



Unaudited Half Yearly Report and Consolidated Financial Statements  
For the period ended 30 September 2008



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## Chairman's Statement

I am pleased to present the half yearly report and consolidated financial statements of the Group for the period ended 30 September 2008.

### Results

The Group reported a net loss for the period ended 30 September 2008 of £16.9 million (30 September 2007: loss of £10.6 million, 31 March 2008: loss of £34.1 million), representing a loss per Ordinary share of 13.77p (30 September 2007: loss of 8.69p, 31 March 2008: loss of 27.83p). The consolidated net asset value at 30 September 2008 was £68.0 million (30 September 2007: £109.0 million, 31 March 2008: £84.9 million) being 55.55p per Ordinary share (30 September 2007: 88.95p per Ordinary share, 31 March 2008: 69.32p per Ordinary share).

At 30 September 2008 the Group's property investment portfolio was valued by CB Richard Ellis ("CBRE") at £232.9 million (30 September 2007: £267.6 million, 31 March 2008: £249.8 million). During the period, the portfolio valuation fell by 7%. This compares favourably with UK commercial properties generally which recorded capital value reductions of 10% for the same period. This outperformance, which unfortunately is only relative rather than absolute, demonstrates the underlying soundness of the Group's focus on its Target Area to the east of London which is benefitting from major regeneration initiatives and infrastructure improvements. The Olympic and Paralympic Games to be held in and around Stratford, east London, in 2012 are a major catalyst for these improvements which we believe will result in a significant structural, economic and cultural repositioning of the Target Area. Further details of the portfolio are set out in the Property Adviser's Report.

### Financing

The Group's borrowings are provided by an initial £250 million loan facility with Nationwide Building Society ("Nationwide"). Nationwide has syndicated part of the loan to two other financial institutions (collectively, the "Lenders"). Total drawings under this facility are £170 million and the undrawn balance of the facility has now been cancelled. The loan is repayable in full in December 2014. Interest is payable at a margin of 0.65% per annum over LIBOR. Of the total amount drawn, £138 million (81%) is fixed until December 2014 at an average interest rate, including margin, of 6.1%. The balance bears interest at a floating rate. Taking three month LIBOR as at 5 December 2008 of 3.38% the blended average rate payable on borrowings as at that date was 5.72% per annum.

The covenants under the loan facility include a loan to value ratio ("LTV") of 75% and an income cover ratio of 120%. A "Cash Lock Up" event, which is not an event of default, occurs if LTV is between 70% and 75% or income cover is between 120% and 115%. The valuation of properties charged as security as at 30 September 2008 was £232.4 million, an LTV of 73.1%. Thus, whilst the Group is not in default under the loan facility, it is in Cash Lock Up. The effect of Cash Lock Up is that rental income in excess of financing costs is retained by the Lenders as cash collateral which may be used in partial repayment of the loan. Accordingly, the Group does not currently have access to surplus operating cash flow and must rely on other resources in order to pay overheads and other expenses. At 30 September 2008, the Group had total cash balances of £8.9 million of which £6.4 million is available to meet such expenses. The Board is also in discussions to revise and reduce the management fee, which it hopes to conclude early in the new year. The Directors estimate that the Group can continue to operate for approximately 18 months without access to the operating cash flow.

## Chairman's Statement (continued)

At 27 October 2008, the most recent quarterly rollover date under the loan facility, income cover was 123.8% for the quarter and 128.8% estimated prospectively for the following year. Income cover is calculated after deducting costs of empty properties, such as rates and insurance, and certain other property outgoings. In the absence of material tenant default, the Directors expect income cover to remain above 115% for the foreseeable future.

In the current economic environment there is widespread uncertainty as to the level at which commercial property investment values will stabilise. The Board is aware that, although the loan should continue to be serviced from cash flow for the foreseeable future, there remains a probability that the LTV will at some point be over 75%. Accordingly Rugby Asset Management Limited ("RAM"), acting on behalf of the Board, has been in discussion with the Lenders about a relaxation of the LTV covenant. It has not so far been possible to agree an increase in LTV sufficient for the Directors to have reasonable assurance that a breach of covenant will not take place, given the further valuation falls anticipated for UK properties generally. In accordance with current general market practice, the Lenders are seeking very substantial additional margins and fees for agreeing changes to loan terms. The directors do not expect the Lenders to seek to test the LTV covenant prior to receiving the result of the year-end portfolio valuation as at 31 March 2009 to be carried out by CBRE. RAM continues to maintain close dialogue with Nationwide and the other Lenders with the expectation that a sustainable solution to minimise the risk of future loan covenant breaches can be agreed at that time.

### Dividend

In the current economic environment and in view of the Group's financing uncertainties, conservation of cash is paramount and the Board does not recommend payment of an interim dividend.

### Outlook

The "Credit Crunch" and the financial turmoil that continues to plague global markets has been hard hitting for many companies, across all sectors, and your Company is no exception. As noted above, the key immediate issue facing the Group is the probability that continuing falls in property values generally will lead to a breach of the existing LTV covenant under its loan facility. This is being closely monitored and the Board also continues to consider with its advisers whether asset sales or new capital raising are realistic possibilities. As yet, there is no indication of when, or at what level, property values will bottom-out and until there is some sense of stabilisation, any transaction would probably be on "fire-sale" terms and of little benefit to shareholders.

