Unaudited Half Yearly Report and Consolidated Financial Statements

For the six months ended 30 September 2010

otwelve estates

otwelve estates

Contents

A closed-ended investment company, incorporated under The Companies (Guernsey) Law, 2008, as amended.
REGISTERED IN GUERNSEY No. 44444

Chairman's Statement

I am pleased to present the half yearly report and consolidated financial statements of the Group for the six months ended 30 September 2010.

At 30 September 2010, the Group's investment property portfolio was valued by CB Richard Ellis ("CBRE") at £168.9 million (31 March 2010: £170.2 million), a fall of less than 1% in the six months ended 30 September 2010. The rental value of the portfolio decreased by 1.1% in the six months ended 30 September 2010, whilst the Investment Property Databank ("IPD") All Property Monthly Index decreased by 0.5% over the same period.

Results

The Group reported a net loss for the six months ended 30 September 2010 of £5.9 million (30 September 2009: profit of £2.9 million, 31 March 2010: profit of £21.0 million), representing a loss per Ordinary Share of 4.78p (30 September 2009: profit of 2.38p, 31 March 2010: profit of 17.14p). The two main contributors to the loss were the unrealised loss on revaluation of investment properties of £1.3 million and the loss on revaluation of interest rate swaps of £3.9 million.

The consolidated net assets at 30 September 2010 was £7.6 million (30 September 2009: net liabilities of £4.5 million, 31 March 2010: net assets of £13.6 million), representing net asset value per Ordinary Share of 6.18p (30 September 2009: net liability per Ordinary Share of 3.65p, 31 March 2010: net asset value per Ordinary Share of 11.11p).

Placing and Open Offer

The terms of the Group's borrowings are such that the outstanding loan principal should be no higher than £140 million at 31 March 2011, whilst still meeting agreed loan-to-value and interest cover covenants. Since my last report in July 2010, the Board has continued to actively explore opportunities to raise equity capital and, on 14 December 2010, the Company announced a proposed placing and open offer through the issue of up to 357,700,006 New Ordinary Shares at 10.50p to raise approximately £37.56 million (approximately £35.06 million net of expenses). The issue price represents a premium of 2.38p (29.3%) to the closing mid-market price of 8.12p per Existing Ordinary Share prevailing on the London Stock Exchange on 13 December 2010 (the last practicable date prior to the announcement). Funds raised will be used to reduce borrowing and gearing as well as enable the Group to make further investments.

Westbrook Investco has agreed to underwrite the Open Offer by way of a subscription for all of the Open Offer Shares as a conditional placee, subject to clawback to satisfy valid applications made by Qualifying Shareholders under the Open Offer. Conditional on Admission, Westbrook Investco has been granted the right to appoint up to two directors to the Board, depending on the percentage of the Company's issued share capital held by Westbrook Investco.

Westbrook Partners was founded in 1994 and is a privately owned fully integrated real estate investment management company with offices worldwide. Westbrook Partners has raised and invested $8.3 billion of equity in over $38.2 billion of real estate transactions worldwide.

During 2008, Westbrook Partners raised a new $2.25 billion fund, Westbrook Real Estate Fund VIII, a global real estate opportunity fund which commenced investment in late 2009. Westbrook Real Estate Fund VIII will participate in the Placing through VIII Investment UK S.à.r.l. ("Westbrook Investco"), a Luxembourg entity whose purpose will be the holding of Westbrook Real Estate Fund VIII's investment in the Company. Westbrook Real Estate Fund VIII is capitalised by US institutions and will finance its participation in the Placing through its existing equity resources.

Chairman's Statement (continued)

Westbrook Investco's underwriting commitment in relation to the Conditional Placing is conditional on, among other things, Westbrook Investco holding at least 50% of the Enlarged Issued Share Capital plus one Ordinary Share. If following the Conditional Placing being effected Westbrook Investco would not hold at least 50% of the Enlarged Issued Share Capital plus one Ordinary Share, then the number of Open Offer Shares offered under the Open Offer will be reduced and, conditional upon Admission, the Top Up Issue Shares will be allotted and issued to Westbrook Investco so as to result in Westbrook Investco holding in aggregate 50% of the Enlarged Issued Share Capital plus one Ordinary Share. The Top Up Issue is structured as a cash box placing pursuant to which Westbrook Investco will be issued with the Top Up Shares as part of a share for share exchange with the Company. Accordingly, the pre-emption rights contained in the Articles will not apply and Guernsey law does not provide for a statutory pre-emption regime.

Implementation of the Placing and Open Offer is conditional on, among other things, Shareholders passing the Resolutions at the General Meeting. If Shareholders do not pass the Resolutions and the Placing and Open Offer does not proceed, the Board may not be able to pay down a proportion of its debt, will have limited cash resources, will be at increased risk of breaching loan covenants and may not be able to pursue its investment strategy.

Dividend

Given the ongoing economic uncertainty and in view of the Group's financial position, the Board is not recommending the payment of a dividend (31 March 2010: nil).

Outlook

The Board, together with the Property Adviser, has given considerable thought as to how best to structure the proposed fundraising in order to strengthen the balance sheet and position the Company for growth. The Board believes that the Placing and Open Offer, with the support of Westbrook Investco, is the most attractive option for the Group and its Shareholders providing a timely solution which will provide the guaranteed receipt of the necessary funds to pay down a portion of the Company's debt whilst also creating a strong platform which will enable the Company to take full advantage of the current opportunities we see in the market.

Phillip Rhodes
Chairman
22 December 2010

Property Adviser's Report

Rugby Asset Management Limited ("RAM"), a member of the Rugby Estates Plc group, was appointed Property Adviser to O Twelve Estates Limited ("O Twelve" or the "Group") on its admission to AIM on 27 March 2006. Our role is to identify transactions for recommendation to and consideration by the Board of the Company and to negotiate on its behalf. We undertake, on a day to day basis, under delegated authority from the Board, all aspects of assembling, managing and financing O Twelve's property portfolio. Rugby Estates Plc group holds a 5.5% interest in O Twelve Estates Limited.

