

INTERIM STATEMENT 2008

The results for the first six months of the year are in line with the forecast set by the Board. Whilst this shows a pleasing increase over the corresponding period last year shareholders should be aware that the forecast for the whole year does not include significant trading profits, premiums or lease variations.

There are a number of trading and value enhancing opportunities within our existing portfolio which represent many millions of added value. We cannot be certain however that the gains on which we have visibility will crystallise before this year end rather than the next. This may result in payment of dividend this year in small part from reserves.

In the wider economy, the well reported credit freeze whereby banks have become much more reluctant to lend to each other has been influential in our market. It should not be underestimated just how vital the flow of money between banks is to the proper functioning of all capital markets.

In the property market, one impact of this is that the cost of borrowed money has increased. The vast majority of property companies pay interest to their lenders based on LIBOR, the basis upon which banks lend to each other. In fluid lending times, this measure tends to be close to the Bank of England base rate but more recently, because each bank is concerned about the other, and they each too have their own obligations to meet, the availability of funds has decreased and the gap between the base rate and LIBOR has remained stubbornly wide.

The proper functioning of the commercial property market relies to a significant degree on the availability of borrowed money so in consequence of the lack of it, the property investment market has come to an almost total standstill. However, as the financial markets become less volatile, we expect that falling LIBOR rates following the recent base rate cuts to 3% could make well secured commercial property attractive. The current economic climate suggests that there are further interest rate cuts to come and whilst we all recognise that we are operating in a weaker market, the prospect of reduced costs of borrowing on the one hand and higher cash returns from property on the other could well present the best buying opportunities for many years.

The reducing cost of LIBOR in the short term has enabled us to improve the protection we obtain from hedging instruments and where we historically hedged 2/3rds of our debt, we have recently

agreed terms to protect 100% of our borrowings against volatility over the next 2 years with a fixed LIBOR rate of 4.115%. We have previously reported that we renegotiated our banking facilities just before the financial crisis unfolded and consequently we currently pay our lenders a margin which would not be available in today's environment. Both these factors mean that the cost of debt to the group has been reduced substantially to a payable rate of around 5% for the next 2 years.

Since the summer newsletter we have continued to work up our redevelopment scheme in Prestwich where we anticipate submitting a planning application in early 2009. In Burton upon Trent the town centre regeneration plan is now in the public domain and Burton Place is central to this plan. We continue to investigate if there is any development upside however the existing scheme is performing well. Despite weaker consumer demand, footfall at the centre has remained very strong which is due to the presence of discount retailers such as Wilkinsons, Home Bargains and Farmfoods, all of whom appear to be trading extremely well at the centre. It is over 10 years since there has been an empty unit in Burton Place and whilst this demonstrates its popularity, it makes rental growth at rent review harder to prove. We are of the view that as and when we are able to engineer a new letting here, we should be able to move rents on beyond the present levels.

Despite the uncertainty surrounding the economy we have continued to be busy with important lettings in the period under review to The Skipton Building Society in Northwich, Quality Save in Ashton in Makerfield and 24/7 Search and Rescue in Queensferry. We have also let the final 2 units at Congleton to a restaurant operator. Consequently, our void rate remains extremely low.

In Hope Street, Wrexham, we have accepted a surrender from Next and re-let the property to Barclays Bank plc, at a higher rent and on a longer lease. The outcome here is particularly satisfactory as we negotiated a substantial surrender premium from Next which will contribute to our profits.

We are unwilling to sell into a weak market in other than special circumstances, however since the last year end, we have profitably sold 4 residential flats in Merseyside and 2 vacant office buildings in Altrincham raising cash of almost £900,000 and generating a trading profit of £160,000.

Stephen Murray retired from the Board in September on reaching his 65th birthday having served for over 43 years. The board would like to thank Stephen for his valued contribution during this time.

The interim dividend has been set by the board at **40p** and this will be paid to shareholders in December 2008.

We are continuing to review the ways in which we can create/improve liquidity in our shares. We will look to have some arrangements in place as the current economic climate becomes more settled.