Whilst the current economic recession has not yet had a material visible effect on tenant demand in our portfolio it is possible that a prolonged recession would lead to falling rental values and increased voids. However, we expect our Target Area to be more resilient to these effects than the UK generally due to the ongoing positive impact of the regeneration of the 2012 Olympic region. Pleasingly, we are again reporting returns in excess of both the IPD monthly indices for rental value growth and capital value movement. On a day to day basis, the portfolio is being managed with a view to maximising rental income and action, including a review of RAM's fees, is being taken to reduce costs. Given a degree of stability in global markets generally, your Board believes the Group's diversified portfolio, professional management and geographic focus will produce good shareholder returns.

**Phillip Rhodes**

*Chairman*

12 December 2008

## Property Adviser's Report

Rugby Asset Management Limited ("RAM"), a member of the Rugby Estates Plc Group, was appointed Property Adviser to the Group on the Company's 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 the Group's property portfolio. Rugby Estates Plc Group holds a 5.46% interest in O Twelve Estates Ltd.

The decline in property capital values which began in mid 2007 has continued unabated. In the six months to September 2008 overall capital values for commercial properties fell by 10%; this reduction was attributable wholly to increased capitalisation rates with no rental growth across the market generally for the period. The difficulties in the credit markets have now spread into the real economy and, although we have not yet seen any material adverse effects, this is likely to cause a weakening of occupational demand in addition to the continuing decline in capital values. However, the Group's portfolio has performed significantly better than the market as a whole with capital values having fallen by 7% over the period. Whilst rental growth has slowed, we have not yet experienced difficulties in securing lettings and lease renewals at rental values which are at, or in excess of, those expected at the start of the year.

Rental value levels within the portfolio have been resilient, driven forward by the asset management initiatives which the Group is undertaking and the regeneration initiatives in the Target Area. During the six months to 30 September 2008, the rental value of the portfolio increased by 1.4% on a like for like basis. Over the same period the IPD All Property Monthly Index showed -0.4% rental growth. The best performing sector within the portfolio was retail where rental growth of 3.5% was achieved compared with zero reported by IPD.

Investment yields have continued to increase since March 2008. The equivalent yield for the portfolio has increased by 60 basis points from 6.43% to 7.03% at September 2008. The IPD All Property equivalent yield increased by 70 basis points from 6.54% to 7.24% over the same period.

Notwithstanding current uncertainties in the real estate market and in the wider economy, we believe that the Target Area will continue to show greater resilience than many other areas of London and the UK where the backdrop of eroding values is likely to be significant. The Target Area continues to be stimulated by the regeneration initiatives and investment, both public and private, planned, and under way, particularly for the area around Stratford in east London and for the Thames Gateway generally. In a number of cases these initiatives have resulted in rental levels in excess of valuation rental values being achieved when properties have been offered in the open market. The Olympic Games in 2012 is a major catalyst for these improvements.

## Property Adviser's Report (continued)

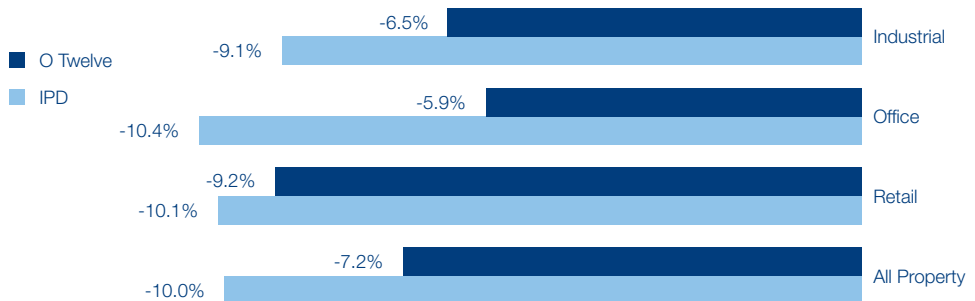
### Portfolio Review as at 30 September 2008

- Valuation £232.9 million
- 22 properties
- Average lot size of £10.6 million
- Contracted annual rental income of £13.9 million
- The portfolio's estimated rental value ("ERV") is £18.0 million per annum, shows additional potential rental income from reversions and letting vacant units of £4.1 million per annum
- 206 separately lettable units  
*(excludes long leasehold and assured shorthold tenancies)*
- 170 units are let to 147 tenants
- 36 units are vacant and available for letting with an ERV of £2.6 million per annum
- 53% of income is from leases with more than 5 years to expiry
- Weighted average unexpired lease term is 6 years
- Portfolio equivalent yield of 7%