Market Comment

In the six months to September 2010 capital values remained steady with the IPD Monthly Index showing a modest increase of 2.4% over the period. The broad index movements do conceal what has been an uneven and skewed recovery with specific market sub-sectors, most notably retail warehousing and Central London offices, pulling the wider index along. Differences are also greater between the prime and secondary sectors and one constant underlying factor is a continuing risk aversion on the part of investors. The "flight to quality" lies behind the superior performance of the best quality assets.

The occupational market remains challenging and, as we expected, is continuing to lag the recovery in the investment market. One of our principal aims at the start of the year was to maximise the cash flow with a particular focus on minimising voids and reducing associated property outgoings. We are pleased to report that, since March, 133,000 sq ft of vacant space has been let in fourteen new leases and the void rate within the portfolio has fallen from 14.1% (31 March 2010) to 10.5% as at 30 September 2010, a twenty five percent reduction. Contracted rent from these new lettings is c. £730,000 per annum once relevant rent free periods expire.

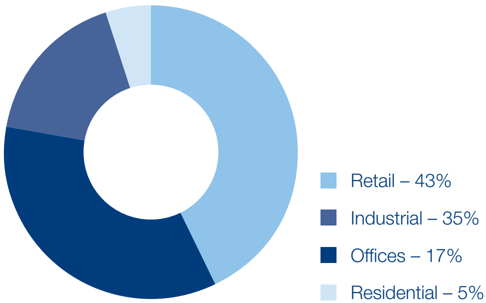
Portfolio Review as at 30 September 2010

- Valuation £168.9 million
- 21 properties
- Average lot size is £8.0 million
- Contracted annual rental income is £12.7 million
- The estimated rental value ("ERV") is £14.4 million per annum, thus additional potential rental income from reversions and letting vacant units is £1.7 million per annum
- 195 separately lettable units*
- 154 units are let to 137 tenants*
- 41 units are vacant and available for letting with an ERV of £1.5 million per annum*
- 50% of income is from leases with more than 5 years to expiry
- Weighted average unexpired lease term is 6.0 years

* Excluding long leasehold ground rents and assured shorthold tenancies

Property Adviser's Report

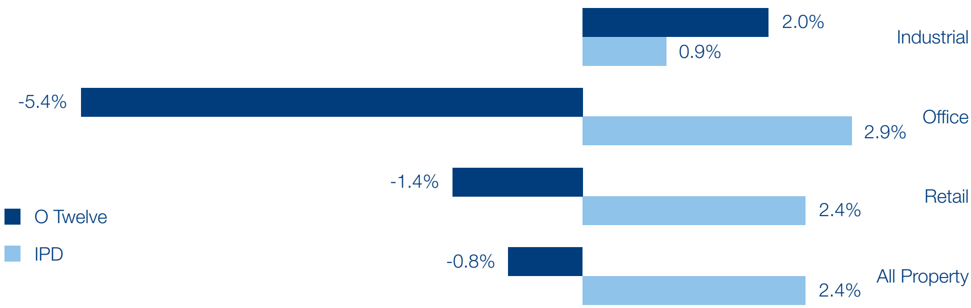
Capital Value Split by Sector



Valuation

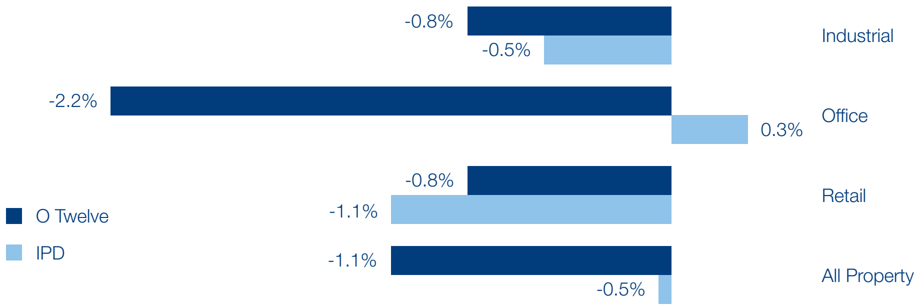
The external valuation of the Group's properties as at 30 September 2010 was £168.9 million (31 March 2010: £170.2 million). On a like for like basis, after taking into account capital expenditure and disposals, the value of the portfolio fell during the last six months by 0.8%. This compares with the IPD Monthly Index, which showed a rise of 2.4% over the same period. The best performing sector within the portfolio was Industrial which increased in value by 2.0% over the period compared with an increase of 0.9% for the industrial sector in the IPD Monthly Index. The equivalent yield for the portfolio has reduced by 13 basis points over the period to 7.4%.

Capital Value Movement compared to IPD Monthly Index

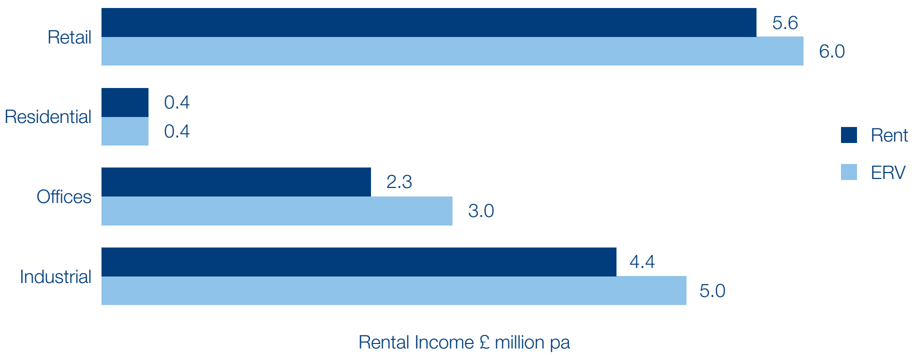


Rental value levels within the portfolio have generally moved in line with the IPD Monthly Index, falling by just over 1% over the period. The positive IPD Index for offices is due to the high proportion of prime central London offices in the Index.

Rental Value Movement compared to IPD Monthly Index



Reversion by Sector



Asset Management Activity

No acquisitions or sales were made during the period.

Our focus has continued to be on asset management and we are delighted to report that fourteen new leases have been contracted over the period, accounting for 133,000 sq ft of space and £730,000 of annual rental income after rent free periods.

