



21 January 2010

**Quintain Estates & Development plc**  
**("Quintain" / "Company" / "Group")**

**THIRD QUARTER INTERIM MANAGEMENT STATEMENT**

**Highlights**

- Successful completion of Rights Issue, raising net proceeds of £183.5m
- £575,000 of new leases agreed and £1.3m of leases renewed or re-gearred at an average of 7% above ERV
- Commercial House, Jersey, sold at 19% above valuation
- New London site acquired at £10.9m for iQ's tenth student accommodation scheme
- Board strengthened with two new appointments.

Adrian Wyatt, Chief Executive of Quintain, commented:

"The firm financial platform secured by Quintain during 2009 has already enabled the Company to take advantage of opportunities in the market. With equity available and a significantly reduced level of gearing, we will continue to progress our existing schemes, drive substantial growth in the fund management business and capitalise on the many opportunities current market conditions present, whilst rigorously safeguarding the financial stability that has been achieved."

**Finance**

The key event of the period was the launch and successful completion of the Rights Issue, in which 98.4% of Rights were taken up. The net proceeds of £183.5m have, on the basis of 30 September 2009 figures, reduced gearing as per our banking covenants from 94% to 43% against covenants of 150% and thereby provided Quintain with a substantial buffer against potential further economic deterioration. Whilst £50m of the funds raised has been allocated to the long-term reduction of debt, £133.5m is being used by the Company to accelerate the growth of the income-producing fund management business and selectively to progress key elements of our major urban regeneration schemes. This supports our primary near term objective of achieving a cashflow-positive recurring income for the Group.

At 31 December, net borrowings were £363.1m (30 September 2009: £534.9m), with all floating rate debt hedged by swaps. The average cost of debt for the three months was 5.3% (July to September 2009: 4.7%). This is anticipated to rise in the next quarter, as the proceeds of the Rights Issue were used initially to pay down floating rate debt.

Our recent success in progressing sales at a premium to valuation demonstrates that prices in selected sectors of the property market are hardening. However, conditions in the mainstream market remain

uncertain and so we maintain our focus on alternative asset classes such as healthcare and student accommodation, which benefit from resilient income streams underpinned respectively by an ageing population and undersupply of high quality accommodation.

### **Investment Assets**

The sale of Commercial House in Jersey, an asset no longer core to our investment portfolio, was completed earlier this month for £8.2m, which is 19% above the September 2009 valuation. This is one of several sales being progressed to take advantage of the hardening market with respect to assets where prospects for further value creation by Quintain are limited.

Since 30 September 2009 three leases have been renewed or re-gearred, securing an additional 4.7 years of income worth £1.3m per annum and showing an uplift of 7% against ERV, and seven new leases worth a total of £575,000 per annum have been agreed.

### **Urban Regeneration**

The London Borough of Brent has submitted its application for detailed planning consent regarding the new Civic Centre it proposes to build on Quintain's scheme opposite Wembley Arena. The building, designed by Hopkins Architects, will cover 250,000 sq ft across nine floors and feature a new public space fronting on to Quintain's Arena Square and the Stadium. 2,000 employees will be based in the building, which will also incorporate a library, learning centre and community hall capable of accommodating 1,000 people. The granting of planning consent will lead to the completion of our sale of this land to Brent Council for £10m as well as significant further animation for the scheme.

We today announce that contracts have been exchanged with Tesco to open a 4,000 sq ft Express store at Wembley City on the ground floor of the second residential building, which is due to be completed in March. This store will support the growing population of residents now living at Wembley City, which we expect to exceed 1,000 people by the end of the year.

Wembley Arena, which is owned by Quintain, enjoyed a very successful 2009. Early indications forecast that a 31% increase in shows and 42% increase in events overall at the iconic venue will drive higher levels of profit from the Arena in this financial year.

At Greenwich Peninsula, following the occupation by Transport for London of the first commercial building, the second building, Mitre Passage, has now been completed. A pre-let has been agreed with the London Borough of Greenwich for 21,000 sq ft of space and the fit out of these floors is now underway.

At our zero-carbon development in Brighton, sales have accelerated over the last two months with the completion of 18 more contracts, taking the total to 45. In addition, contracts have been exchanged on 21 apartments and a further 10 have been reserved. Completion of the building is expected in March 2010.

### **Fund Management**

Our student accommodation fund, iQ, has acquired the Kingsland Road site in Hoxton, London for £10.9m. Work on the scheme, which will contain 255 beds, 2,300 sq ft of retail and source 20% of its energy from

renewable sources, will commence this month and complete in time for the start of the 2011 academic year. Lettings across iQ currently stand at 90%, with pre-lets for the next academic year (2010 to 2011) already reaching 33% compared with 26% at this point in 2009. Two new schemes under construction in Edinburgh will be opened in September 2010, expanding the number of income-producing beds in the portfolio by 17.6% to 4,253.

Our healthcare fund, Quercus, which invests in long term care facilities across the UK and benefits from RPI-linked income with a 3% minimum uplift, recorded a property level return of 2.1% over the 12 months to December 2009, in line with its IPD benchmark of 2.2% over the same period. The fund continued to significantly outperform long-term benchmarks, delivering over the three years to December 2009 a 2.6% return compared with the negative IPD benchmark of (9.2)%, and 8.5% over five years compared with a 1.0% return from IPD over the same period.

## **Board**

In a separate statement issued today, we have announced changes to the Board of Quintain. Joan MacNaughton, who has been with the Company since 2003 and served two terms, has decided to stand down from the Board when her term of office expires at the end of January. We have also formally appointed as non-executive directors Sir Peter Dixon, Chairman of University College London Hospitals NHS Foundation Trust and formerly Chairman of the Housing Corporation, and Charles Cayzer, who is an executive director of Caledonia Investments plc. We thank Joan for her insight and wise counsel through the last six years and welcome Peter and Charles to the Board.

### ***For further information please contact:***

#### **Quintain Estates & Development plc**

Rebecca Worthington / Cressida Curtis

Tel: +44 (0) 20 7495 8968

#### **Financial Dynamics**

Stephanie Highett / Dido Laurimore / Laurence Jones

Tel: +44 (0) 20 7831 3113

### ***Forward looking statements***

*This document may contain certain forward looking statements. By their nature forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes of results expressed or implied by such forward looking statements.*

*Any forward looking statements made by or on behalf of Quintain speak only as at the date they are made and no representation or warranty is given in relation to them, including as to their completeness for accuracy or the basis on which they were prepared. Quintain does not undertake to update forward looking statements to reflect any changes in Quintain's expectations with regard thereto or any changes in events, conditions or circumstance on which any such statement is based.*

*Information contained in this document relating to the Company should not be relied upon as an indicator of future performance.*