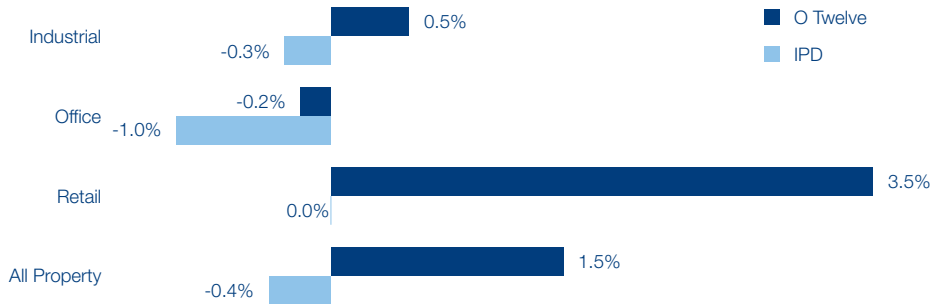
### Valuation

The external valuation of the Group's properties as at 30 September 2008 was £232.9 million. Over the period, and after taking into account capital expenditure, the reduction in value was 7.2% on a like for like basis. This compares favourably with the IPD All Property Capital Value Index, which showed a fall of 10.0% over the same period. A sector analysis is shown below.

### Capital Value Movement compared to IPD



## Rental Value Movement compared to IPD

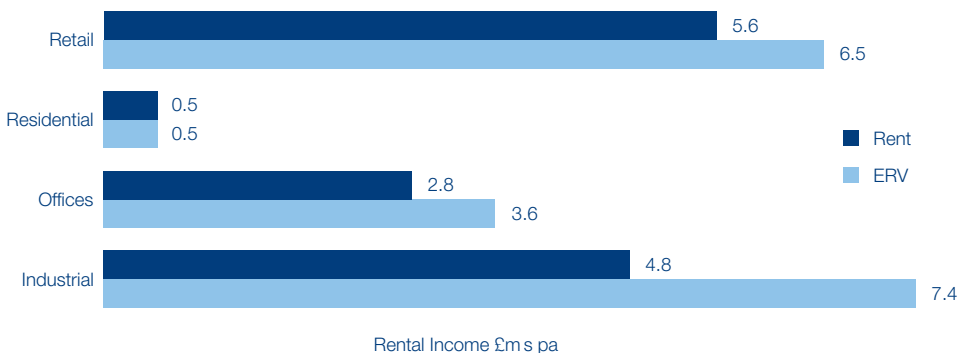


## Rental Value Analysis – 30 September 2008

	£ m
Current annualised income	13.7
Rent free periods	0.2
Available for letting	2.6
Reversions	1.5
Rental value	18.0

The reversionary potential for each sector is shown below:

## Reversion by Sector



## Property Adviser's Report (continued)

### Void Analysis

At 30 September 2008 the void rate in the portfolio stood at 14% by rental value. Approximately 40% of space currently vacant has been deliberately taken back in order to undertake significant refurbishments. Once lettings currently in solicitor's hands complete, the void rate will fall to 13% of rental value.

### Income Security

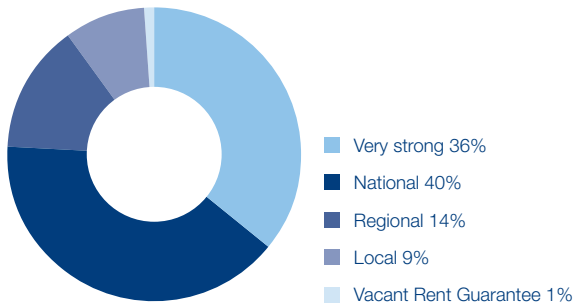
Given the current uncertainty in the economy and in the wider banking and financial markets, it is appropriate that we focus ever more closely on rent collection, minimising irrecoverable outgoings and monitoring security of income and tenant covenant strength. Within the portfolio approximately 53% of the contracted rent is secure for more than five years. Where leases are for less than five years, 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 those opportunities to add value.

### Income expiry profile – 30 September 2008

< 5 years	47%
5 – 10 years	30%
> 14 years	23%

Of the portfolio's 147 tenants, 20 account for 48% of the contracted rental income with the top 10 accounting for 33%. Tenants of, in our view, undoubted or of a "national" standard account for 76% of the contracted rent, while smaller regional and local companies account for 24% of the contracted rent. A more detailed analysis is shown below:

### Tenant Covenant Strength by Contracted Rent



**Tenants in the portfolio include:**

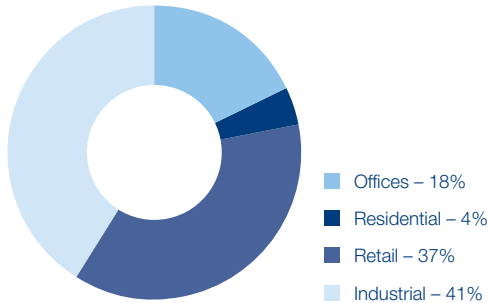
Chelmsford Star Co-Operative Society Ltd	Mellon Bank	Staples
Chubb Electronic Security Ltd	Moss Bros Group Plc	Target Express Parcels Ltd
Coutts Retail Communications Ltd	02 (UK) Ltd	Telford Homes plc
GE Transportation Systems Ltd	Sainsburys Supermarkets Ltd	Toyota Tsusho Automobile London Holdings Ltd
Halfords	Secretary of State	WH Smith Plc
Hitachi Kokusai Electric UK Ltd	Smyths Toys Ltd	Wilkinson Hardware Stores Ltd
London Eastern Railways Ltd	Somerfield Stores Ltd	