- Larkfield Mill, Aylesford; All Saints Retail has taken a further 49,000 sq ft of distribution space. This takes the total space they occupy in Aylesford, which is their European distribution hub, to 132,000 sq ft.
- Queen Elizabeth Distribution Park, Thurrock; our distribution unit of 56,000 sq ft has been let to DHL Global Forwarding for a five year term and this property is now fully let.
- Barratt Industrial Estate, Bow, East London; three further leases have also completed and only three vacant units remain.

Despite a generally difficult occupational market, units with an aggregate Estimated Rental Value ("ERV") totalling over £420,000 are currently under offer and good progress continues to be made in reducing the void rate.

Property Adviser's Report (continued)

Rental Value Analysis – 30 September 2010

	£ million
Current annualised income	12.0
Rent free periods	0.7
Total contracted rent	12.7
Available for letting	1.5
Reversions	0.2
Rental value	14.4

Void Analysis

Due to the success in letting activity over the period the void rate within the portfolio has reduced by 25% since March and currently stands at 10.5% by rental value. As at 30 September 2010 the rental value of space vacant was £1.5 million of which £0.4 million was under offer. Assuming these potential lettings complete, the void rate would fall to 7.5%. During the coming year our focus will continue to be on reducing the void rate further and minimising associated void costs.

Income Security

Given the continuing uncertainty in the economy and in the wider banking and financial markets, investors are increasingly focusing on security of income and tenant covenant strength. Some 56% of current rental income is contracted for more than five years. Where leases have less than five years to run, opportunities exist to refurbish or consider changes of use in order to maximise value. In our view the portfolio offers a good balance between income security and opportunities to add value.

Rent Collection

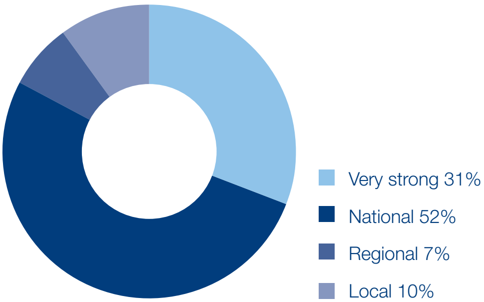
Despite the difficult trading conditions the rent collection statistics remain encouraging with 96% of rental income collected within the quarter. There has been no significant change in the rate of rent collection in the last four quarters. Maintaining a high level of rent collection remains one of our key objectives.

Income Expiry Profile – 30 September 2010

Under 5 years	50%
5 to 10 years	33%
Over 10 years	17%

Of the portfolio's 137 tenants, 20 account for 54% of the contracted rental income with the top 10 accounting for 39%. Tenants of, in our view, a very strong or "national" standard account for 83% of the contracted rent, while smaller regional and local businesses account for 17% of the contracted rent.

Tenant Covenant Strength by Contracted Rent



Tenants in the portfolio include:

All Saints	Hitachi Kokusai Electric UK Ltd	Staples
Bank of New York Mellon	London Eastern Railways Ltd	Target Express Parcels Ltd
Chelmsford Star Co-Operative Society Ltd	Moss Bros Group Plc	Telford Homes plc
Chubb Electronic Security Ltd	O2 (UK) Ltd	WH Smith Plc
Coutts Retail Communications Ltd	Secretary of State	Wilkinson Hardware Stores Ltd
GE Transportation Systems Ltd	Smyths Toys Ltd	
Halfords	Somerfield Stores Ltd	

Property Adviser's Report (continued)

Portfolio at 30 September 2010

Property	Type	Valuation band at 30 September 2010 £ million
Gascoigne Road, Barking	Distribution warehousing	10 – 15
QED, Thurrock	Distribution warehousing	5 – 10
Western Avenue, Thurrock	Distribution warehousing	10 – 15
Bakers Court, Basildon	Industrial	0 – 5
Barratt Industrial Estate, Bow	Industrial	0 – 5
Larkfield Mill, Aylesford	Industrial	15 – 20
Mill River Trading Estate, Enfield	Industrial	5 – 10
Baytree Shopping Centre, Brentwood	Shopping centre	25 – 30
George Yard, Braintree	Shopping centre	15 – 20
The Mall, Dagenham	Shopping centre	10 – 20
214/216 Heathway, Dagenham	Retail	0 – 5
38-42 High Street, Brentwood	Retail	0 – 5
75 High Street, Brentwood	Retail	0 – 5
Grove Farm, Chadwell Heath	Retail park	5 – 10
Inspira House, Welwyn Garden City	Office	0 – 5
Mellon House, Brentwood	Office	5 – 10
Queensgate, Waltham Cross	Office	10 – 15
Redwing Court, Romford	Office	0 – 5
Solar House, Stratford	Office	5 – 10
34 St Thomas Road, Brentwood	Residential	0 – 5
Salway Place, Stratford	Residential	5 – 10

Going Forward

Whilst prospects for the real estate market, particularly in London and the South East, generally now appear to be improving, we believe that O Twelve's Target Area has a particularly positive future. The Olympic Games are fast approaching and the unprecedented public and private investment that is driving Europe's largest single regeneration project around Stratford, London's East End and the Thames Gateway continues its momentum. As a result we expect occupational demand here to strengthen and grow. We believe that the long-term prospects for the Target Area remain fundamentally strong, augmented by the prospects of a stronger economy as we move out of the downturn of the last two years; those prospects remain the long-term growth of rental and capital values.

David Tye
Andrew Wilson
Rugby Asset Management Limited
22 December 2010

Directors' Responsibilities

The Directors are responsible for preparing these unaudited half yearly consolidated financial statements, which have not been reviewed by an independent auditor, and are required to:

- prepare the unaudited half yearly consolidated financial statements in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34");
- include a fair review of important events that have occurred during the period, and their impact on the unaudited half yearly consolidated financial statements, together with a description of the principal risks and uncertainties of the Company for the remaining six months of the financial year, as detailed in the Chairman's statement and, where no changes, in the notes to the consolidated financial statements for the year ended 31 March 2010; and
- include a fair review of related party transactions that have taken place during the period which have had a material effect on the financial position or performance of the Company, together with disclosure of any changes in related party transactions in the last annual consolidated financial statements which have had a material effect on the financial position or performance of the Company in the current period.

