companies, for the development of neighbourhood retail facilities. The Group participates in profit share arrangements which vary with each development project. At 31st December 2009, £9,881,000 (2008: £8,498,000) funds had been advanced for development funding. An additional £250,000 was advanced by way of a loan earning a fixed coupon rate of 5.0 per cent. The fair value of the

development equity in the remaining projects is not reliably measurable and is therefore held at cost. During the year the Group received £503,000 (2008: £1,311,000) in respect of these profit share arrangements.

The Group also provided two loans totalling £267,000 (2008: £117,000) to third parties by way of development funding. These are carried at cost.

During 2008, the Group granted a loan of £1,125,000 to CTP Securities Limited. Interest was earned at a rate of 13.0 per cent on the balance outstanding. In 2009, the Group revised its funding arrangements with CTP Securities Limited with amendments to the terms and coupon rates being made. Longer term loan finance was made available and a short-term non interest bearing facility of £200,000 was granted.

During 2008, the Group made a full provision against the £2,145,000 finance provided to the Wessex Property Fund. The Directors considered it unlikely that the loan notes would be recoverable.

b) Borrowings

Current	£'000	2009 £'000	£'000	2008 £'000
Bank overdrafts		10		336
Current instalments due on bank loans	12,987		4,629	
Unamortised transaction costs	(328)		(304)	
		12,659		4,325
		12,669		4,661
Non-current			2009 £'000	2008 £'000
First mortgage debenture 11% due 2016			20,000	20,000
Bank loans and loan notes			94,902	124,835
Unamortised transaction costs			(1,369)	(1,626)
			113,533	143,209

c) Derivative financial instruments

	2009 £'000	2008 £'000
Cash flow hedges: cross-currency interest rate swap	7,473	7,909
Derivative financial instruments at fair value through the Statement of comprehensive income:		
Interest rate caps and collars	(2,126)	(3,022)

At 31st December 2009, 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 and Euro currency exposure from the loan notes. 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 effective. The mark-to-market movement in the foreign currency leg of the swap of £8,807,000 (2008: £12,038,000) has been recycled through the Statement of comprehensive income to offset the re-translation of the €47,000,000 loan. The mark-to-market gain movement on the interest leg of this swap of £2,794,000 (2008: £2,418,000 loss) is included within the net unrealised gain/(loss) reserve in equity.

At 31st December 2009, the Group held an interest rate cap, collar and swap designated as economic hedges and not qualifying as an effective hedge under IAS 39. The derivatives are used to mitigate the Group's interest rate exposure to variable rate loans of £30,952,000 (2008: £34,855,000). The fair value of the derivatives £2,126,000 is recorded as a financial liability at 31st December 2009 (2008: £3,022,000) with the fair value gain/(loss) taken to finance costs.

13 Note to the cash flow statement

Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2009 £'000	2008 £'000
Operating loss	(4,976)	(42,760)
Adjustments for:		
Gain on disposal of investment properties	-	(539)
Net (gain)/loss on revaluation of property portfolio	(3,681)	45,060
Loss on disposal of property, plant and equipment	14	5
Depreciation of property, plant and equipment	541	435
Operating cash flows before movements in working capital	(8,102)	2,201
Increase in developments	(19,424)	(1,598)
(Increase)/decrease in trading properties	(1,204)	98,398
Decrease/(increase) in receivables	25,975	(31,380)
Increase/(decrease) in payables	5,158	(37,182)
Increase in provisions	1,140	4,551
Cash inflow from operations	3,543	34,990
Capitalised interest charged to direct costs	2,084	-
Income taxes paid	(75)	-
Interest paid	(9,897)	(19,082)
Net cash (outflow)/inflow from operating activities	(4,345)	15,908

14 Projects in partnership

The summary of projects in partnership is presented below:

Project/partner	Project activity	Accounting classification	2009 £'000	2008 £'000
Barwood Land and Estates Limited	Strategic land investment	Investment in associates	1,500	-
Wessex Property Fund	Property investment	Investment in associates	-	-
CTP Securities Limited	Property development	Investment in associates	-	-
		Financial assets	11,955	9,550
Continental Estates Corporation BV	Holding of investments	Investment in associates	-	-
		Financial assets	89	255
Curzon Park Limited	Property development	Investment in joint ventures	-	-
Wimbledon Phoenix Limited	Property development	Investment in joint ventures	-	379
Hammersmith Central Unit Trust	Property development	Investment in joint ventures	-	231
		Financial assets	-	1,765
Blue Living	Property development	Development properties	2,916	2,130
Henry Davidson Developments (HDD)	Property development	Financial assets	10,131	8,498
			26,591	22,808

This information can be summarised by accounting classification as follows:

	2009 £'000	2008 £'000
Investment in associates	1,500	-
Investment in joint ventures	-	610
Financial assets – held for sale	-	654
Financial assets – current	10,331	9,623
Financial assets – non-current	11,844	9,791
Development properties	2,916	2,130
	26,591	22,808

15 Post balance sheet events

Since the balance sheet date the Group has entered into a number of significant contracts.

During January and February 2010 the Group acquired investment properties at Crewe, Belsize Park and Nottingham, as described in the Investment review of the Review of operations. The aggregate consideration was £15.7 million.

In March 2010 the Group completed a new 15-year loan from Aviva Commercial Finance Limited, as described in the Financial review.

16 Glossary

Operating profit: stated after profit on disposal of investment properties and the revaluation of the property portfolio and before the results of associates, jointly controlled entities, finance income and costs.

IPD Index and Total Portfolio Return: total return from the 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.

EPRA is the European Public Real Estate Association.

EPRA earnings is the profit after taxation excluding investment property revaluations and gains/losses on disposals, intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes. The Directors consider that the adjustment to the fair value of trading and development properties is not material for the purpose of the EPRA net assets calculation.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the period end.

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