**Portfolio at 30 September 2008**

Property	Type	Valuation band at 30 September 2008 £ m
Gascoigne Road, Barking	Distribution warehousing	10 – 15
QED, Thurrock	Distribution warehousing	10 – 15
Western Avenue, Thurrock	Distribution warehousing	10 – 15
Bakers Court, Basildon	Industrial	0 – 5
Barratt Industrial Estate, Bow	Industrial	0 – 5
Larkfield Mill, Aylesford	Industrial	20 – 25
Mill River Trading Estate, Enfield	Industrial	5 – 10
The Interchange, Swanley	Industrial	20 – 25
Baytree Shopping Centre, Brentwood	Shopping centre	30 – 35
George Yard, Braintree	Shopping centre	20 – 25
The Mall, Dagenham	Shopping centre	10 – 15
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	10 – 15
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	10 – 15
34 St Thomas Road, Brentwood	Residential	0 – 5
Salway Place, Stratford	Residential	5 – 10

## Property Adviser's Report (continued)

### Sector Split by Capital Value



### Looking Forward

The Group is now well established as a major investor within its Target Area, holding a well located, diversified real estate portfolio.

The property market as a whole is experiencing falling capital values of a rapidity and extent unprecedented for at least 30 years. The UK economy generally is in recession and there appears to be little prospect of a rapid recovery. Whilst positive absolute returns cannot be anticipated for the immediate future, the Group's portfolio has so far proved to be relatively resilient. The Target Area of East London and the Thames Gateway are responding robustly to the economic turmoil. We firmly believe the Group's portfolio will continue to benefit after 2012 from the legacy of the Olympic Games. Our focus for the immediate future is to maintain rental income and to minimise voids, capital expenditure and property outgoings.

David Tye

Andrew Wilson

*Rugby Asset Management Limited*

12 December 2008

## 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 2008; 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 affect 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*

12 December 2008

## Consolidated Income Statement

for the period from 1 April 2008 to 30 September 2008 (unaudited)

	Note	1 April 2008 to 30 September 2008 (unaudited) £'000	1 April 2007 to 30 September 2007 (unaudited) £'000	1 April 2007 to 31 March 2008 (audited) £'000
<b>Income</b>				
Rent receivable		7,042	7,500	15,363
Bank interest		253	201	379
Service charges receivable		1,824	1,091	2,435
<b>Total income</b>		<b>9,119</b>	<b>8,792</b>	<b>18,177</b>
<b>Expenses</b>				
Administration fees	15	(124)	(145)	(279)
Service charges payable		(1,824)	(963)	(2,435)
Management fees	15	(1,266)	(1,078)	(2,446)
Interest payable and similar charges		(5,275)	(4,445)	(9,973)
Other operating expenses	4	(852)	(1,046)	(1,982)
<b>Total expenses</b>		<b>(9,341)</b>	<b>(7,677)</b>	<b>(17,115)</b>
<b>Net (loss)/gain from operating activities</b>		<b>(222)</b>	<b>1,115</b>	<b>1,062</b>
Movement in fair value of interest rate swap		1,511	(807)	(4,152)
<b>Investment gains and losses</b>				
Movement in unrealised loss on revaluation of investment properties	7	(18,102)	(10,952)	(31,432)
Realised gain from sale of investment properties		–	–	599
<b>Total investment loss</b>		<b>(18,102)</b>	<b>(10,952)</b>	<b>(30,833)</b>
<b>Loss before taxation</b>		<b>(16,813)</b>	<b>(10,644)</b>	<b>(33,923)</b>
Taxation		(53)	(6)	(166)
<b>Loss for the period/year attributable to Equity Holders</b>		<b>(16,866)</b>	<b>(10,650)</b>	<b>(34,089)</b>
<b>Loss per Ordinary Share – basic</b>	5	<b>(13.77)p</b>	<b>(8.69)p</b>	<b>(27.83)p</b>
<b>Loss per Ordinary Share – fully diluted</b>	5	<b>(13.77)p</b>	<b>(8.69)p</b>	<b>(27.83)p</b>

Items in the above statement are derived from continuing operations.