The Directors confirm that the unaudited half yearly consolidated financial statements comply with the above requirements.

On behalf of the Board

Phillip Rhodes
Chairman
22 December 2010

Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2010 (unaudited)

	Note	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Income				
Rent receivable		5,937	7,168	14,510
Service charges receivable		935	1,709	3,194
Bank interest		7	21	27
Other interest		–	12	12
Total income		**6,879**	**8,910**	**17,743**
Expenses				
Service charges payable		(935)	(1,709)	(3,194)
Management fees		(518)	(532)	(1,050)
Other operating expenses	*3*	(1,243)	(1,116)	(2,449)
Total expenses		**(2,696)**	**(3,357)**	**(6,693)**
Investment gains and losses				
Unrealised (loss)/gain on revaluation of investment properties	*5*	(1,304)	(514)	15,579
Realised (loss)/gain from sale of investment properties	5	–	(194)	5,494
Total investment gains and losses		**(1,304)**	**(708)**	**21,073**
Net profit from operating activities		**2,879**	**4,845**	**32,123**
Net (loss)/gain on interest rate swap		(3,911)	2,714	(45)
Interest payable and similar charges		(4,806)	(4,594)	(11,004)
Total financing gains and losses		**(8,717)**	**(1,880)**	**(11,049)**
(Loss)/profit before taxation		**(5,838)**	**2,965**	**21,074**
Taxation		(15)	(49)	(81)
Total comprehensive (loss)/profit for the period/year attributable to owners of the Company		**(5,853)**	**2,916**	**20,993**
(Loss)/profit per Ordinary Share – basic and diluted	*4*	**(4.78)p**	**2.38p**	**17.14p**

Items in the above statement are derived from continuing operations.

The accompanying notes on pages 15 to 29 form an integral part of these unaudited half yearly financial statements.

These half yearly financial statements are unaudited and are not the Group's statutory financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 30 September 2010 (unaudited)

	Share capital £'000	Other reserves £'000	Total £'000
Balance at 1 April 2010	1,225	12,386	13,611
Loss for the period attributable to owners of the Company	–	(5,853)	(5,853)
Restructuring costs	–	(183)	(183)
Balance at 30 September 2010	**1,225**	**6,350**	**7,575**

Consolidated Statement of Changes in Equity

for the six months ended 30 September 2009 (unaudited)

	Share capital £'000	Other reserves £'000	Total £'000
Balance at 1 April 2009	1,225	(8,607)	(7,382)
Profit for the period attributable to owners of the Company	–	2,916	2,916
Balance at 30 September 2009	**1,225**	**(5,691)**	**(4,466)**

Consolidated Statement of Changes in Equity

for the year ended 31 March 2010 (audited)

	Share capital £'000	Other reserves £'000	Total £'000
Balance at 1 April 2009	1,225	(8,607)	(7,382)
Profit for the year attributable to owners of the Company	–	20,993	20,993
Balance at 31 March 2010	**1,225**	**12,386**	**13,611**

The accompanying notes on pages 15 to 29 form an integral part of these unaudited half yearly financial statements.

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Consolidated Statement of Financial Position

as at 30 September 2010 (unaudited)

	Note	30 September 2010 (unaudited) £'000	30 September 2009 (unaudited) £'000	31 March 2010 (audited) £'000
Non-current assets				
Investment property	*5*	168,910	171,510	170,200
Restricted cash and cash equivalents		938	2,574	1,905
		169,848	174,084	172,105
Current assets				
Receivables and prepayments		6,363	8,745	5,145
Cash and cash equivalents		2,149	3,056	2,236
		8,512	11,801	7,381
Total assets		**178,360**	**185,885**	**179,486**
Current liabilities				
Payables and accruals	*6*	(6,432)	(6,650)	(6,136)
Bank loan	*7*	(4,698)	(168,169)	–
Fair value of interest rate swap	*7*	–	(15,532)	–
		(11,130)	(190,351)	(6,136)
Non-current liabilities				
Bank loan	*7*	(141,144)	–	(145,139)
Fair value of interest rate swap	*7*	(18,511)	–	(14,600)
		(159,655)	–	(159,739)
Total liabilities		**(170,785)**	**(190,351)**	**(165,875)**
Net assets/(liabilities)		**7,575**	**(4,466)**	**13,611**
Capital and reserves attributable to owners of the Company				
Called-up share capital	*8*	1,225	1,225	1,225
Other reserves		6,350	(5,691)	12,386
Attributable to owners of the Company		**7,575**	**(4,466)**	**13,611**
Net asset/(liability) value per Ordinary Share – basic and diluted	*9*	**6.18p**	**(3.65)p**	**11.11p**

The accompanying notes on pages 15 to 29 form an integral part of these unaudited half yearly financial statements.

These half yearly financial statements are unaudited and are not the Group's statutory financial statements.

Consolidated Statement of Cash Flows

for the six months ended 30 September 2010 (unaudited)

	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Operating activities			
(Loss)/profit before taxation	(5,838)	2,965	21,074
Adjustments for:			
Unrealised loss/(gain) on revaluation of investment properties	1,304	514	(15,579)
Realised loss/(profit) from sale of investment properties	–	194	(5,494)
Net loss/(gain) on interest rate swap	3,911	(2,714)	45
Interest payable and similar charges	4,806	4,594	11,004
Rents transferred on sale of property	–	–	338
Taxation received/(paid)	65	(71)	(201)
Purchase/refurbishment of investment property	(154)	(340)	(694)
Proceeds from sale of investment property	–	1,756	1,761
Net cash inflow from operating activities before working capital changes	**4,094**	**6,898**	**12,254**
Increase in receivables and prepayments	(1,309)	(3,293)	(342)
Increase/(decrease) in payables and accruals	593	198	(373)
Net cash inflow from operating activities [1]	**3,378**	**3,803**	**11,539**
Financing activities			
Interest and similar charges paid	(4,367)	(4,615)	(9,297)
Repayment of loan	–	(1,545)	(5,238)
Loan arrangement fees paid	–	–	(850)
Refinancing costs	(65)	–	–
Net cash outflow from financing activities	**(4,432)**	**(6,160)**	**(15,385)**
Decrease in cash and cash equivalents	**(1,054)**	**(2,357)**	**(3,846)**
Cash and cash equivalents at beginning of period/year	4,141	7,987	7,987
Decrease in cash and cash equivalents	(1,054)	(2,357)	(3,846)
Cash and cash equivalents at end of period/year	**3,087**	**5,630**	**4,141**
Cash and cash equivalents at end of period/year comprise:			
Non-current cash and cash equivalents	938	2,574	1,905
Cash and cash equivalents	2,149	3,056	2,236
	3,087	**5,630**	**4,141**
[1] **Net cash inflow from operating activities includes:**			
Bank interest received	7	21	27