The accompanying notes on pages 15 to 23 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 period from 1 April 2008 to 30 September 2008 (unaudited)

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Balance at 1 April 2008		1,225	–	83,690	84,915
Loss for the period		–	–	(16,866)	(16,866)
Dividends paid	6	–	–	–	–
<b>Balance at 30 September 2008</b>		<b>1,225</b>	<b>–</b>	<b>66,824</b>	<b>68,049</b>

## Consolidated Statement of Changes in Equity

for the period from 1 April 2007 to 30 September 2007 (unaudited)

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Balance at 1 April 2007		1,225	115,925	3,079	120,229
Loss for the period		–	–	(10,650)	(10,650)
Dividends paid	6	–	–	(612)	(612)
<b>Balance at 30 September 2007</b>		<b>1,225</b>	<b>115,925</b>	<b>(8,183)</b>	<b>108,967</b>

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2008 (audited)

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Balance at 1 April 2007		1,225	115,925	3,079	120,229
Reclassification of share premium		–	(115,925)	115,925	–
Loss for the year		–	–	(34,089)	(34,089)
Dividends paid	6	–	–	(1,225)	(1,225)
<b>Balance at 31 March 2008</b>		<b>1,225</b>	<b>–</b>	<b>83,690</b>	<b>84,915</b>

The accompanying notes on pages 15 to 23 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 Balance Sheet

as at 30 September 2008 (unaudited)

	Note	30 September 2008 (unaudited) £'000	30 September 2007 (unaudited) £'000	31 March 2008 (audited) £'000
<b>Non-current assets</b>				
Investment property	7	232,945	267,570	249,765
<b>Current assets</b>				
Receivables and prepayments		5,795	6,760	12,027
Cash and cash equivalents		8,928	14,510	4,826
		14,723	21,270	16,853
<b>Total assets</b>		<b>247,668</b>	<b>288,840</b>	<b>266,618</b>
<b>Current liabilities</b>				
Overdraft		–	(7,969)	–
Payables and accruals	8	(7,216)	(10,366)	(7,817)
		(7,216)	(18,335)	(7,817)
<b>Non-current liabilities</b>				
Bank loan		(169,657)	(160,626)	(169,629)
Fair value of interest rate swap		(2,746)	(912)	(4,257)
		(172,403)	(161,538)	(173,886)
<b>Total liabilities</b>		<b>(179,619)</b>	<b>(179,873)</b>	<b>(181,703)</b>
<b>Net assets</b>		<b>68,049</b>	<b>108,967</b>	<b>84,915</b>
<b>Capital and reserves</b>				
Called-up share capital	9	1,225	1,225	1,225
Share premium		–	115,925	–
Other reserves		66,824	(8,183)	83,690
<b>Total Equity Holders' funds</b>		<b>68,049</b>	<b>108,967</b>	<b>84,915</b>
<b>Net Asset Value per Ordinary Share</b>				
– basic	10	55.55p	88.95p	69.32p
<b>Net Asset Value per Ordinary Share</b>				
– fully diluted	10	55.55p	88.95p	69.32p

The accompanying notes on pages 15 to 23 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 Cash Flow Statement

for the period from 1 April 2008 to 30 September 2008 (unaudited)

	Note	1 April 2008 to 30 September 2008 (unaudited) £'000	1 April 2007 to 30 September 2007 (unaudited) £'000	1 April 2007 to 31 March 2008 (audited) £'000
<b>Operating activities</b>				
Rent received		6,853	7,932	14,961
Bank interest received		250	171	568
Service charges received		1,824	1,091	2,435
Loan interest and similar charges paid		(5,234)	(3,408)	(8,707)
Management fee paid		(1,314)	(693)	(1,972)
Administration fee paid		(127)	(123)	(245)
Other expenses paid		(3,514)	(1,615)	(3,520)
VAT receipts		915	960	1,153
<b>Net cash (outflow)/inflow from operating activities</b>	<b>11</b>	<b>(347)</b>	<b>4,315</b>	<b>4,673</b>
<b>Investing activities</b>				
Purchase of/additions to investment property		(762)	(87,592)	(94,630)
Sale of investment property		5,225	–	275
<b>Net cash inflow/(outflow) from investing activities</b>		<b>4,463</b>	<b>(87,592)</b>	<b>(94,355)</b>
<b>Financing activities</b>				
Dividend paid on ordinary shares		–	(612)	(1,225)
Loan proceeds		–	85,000	94,000
Loan arrangement fees paid		–	–	(235)
<b>Net cash inflow from financing activities</b>		<b>–</b>	<b>84,388</b>	<b>92,540</b>
<b>Taxation paid</b>		<b>(14)</b>	<b>–</b>	<b>(3,462)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>4,102</b>	<b>1,111</b>	<b>(604)</b>
Cash and cash equivalents at beginning of period/year		4,826	5,430	5,430
Increase/(decrease) in cash and cash equivalents		4,102	1,111	(604)
<b>Cash and cash equivalents at end of period/year</b>		<b>8,928</b>	<b>6,541</b>	<b>4,826</b>
Cash and cash equivalents at the end of the period/year comprise:				
Cash and cash equivalents		8,928	14,510	4,826
Overdrafts		–	(7,969)	–
		<b>8,928</b>	<b>6,541</b>	<b>4,826</b>

The accompanying notes on pages 15 to 23 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 period from 1 April 2008 to 30 September 2008 (unaudited)

## 1. General information

The Company is a closed-ended investment company domiciled and incorporated as a limited liability company under the laws of Guernsey.

The Group's objective is to generate an attractive return for Shareholders through the assembly of a portfolio of investment properties in our Target Area which comprises the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent. Your Board believes that there is scope for significant capital and rental growth, particularly in view of the major regeneration initiatives and infrastructure improvements taking place in these areas. The Olympic and Paralympic Games to be held in and around Stratford, east London, in 2012 are a major catalyst for these improvements which we believe will result in a significant structural, economic and cultural repositioning of the Target Area.

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.

The Company's Ordinary Shares are traded on AIM, a market operated by the London Stock Exchange.

## 2. 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"). 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 2008.

The condensed consolidated half yearly financial statements were approved by the Board of Directors on 12 December 2008.

## 3. Significant Accounting Policies

These unaudited consolidated half yearly financial statements have adopted the same accounting policies as the last audited financial statements, which were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law and reflect the accounting policies as disclosed in the Group's last audited financial statements, which have been adopted and applied consistently.

## Notes to the Consolidated Half Yearly Financial Statements

(continued)

### 4. Other operating expenses

	1 April 2008 to 30 September 2008 (unaudited) £'000	1 April 2007 to 30 September 2007 (unaudited) £'000	1 April 2007 to 31 March 2008 (audited) £'000
Directors' fees	100	100	200
Custodian and settlement fees	–	1	1
Auditor's remuneration: – audit services	74	47	80
– other professional services	5	5	30
Nominated Adviser's fees	18	20	40
Registrar's fees	6	7	14
Aborted purchase costs	–	–	30
Irrecoverable property costs	349	478	830
Other expenses	300	388	757
	<b>852</b>	<b>1,046</b>	<b>1,982</b>

### 5. Loss per Ordinary Share

The loss per Ordinary Share is based on a loss of £16,866,000 (30 September 2007: loss of £10,650,000, 31 March 2008: loss of £34,089,000) and on a weighted average number of 122,500,002 (30 September 2007 and 31 March 2008: 122,500,002) Ordinary Shares in issue.

The average price of the Ordinary Shares of 28.24p during the period (30 September 2007: 93.84p, 31 March 2008: 73.13p) 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.

### 6. Dividends

	1 April 2008 to 30 September 2008 (unaudited) £'000	1 April 2007 to 30 September 2007 (unaudited) £'000	1 April 2007 to 31 March 2008 (audited) £'000
Final dividend in respect of the prior year	–	612	612
First interim dividend paid of 0.50p per Ordinary Share	–	–	613
	<b>–</b>	<b>612</b>	<b>1,225</b>

**7. Investment property**

	1 April 2008 to 30 September 2008 (unaudited) £'000	1 April 2007 to 30 September 2007 (unaudited) £'000	1 April 2007 to 31 March 2008 (audited) £'000
<b>Freehold</b>			
At 1 April 2008	202,785	187,950	187,950
Purchases at cost	507	42,075	48,202
Sale proceeds	–	–	(5,500)
Movement in unrealised (depreciation)/appreciation	(14,287)	(8,515)	(28,446)
Realised gain on disposals	–	–	599
<b>At 30 September 2008</b>	<b>189,005</b>	<b>221,510</b>	<b>202,785</b>
<b>Leasehold</b>			
At 1 April 2008	46,980	48,625	48,625
Purchases at cost	775	(128)	1,321
Movement in unrealised (depreciation)/appreciation	(3,815)	(2,437)	(2,966)
<b>At 30 September 2008</b>	<b>43,940</b>	<b>46,060</b>	<b>46,980</b>
<b>Total</b>			
At 1 April 2008	249,765	236,575	236,575
Purchases at cost	1,282	41,947	49,523
Sale proceeds	–	–	(5,500)
Movement in unrealised (depreciation)/appreciation	(18,102)	(10,952)	(31,432)
Realised gain on disposals	–	–	599
<b>At 30 September 2008</b>	<b>232,945</b>	<b>267,570</b>	<b>249,765</b>
Cost	282,686	278,729	281,404
Unrealised loss	(49,741)	(11,159)	(31,639)
<b>Fair value at 30 September 2008</b>	<b>232,945</b>	<b>267,570</b>	<b>249,765</b>

At the period end £21,100,000 (30 September 2007: £25,425,000, 31 March 2008: £22,930,000) 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.

## Notes to the Consolidated Half Yearly Financial Statements

(continued)

### 7. Investment property (continued)

The properties were valued by CB Richard Ellis ("CBRE"), international property advisers, at open market value as at 30 September 2008 in accordance with the latest edition of the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual.

### 8. Payables and accruals

	30 September 2008 (unaudited) £'000	30 September 2007 (unaudited) £'000	31 March 2008 (audited) £'000
Accrued property costs	–	41	–
Rent received in advance	3,142	2,626	3,009
Interest payable	1,931	1,954	1,890
Taxation creditor	221	3,482	173
VAT payable	548	–	645
Other payables and accruals	1,374	2,263	2,100
	<b>7,216</b>	<b>10,366</b>	<b>7,817</b>

### 9. Share capital

	30 September 2008 (unaudited) £'000	30 September 2007 (unaudited) £'000	31 March 2008 (audited) £'000
<b>Authorised:</b>			
200,000,000 Ordinary Shares of 1p each	2,000	2,000	2,000
<b>Issued and fully paid:</b>			
122,500,002 Ordinary Shares of 1p each	1,225	1,225	1,225

By written resolution on 24 August 2007 the Company resolved to authorise it to utilise the distributable 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.