The accompanying notes on pages 15 to 29 form an integral part of these unaudited half yearly financial statements.

These half yearly financial statements are unaudited and are not the Group's statutory financial statements.

Notes to the Consolidated Half Yearly Financial Statements

for the six months ended 30 September 2010 (unaudited)

1. General information

The Company was incorporated on 1 March 2006 as a closed-ended investment company and is now registered under the provisions of The Companies (Guernsey) Law, 2008, as amended. On 27 March 2006 the Company raised gross proceeds of £122.5 million through the issue of 122.5 million Ordinary Shares of 1.00 pence each at 100.00 pence each with the Ordinary Shares being admitted to trading on AIM, a market operated by the London Stock Exchange.

The Company is an "authorised" closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

The Group's objective is to generate an attractive return for Shareholders through the assembly of a portfolio of investment properties in its Target Area, which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent.

The Group's investment activities are managed by Rugby Asset Management Limited, which acts as Property Adviser to the Group, and the administration is delegated to Elysium Fund Management Limited.

2. Significant accounting policies

a) Statement of compliance

These unaudited consolidated half yearly financial statements have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"), and applicable legal and regulatory requirements of Guernsey law. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2010 which were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law.

The consolidated half yearly financial statements were approved by the Board of Directors on 22 December 2010.

b) Basis of preparation

The accounting policies adopted in the preparation of these unaudited half yearly financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2010.

Notes to the Consolidated Half Yearly Financial Statements
(continued)

2. Significant accounting policies (continued)

b) Basis of preparation (continued)

The introduction/amendment of the following standards became effective on or before 1 April 2010; however, the introduction/amendment did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 1: *Presentation of Financial Statements*
- IAS 7: *Statement of Cash Flows*
- IAS 17: *Leases*
- IAS 27: *Consolidated and Separate Financial Statements*
- IAS 28: *Investments in Associates*
- IAS 31: *Interests in Joint Ventures*
- IAS 32: *Financial Instruments: Presentation*
- IAS 36: *Impairment of Assets*
- IAS 38: *Intangible Assets*
- IAS 39: *Financial Instruments: Recognition and Measurement*
- IFRS 1: *First time Adoption of International Financial Reporting Standards*
- IFRS 2: *Share-Based Payments*
- IFRS 3: *Business Combinations*
- IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8: *Operating Segments*
- IFRIC 9: *Reassessment of Embedded Derivatives*
- IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17: *Distributions of Non-cash Assets to Owners*
- IFRIC 18: *Transfers of Assets from Customers*

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these unaudited consolidated half yearly financial statements.

3. Other operating expenses

	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Irrecoverable property costs:			
– Rental generating	195	208	395
– Non-rental generating	557	475	986
Directors' fees	100	100	200
Administration fees	86	90	174
Auditor's remuneration:			
– audit services	39	50	70
– other professional services	6	18	33
Nominated adviser and broker fees	16	66	81
Other expenses	244	109	510
	1,243	**1,116**	**2,449**

4. (Loss)/profit per Ordinary Share

The (loss)/profit per Ordinary Share is based on a loss of £5,853,000 (30 September 2009: profit of £2,916,000, 31 March 2010: profit of £20,993,000) and on a weighted average number of 122,500,002 (30 September 2009 and 31 March 2010: 122,500,002) Ordinary Shares in issue.

The average price of the Ordinary Shares of 11.27p during the period (30 September 2009: 5.86p, 31 March 2010: 7.10p) was below the exercise price of the Options (exercise price 100.00p). Therefore, in accordance with IAS 33: *Earnings per share*, there is no dilution.

5. Investment property

	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Freehold			
At 1 April	153,850	142,284	142,284
Refurbishments	9	170	350
Sale proceeds	–	(1,756)	(1,761)
Unrealised (loss)/gain on revaluation of investment properties	(89)	(1,694)	13,166
Realised loss on disposal	–	(194)	(189)
At 30 September	153,770	138,810	153,850

Notes to the Consolidated Half Yearly Financial Statements
(continued)

5. Investment property (continued)

	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Leasehold			
At 1 April	16,350	31,350	31,350
Refurbishments	5	170	340
Sale proceeds	–	–	(23,436)
Unrealised (loss)/gain on revaluation of investment properties	(1,215)	1,180	2,413
Realised gain on disposal	–	–	5,683
At 30 September	15,140	32,700	16,350
Total			
At 1 April	170,200	173,634	173,634
Refurbishments	14	340	690
Sale proceeds	–	(1,756)	(25,197)
Unrealised (loss)/gain on revaluation of investment properties	(1,304)	(514)	15,579
Realised (loss)/gain on disposal	–	(194)	5,494
At 30 September	**168,910**	**171,510**	**170,200**

At the period end £20,650,000 (30 September 2009: £18,350,000, 31 March 2010: £20,500,000) of the property was held through two Jersey Property Unit Trusts, where control of the financial and operating policies, in order to obtain economic benefit, remain with the Group.

The properties were valued by CB Richard Ellis ("CBRE"), international property advisers, at open market value as at 30 September 2010 in accordance with the latest edition of the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual and have been primarily derived using comparable recent market transactions on arms length terms.

CBRE made various assumptions regarding tenure, letting, town planning and the condition and repair of buildings in the valuation process, and also relied upon certain information provided to them by the Group or its Advisers.