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.

## 10. Net asset value per Ordinary Share

### *Basic*

The net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £68,049,000 (30 September 2007: £108,967,000, 31 March 2008: £84,915,000) and on 122,500,002 (30 September 2007 and 31 March 2008: 122,500,002) Ordinary Shares in issue at the end of the period.

### *Fully diluted*

The 30 September 2008 price of the Ordinary Shares of 20.00p (30 September 2007: 75.00p, 31 March 2008: 39.75p) was below the exercise price of the Options (exercise price of 100.00p). Therefore, in accordance with IAS 33 "Earnings per share", there is no dilution.

## 11. Reconciliation of net (loss)/gain from operating activities to net cash (outflow)/inflow from operating activities

	1 April 2008 to 30 September 2008 (unaudited) £'000	1 April 2007 to 30 September 2007 (unaudited) £'000	1 April 2007 to 31 March 2008 (audited) £'000
Net (loss)/gain from operating activities	(222)	1,115	1,062
Amortisation of loan arrangement fee	28	22	47
Changes in receivables and prepayments	496	(280)	(850)
Changes in other payables and accruals	(649)	3,458	4,414
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(347)</b>	<b>4,315</b>	<b>4,673</b>

## 12. Commitments and contingencies

There were no contracted capital commitments as at 30 September 2008.

## Notes to the Consolidated Half Yearly Financial Statements

(continued)

### 13. 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 2008 the option to subscribe for Ordinary Shares was not taken up by CSEL.

### 14. Segmental information

The Directors are of the opinion that the Group is engaged in four segments of business, being investment in offices, residential property, retail property and industrial property, which is carried out in one geographic area.

30 September 2008 (unaudited)	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Unallocated £'000	Group £'000
<b>Income Statement</b>						
Rent receivable	1,377	195	2,703	2,767	–	7,042
Bank interest	–	–	–	21	232	253
Service charges receivable	935	–	742	147	–	1,824
Income	2,312	195	3,445	2,935	232	9,119
Expenses	(1,269)	(115)	(1,300)	(835)	(5,822)	(9,341)
Net gain/(loss) from operating activities	1,043	80	2,145	2,100	(5,590)	(222)
Movement in fair value of interest rate swap	–	–	–	–	1,511	1,511
Movement in unrealised loss on revaluation of investment properties	(2,689)	–	(8,799)	(6,614)	–	(18,102)
(Loss)/gain before taxation	(1,646)	80	(6,654)	(4,514)	(4,079)	(16,813)
Taxation	–	–	11	(64)	–	(53)
(Loss)/gain for the period	(1,646)	80	(6,643)	(4,578)	(4,079)	(16,866)
<b>Balance Sheet</b>						
Investment property	43,305	8,000	87,100	94,540	–	232,945
Other assets	1,327	72	2,928	4,446	5,950	14,723
Assets	44,632	8,072	90,028	98,986	5,950	247,668
Liabilities	(834)	(75)	(2,130)	(1,997)	(174,583)	(179,619)
Net assets/(liabilities)	43,798	7,997	87,898	96,989	(168,633)	68,049

## 14. Segmental information (continued)

30 September 2007 (unaudited)	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Unallocated £'000	Group £'000
<b>Income Statement</b>						
Rent receivable	1,325	231	2,820	3,124	–	7,500
Bank interest	1	–	3	2	195	201
Service charges receivable	539	–	537	15	–	1,091
Income	1,865	231	3,360	3,141	195	8,792
Expenses	(833)	(131)	(1,193)	(402)	(5,118)	(7,677)
Net gain/(loss) from operating activities	1,032	100	2,167	2,739	(4,923)	1,115
Movement in fair value of interest rate swap	–	–	–	–	(807)	(807)
Movement in unrealised gain/(loss) on revaluation of investment properties	(816)	83	(5,740)	(4,479)	–	(10,952)
Profit/(loss) before taxation	216	183	(3,573)	(1,740)	(5,730)	(10,644)
Taxation	–	(6)	–	–	–	(6)
Profit/(loss) for the period	216	177	(3,573)	(1,740)	(5,730)	(10,650)
<b>Balance Sheet</b>						
Investment property	49,965	9,085	100,350	108,170	–	267,570
Other assets	1,198	122	2,490	3,660	13,800	21,270
Assets	51,163	9,207	102,840	111,830	13,800	288,840
Liabilities	(2,483)	(146)	(6,436)	(2,251)	(168,557)	(179,873)
Net assets/(liabilities)	48,680	9,061	96,404	109,579	(154,757)	108,967

## Notes to the Consolidated Half Yearly Financial Statements

(continued)

### 14. Segmental information (continued)

31 March 2008 (audited)	Office £'000	Residential £'000	Retail £'000	Industrial £'000	Unallocated £'000	Group £'000
<b>Income Statement</b>						
Rent receivable	2,863	382	5,921	6,197	–	15,363
Bank interest	12	–	9	5	353	379
Service charges receivable	851	–	1,307	277	–	2,435
Income	3,726	382	7,237	6,479	353	18,177
Expenses	(1,469)	(256)	(2,588)	(1,680)	(11,122)	(17,115)
Net gain/(loss) from operating activities	2,257	126	4,649	4,799	(10,769)	1,062
Movement in fair value of interest rate swap	–	–	–	–	(4,152)	(4,152)
Movement in unrealised gain/(loss) on revaluation of investment properties	(5,778)	(490)	(14,833)	(10,331)	–	(31,432)
Realised gain on sale of investment properties	–	–	–	599	–	599
Loss before taxation	(3,521)	(364)	(10,184)	(4,933)	(14,921)	(33,923)
Taxation	12	–	(23)	(155)	–	(166)
Loss for the year	(3,509)	(364)	(10,207)	(5,088)	(14,921)	(34,089)
<b>Balance Sheet</b>						
Investment property	45,415	8,540	95,800	100,010	–	249,765
Other assets	(4,358)	(80)	2,423	7,337	11,531	16,853
Assets	41,057	8,460	98,223	107,347	11,531	266,618
Liabilities	(1,317)	(69)	(1,986)	(2,365)	(175,966)	(181,703)
Net assets/(liabilities)	39,740	8,391	96,237	104,982	(164,435)	84,915

### 15. Related parties

The relationships between the Group and Rugby Asset Management Limited and Elysium Fund Management Limited are 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.

During the period, management fees due to Rugby Asset Management Limited of £1,266,000 (30 September 2007: £1,078,000, 31 March 2008: £2,446,000) and administration fees due to Elysium Fund Management Limited of £124,000 (30 September 2007: £145,000, 31 March 2008: £279,000) were incurred.

At the period end, £60,490 (30 September 2007: £67,453, 31 March 2008: £63,932) was payable to Elysium Fund Management Limited in respect of administration fees, and £627,824 (30 September 2007: £586,470, 31 March 2008: £675,838) was payable to Rugby Asset Management Limited in respect of management fees.

The Directors are not aware of any ultimate controlling party.

## 16. Capital management policy and procedures

The Company's capital 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 Investment Manager, monitors and reviews the structure of the Company's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the need to buy back 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 Company's objectives, policies and processes for managing capital remain unchanged from the previous year end.

As at 30 September 2008 the Company had a bank loan of £172 million (30 September 2007: £162 million, 31 March 2008: £174 million). As disclosed on the Consolidated balance sheet the total equity holders funds are £68,049,000 (30 September 2007: £108,967,000, 31 March 2008: £84,915,000).

## 17. Events after the Balance Sheet date

The fair value of the interest rate swap as at 28 November 2008 was £13,935,216 being an increase in the liability of £11,189,536 since the period end. In accordance with IAS 10 "Events after the Reporting Period" this movement has not been reflected in these half yearly financial statements. However, the financial effect of this movement would be an increase in the liability as stated, and an increase in the reported loss.

There were no other material events after the balance sheet date that require disclosure as at 12 December 2008.

## Directors

### Phillip Rhodes (Chairman)

Aged 62, 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. Currently he is also involved as a non executive with private equity investments in the house building sector.

### Howard Stanton

Aged 66, 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 he is also a non-executive chairman of Delek Global Real Estate Limited, a Jersey AIM company, a non-executive director of Stylo plc and Anglo Scottish Properties plc.

### Quentin Spicer

Aged 64, 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 Wedlake Bell Guernsey, specialising in United Kingdom property transactions for non-UK resident entities. He is chairman of the Guernsey Housing Association LBG, European Value and Income Fund Limited, RAB Special Situations Company Limited, South African Property Opportunities plc, Atlas Estates Limited and IRP Property Investments Limited and is a non-executive director of several other funds.

### Richard Barnes

Aged 46, Richard is a principal of BDP Barnes Daniels and Partners, chartered surveyors established in November 2001, and specialises in Channel Island commercial property, valuation, consultancy, investment and development. Prior to this, Richard was a manager of the Mourant de Feu & Jeune Property Department (1995-1997) and a director of ATIS REAL Weatheralls Jersey (1997-2001) where he was director of a number of offshore property structures administered on behalf of clients. Richard has over 20 years' experience of working in the real estate sector and has also held posts at Hillier Parker, Vigers and Bernard Thorpe. Richard is chairman of the Invesco Property Income Trust and past chairman of the Jersey branch of the Royal Institution of Chartered Surveyors and often acts as an independent expert and arbitrator in Jersey and Guernsey third party disputes.

### Peter Radford

Aged 51, Peter was appointed managing director of Bordeaux Services (Guernsey) Limited 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 also holds a number of directorships with a range of Guernsey-based mutual fund companies and investment companies. Peter is a Fellow of the Institute of Chartered Accountants. He is also a Fellow of the Securities and Investment Institute and of the Society of Trust and Estate Practitioners.

# Advisers

## Property Adviser

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## Registrar

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## Guernsey Legal Adviser to the Company

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