6. Payables and accruals

	30 September 2010 (unaudited) £'000	30 September 2009 (unaudited) £'000	31 March 2010 (audited) £'000
Rent received in advance	2,741	3,136	2,558
Interest payable	1,479	1,591	1,742
VAT payable	1,097	943	622
Refinancing costs	118	–	–
Taxation creditor	46	141	57
Property refurbishments accrued	–	–	144
Other payables and accruals	951	839	1,013
	6,432	**6,650**	**6,136**

7. Bank loan

On 20 December 2006 the Group entered into an eight year £150 million Loan Facility Agreement with Nationwide Building Society for the purpose of acquiring and refinancing the Group's property portfolio in England. On 12 June 2007 the loan facility was increased to £250 million and on 24 November 2008 the undrawn balance of the facility was cancelled. During the year ended 31 March 2010 the Group repaid £25.3 million of the loan.

There were no movements in the loan facility during the period. Therefore, at 30 September 2010 the loan principal outstanding was £144.7 million.

During the period the loan facility incurred interest at fixed rates on £115 million and the remainder of the facility incurred interest at LIBOR plus 1.25%.

As at 31 March 2010, and throughout the period ended 30 September 2010, the principal amount of the loan drawn down (less the aggregate of any balances standing to the credit of any cash collateral account, disposal proceeds holding account or security substitution account) exceeded 70% of the sum of the aggregate market values of the properties. Therefore, in accordance with the Loan Facility Agreement the excess of rental income over finance costs has been paid into a cash collateral account held with Nationwide which is not currently available for the general purposes of the Group. The balance in this account as at 30 September 2010 was £189,000 (30 September 2009: £2,574,000, 31 March 2010: £164,000), which has been designated as a non-current asset in the Statement of Financial Position, together with £749,000 (30 September 2009: nil, 31 March 2010: £1,741,000), being rental income collected in advance of the payment of the quarterly finance costs, and which is not currently available for the general purposes of the Group.

The Property Adviser continues to monitor the loan covenants and reports to Nationwide Building Society quarterly.

Notes to the Consolidated Half Yearly Financial Statements
(continued)

7. Bank loan (continued)

Several Security Interest Agreements, creating security interests over the shareholdings in some of the property holding subsidiaries, have been entered into by the Group and Nationwide Building Society.

In previous years, the Group entered into fixed rate Loan Agreements with Nationwide Building Society for £138 million for a period of almost eight years expiring 20 December 2014 at an average rate excluding margin of 5.5%. On 30 March 2010, a £23 million tranche of fixed rate loan was cancelled at a break cost of £3,691,000. The average rate, excluding margin and fees, on £115 million of fixed rate debt as at 31 March 2010 and 30 September 2010 was 5.3% per annum (30 September 2009: 5.5% per annum). As at 30 September 2010 the fair value of the interest rate swap was a liability of £18,511,000 (30 September 2009: liability of £15,532,000, 31 March 2010: liability of £14,600,000).

The bank loan initial arrangement fees amounted to £425,000 which, together with the financial restructuring arrangement fee of £850,000 and back end fee of £5,950,000 totals £7,225,000. This amount has been deducted from the amount of the loan and is being amortised over the period of the loan.

As described in the annual financial statements for the year ended 31 March 2010, the Lenders will not test the loan-to-value ratio ("LTV") until 31 March 2011, at which time the LTV must not exceed 85%.

	30 September 2010 (unaudited) £'000	30 September 2009 (unaudited) £'000	31 March 2010 (audited) £'000
Loan principal outstanding	144,698	168,455	144,698
Accrued back-end fee	5,950	–	5,950
Loan arrangement and back-end fees	(7,225)	(425)	(7,225)
Amortisation of loan arrangement fees	2,419	139	1,716
	145,842	168,169	145,139
Fair value of interest rate swap	18,511	15,532	14,600
	164,353	**183,701**	**159,739**
Designated in the Statement of Financial Position as:			
Current liabilities	4,698	183,701	–
Non-current liabilities	159,655	–	159,739
	164,353	**183,701**	**159,739**

8. Share capital

	30 September 2010 (unaudited) £'000	30 September 2009 (unaudited) £'000	31 March 2010 (audited) £'000
Authorised:			
200,000,000 Ordinary Shares of 1p each	2,000	2,000	2,000
Issued and fully paid:			
122,500,002 Ordinary Shares of 1p each	1,225	1,225	1,225

The Company has the authority to utilise the other reserves to buy back up to 14.99% of the Ordinary Shares issued at the Placing for cancellation. No shares were purchased for cancellation during the period (30 September 2009 and 31 March 2010: nil). However, the Company intends to seek to renew the necessary authority to buy back Ordinary Shares at the forthcoming Annual General Meeting.

In addition, the Company has authority to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares. No shares were purchased to be held as Treasury Shares during the period (30 September 2009 and 31 March 2010: nil).

9. Net asset/(liability) value per Ordinary Share

Basic

The net asset/(liability) value per Ordinary Share is based on the net assets attributable to owners of the Company of £7,575,000 (30 September 2009: net liabilities of £4,466,000, 31 March 2010: net assets of £13,611,000) and on 122,500,002 (30 September 2009 and 31 March 2010: 122,500,002) Ordinary Shares in issue at the end of the period.

Diluted

The 30 September 2010 price of the Ordinary Shares of 9.25p (30 September 2009: 8.63p, 31 March 2010: 9.13p) was below the exercise price of the Options (exercise price of 100.00p). Therefore, there is no dilution (30 September 2009 and 31 March 2010: no dilution).

Notes to the Consolidated Half Yearly Financial Statements

(continued)

10. Commitments and contingencies

	30 September 2010 (unaudited) £'000	30 September 2009 (unaudited) £'000	31 March 2010 (audited) £'000
Operating lease commitments from lessees			
Not later than one year	12,124	13,217	11,192
After one year but no more than five years	37,981	41,572	35,062
After five years	26,437	36,918	26,046
	76,542	**91,707**	**72,300**

There were no contracted capital commitments as at 30 September 2010 (30 September 2009 and 31 March 2010: nil).

11. Share option

An Option Agreement was entered into on 22 March 2006 between the Company and Collins Stewart Europe Limited ("CSEL") under which the Company granted CSEL the right to subscribe for up to 1,225,000 Ordinary Shares at the Placing Price (100.00 pence), such option being exercisable at any time up to and including the fifth anniversary of the date of grant. During the period to 30 September 2010 the option to subscribe for Ordinary Shares was not taken up by CSEL.

12. Segmental information

In accordance with IFRS 8: *Operating Segments*, it is mandatory for the Group to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

The Board has organised the Group by investment property sector, being offices, residential property, retail property and industrial property. These sectors have remained unchanged since the previous financial year.

Guernsey is the "corporate headquarters" of the Group and is thus not deemed to be a separate segment; it invests in the investment property holding companies through a wholly owned subsidiary, receives bank interest and incurs administration and other expenses.

Information about reportable segments for the six months ended 30 September 2010 (unaudited)	**Office £'000**	**Residential £'000**	**Retail £'000**	**Industrial £'000**	**Total £'000**
Unrealised (loss)/gain on revaluation of investment properties	(1,650)	200	(1,050)	1,196	(1,304)
Rent receivable	1,114	211	2,747	1,865	5,937
Service charges receivable	89	–	570	276	935
Service charges payable	(89)	–	(570)	(276)	(935)
Management fees	(94)	(26)	(222)	(176)	(518)
Other operating expenses	(56)	(72)	(357)	(421)	(906)
Taxation	(7)	–	(1)	(7)	(15)
Reportable segment (loss)/profit [1]	(693)	313	1,117	2,457	3,194
Investment property	28,730	7,750	72,840	59,590	168,910
Reportable segment total assets [2]	29,511	7,790	75,336	62,609	175,246
Reportable segment total liabilities [3]	(697)	(63)	(2,129)	(1,590)	(4,479)

Notes to the Consolidated Half Yearly Financial Statements
(continued)

12. Segmental information (continued)

Information about reportable segments for the six months ended 30 September 2009 (unaudited)	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Total £'000
Unrealised (loss)/gain on revaluation of investment properties	(1,249)	(210)	1,058	(113)	(514)
Realised loss from sale of investment properties	(194)	–	–	–	(194)
Rent receivable	1,419	210	2,920	2,619	7,168
Other interest	12	–	–	–	12
Service charges receivable	667	–	770	272	1,709
Service charges payable	(667)	–	(770)	(272)	(1,709)
Management fees	(108)	(27)	(187)	(210)	(532)
Other operating expenses	(47)	(77)	(110)	(471)	(705)
Taxation	(25)	–	(15)	(9)	(49)
Reportable segment (loss)/profit [1]	(192)	(104)	3,666	1,816	5,186
Investment property	30,810	7,090	63,410	70,200	171,510
Reportable segment total assets [2]	32,968	7,126	66,415	73,595	180,104
Reportable segment total liabilities [3]	(1,195)	(54)	(2,073)	(1,498)	(4,820)

Information about reportable segments for the year ended 31 March 2010 (audited)	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Total £'000
Unrealised (loss)/gain on revaluation of investment properties	(1,682)	250	11,488	5,523	15,579
Realised (loss)/gain from sale of investment property	(189)	–	–	5,683	5,494
Rent receivable	2,869	421	5,999	5,221	14,510
Other interest	12	–	–	–	12
Service charges receivable	1,217	–	1,398	579	3,194
Service charges payable	(1,217)	–	(1,398)	(579)	(3,194)
Management fees	(200)	(51)	(377)	(422)	(1,050)
Other operating expenses	(135)	(140)	(470)	(884)	(1,629)
Taxation	(46)	–	(18)	(17)	(81)
Reportable segment profit [1]	629	480	16,622	15,104	32,835
Investment property	30,380	7,550	73,890	58,380	170,200
Reportable segment total assets [2]	30,876	7,590	75,936	60,888	175,290
Reportable segment total liabilities [3]	(640)	(54)	(1,844)	(1,447)	(3,985)

[1] Reconciliation of reportable segment profit	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Total profit for reportable segments	3,194	5,186	32,835
Bank interest	7	21	27
Administration fees	(86)	(90)	(174)
Other operating expenses	(251)	(321)	(646)
Net (loss)/gain on interest rate swap	(3,911)	2,714	(45)
Interest payable and similar charges	(4,806)	(4,594)	(11,004)
Total comprehensive (loss)/profit for the period/year attributable to owners of the Company	(5,853)	2,916	20,993

Notes to the Consolidated Half Yearly Financial Statements
(continued)

12. Segmental information (continued)

[2] Reconciliation of reportable segment total assets	1 April 2010 to 30 September 2010 (unaudited) £'000	1 April 2009 to 30 September 2009 (unaudited) £'000	1 April 2009 to 31 March 2010 (audited) £'000
Total assets for reportable segments	175,246	180,104	175,290
Restricted cash and cash equivalents	938	2,574	1,905
Cash and cash equivalents	2,149	3,056	2,236
Other receivables and prepayments	27	151	55
Consolidated total assets	178,360	185,885	179,486
[3] Reconciliation of reportable segment total liabilities			
Total liabilities for reportable segments	(4,479)	(4,820)	(3,985)
Other payables and accruals	(1,953)	(1,830)	(2,151)
Bank loan	(145,842)	(168,169)	(145,139)
Fair value of interest rate swap	(18,511)	(15,532)	(14,600)
Consolidated total liabilities	(170,785)	(190,351)	(165,875)

13. Related parties

The relationship between the Group and Rugby Asset Management Limited ("RAM") is disclosed in note 1. All of the transactions between the parties were performed on terms equivalent to those that prevail in an arms length transaction.

At the period end, £488,000 (30 September 2009: £263,000, 31 March 2010: £376,000) was payable to RAM in respect of management fees.

The Directors are not aware of any ultimate controlling party.

14. Capital management policy and procedures

The Group's capital (consisting of issued shares and other reserves) management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise its total return primarily through the capital appreciation of its investments.

The Board, with the assistance of the Property Adviser, monitors and reviews the structure of the Group's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the terms of the Group's borrowing facilities;
- cash flow projections for the Group;
- the working capital requirements of the Group;
- consideration of potential purchase of equity shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the share price; and
- the current and future dividend policy.

The Group's objectives, policies and processes for managing capital remain unchanged from the previous year end.

As at 30 September 2010 the Group had a bank loan of £144.7 million (30 September 2009: £168.4 million, 31 March 2010: £144.7 million). In addition, if the loan were to be repaid at the period end date, fixed rate break costs of £18.5 million (30 September 2009: £15.5 million, 31 March 2010: £14.6 million) and a fee of £5.95 million would be payable.

As disclosed on the Consolidated Statement of Financial Position the total amount attributable to owners of the Company at 30 September 2010 was £7,575,000 (30 September 2009: £(4,466,000), 31 March 2010: £13,611,000).

The Group is not subject to any externally imposed capital requirements.

Notes to the Consolidated Half Yearly Financial Statements
(continued)

15. Events after the reporting period

On 14 December 2010, the Company announced a proposed placing and open offer through the issue of up to 357,700,006 New Ordinary Shares at 10.50p to raise approximately £37.56 million (approximately £35.06 million net of expenses). The issue price represents a premium of 2.38p (29.3%) to the closing mid-market price of 8.12p per Existing Ordinary Share prevailing on the London Stock Exchange on 13 December 2010 (the last practicable date prior to the announcement). Funds raised will be used in order to reduce borrowing and gearing and to enable the Group to make further investments.

Westbrook Investco has agreed to underwrite the Open Offer by way of a subscription for all of the Open Offer Shares as a conditional placee, subject to clawback to satisfy valid applications made by Qualifying Shareholders under the Open Offer. Conditional on Admission, Westbrook Investco has been granted the right to appoint up to two directors to the Board, depending on the percentage of the Company's issued share capital held by Westbrook Investco.

Westbrook Partners was founded in 1994 and is a privately owned fully integrated real estate investment management company with offices worldwide. Westbrook Partners has raised and invested $8.3 billion of equity in over $38.2 billion of real estate transactions worldwide.

During 2008, Westbrook Partners raised a new $2.25 billion fund, Westbrook Real Estate Fund VIII, a global real estate opportunity fund which commenced investment in late 2009. Westbrook Real Estate Fund VIII will participate in the Placing through VIII Investment UK S.à.r.l. ("Westbrook Investco"), a Luxembourg entity whose purpose will be the holding of Westbrook Real Estate Fund VIII's investment in the Company. Westbrook Real Estate Fund VIII is capitalised by US institutions and will finance its participation in the Placing through its existing equity resources.

Westbrook Investco's underwriting commitment in relation to the Conditional Placing is conditional on, among other things, Westbrook Investco holding at least 50% of the Enlarged Issued Share Capital plus one Ordinary Share. If following the Conditional Placing being effected Westbrook Investco would not hold at least 50% of the Enlarged Issued Share Capital plus one Ordinary Share, then the number of Open Offer Shares offered under the Open Offer will be reduced and, conditional upon Admission, the Top Up Issue Shares will be allotted and issued to Westbrook Investco so as to result in Westbrook Investco holding in aggregate 50% of the Enlarged Issued Share Capital plus one Ordinary Share. The Top Up Issue is structured as a cash box placing pursuant to which Westbrook Investco will be issued with the Top Up Shares as part of a share for share exchange with the Company. Accordingly, the pre-emption rights contained in the Articles will not apply and Guernsey law does not provide for a statutory pre-emption regime.

Implementation of the Placing and Open Offer is conditional on, among other things, Shareholders passing the Resolutions at the General Meeting. If Shareholders do not pass the Resolutions and the Placing and Open Offer does not proceed, the Board may not be able to pay down a proportion of its debt, will have limited cash resources and may not be able to pursue its investment strategy.

There were no other material events after the reporting period that require disclosure as at 22 December 2010.

Directors

Phillip Rhodes (Chairman)

Phillip is a chartered accountant with over 30 years experience in the financial and commercial management of several public and private companies, mainly at board level. He is a past non-executive director and Chairman of Workspace Group PLC, a leading specialist property investment company devoted to the provision of flexible workspace for small and medium sized businesses in and around London.

Howard Stanton

Howard is a certified accountant and property and business consultant to a range of businesses. He was chairman and previously managing director of Allied London Properties plc when it was a fully listed property investment company and is also a non-executive director of Town Centre Securities and Anglo Scottish Properties plc.

Quentin Spicer

Quentin qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970. He moved to Guernsey in 1996 as a senior partner in Spicer & Partners Guernsey LLP (previously Wedlake Bell Guernsey), specialising in United Kingdom property transactions for non-United Kingdom resident entities. He is chairman of the Guernsey Housing Association LBG, IRP Property Investments Limited, RAB Special Situations Company Limited and is a non-executive director of several other property funds both listed and unlisted. He is a member of the IOD and holds a Personal Fiduciary Licence from the Guernsey Financial Services Commission.

Richard Barnes

Richard is a chartered surveyor and is chairman of BNP Paribas Real Estate Jersey. Richard has 25 years experience of working in the real estate sector and has also held posts at Hillier Parker, Vigers and Bernard Thorpe. Richard is the past chairman of the Jersey branch of the Royal Institution of Chartered Surveyors. He is chairman of the Invesco Property Income Trust and sits on the board of a number of listed and private property funds.

Peter Radford

Peter was appointed managing director of Bordeaux Services on its incorporation in 1997. Peter started his career with BDO Reads in 1978 and subsequently worked for Executive Management Trust in Amsterdam (1981-1983) and Fisher Hoffman Stride in Johannesburg (1983-1986). From 1986 to 1991 he was Managing Director of the Abroad Spectrum Group based in Durban, South Africa. In 1991 Peter returned to Guernsey to develop the fund administration and asset management business of the Havelet Trust Group.

He holds a number of directorships of a range of Guernsey-based mutual fund companies and investment companies. Peter is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute for Securities and Investment. He is also a Member of the South African Institute of Chartered Accountants and of the Society of Trust and Estate Practitioners.

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