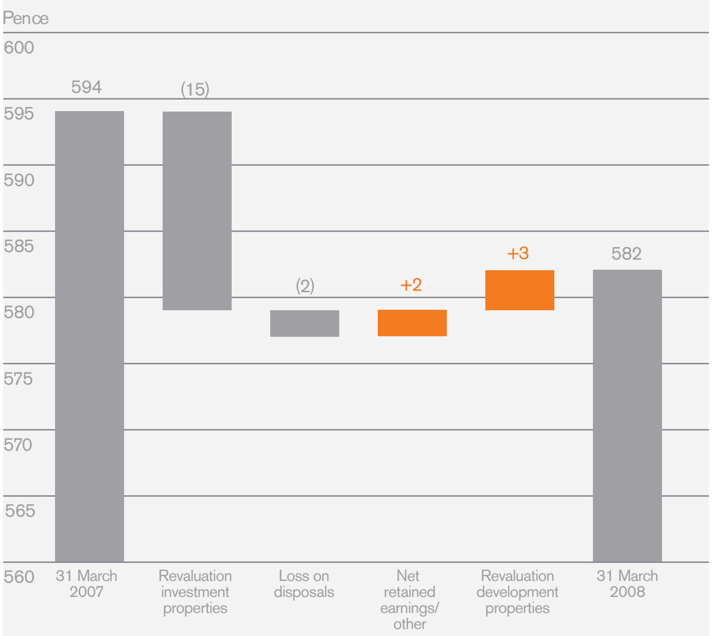
Our financial position

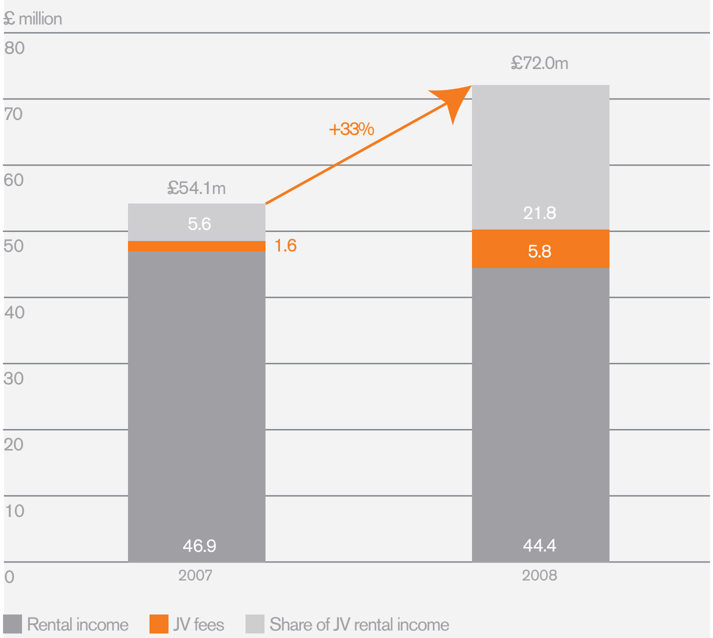
Adjusted net assets per share

Movement since 31 March 2007



Total rental and joint venture fee income

Year to 31 March 2008



Financial results

The Group delivered a resilient financial performance in the face of difficult market conditions particularly during the second half of the year.

Portfolio valuation reductions from September 2007 have impacted year end net assets per share. In contrast, income statement measures show significant growth from 2007, primarily due to successful leasing and enhanced joint venture revenue.

Net asset value

Adjusted net assets per share fell slightly by 2.0% in the year to 582 pence, reflecting the expansion in market yields in the latter part of the financial year. In the second half adjusted net assets per share fell 11.8% from 660 pence as at September 2007. At March 2008, the Group's net assets were £1,049.4 million, down from £1,076.0 million at March 2007. The value of the Group has been supported by growth from the development programme and well executed portfolio management activities. Compared to other UK real estate companies for the same period, net assets per share has declined by a fairly modest amount.

The main drivers behind the 12 pence per share year on year change in adjusted net assets per share to March 2008 were:

- a fall of 15 pence per share from the revaluation of the investment portfolio;
- a valuation gain of 3 pence per share from development properties;
- sale of properties including Met building and Blackfriars Road which crystallised a loss of 2 pence per share; and
- adjusted earnings for the year of 12.6 pence per share, were in excess of the dividend, marginally enhanced NAV.

These items are illustrated in the chart above.

The valuation of the near term development schemes included in the net assets per share at 31 March 2008 includes around one quarter of the expected surplus on the schemes when complete. Triple net assets per share (NNNAV) was 590 pence per share at March 2008 compared to 593 pence per share at March 2007. At March 2008 the difference between adjusted net assets per share and NNNAV was the positive mark to market of debt of 8 pence illustrating the Group's low cost of debt. Deferred tax adjustments were negligible.

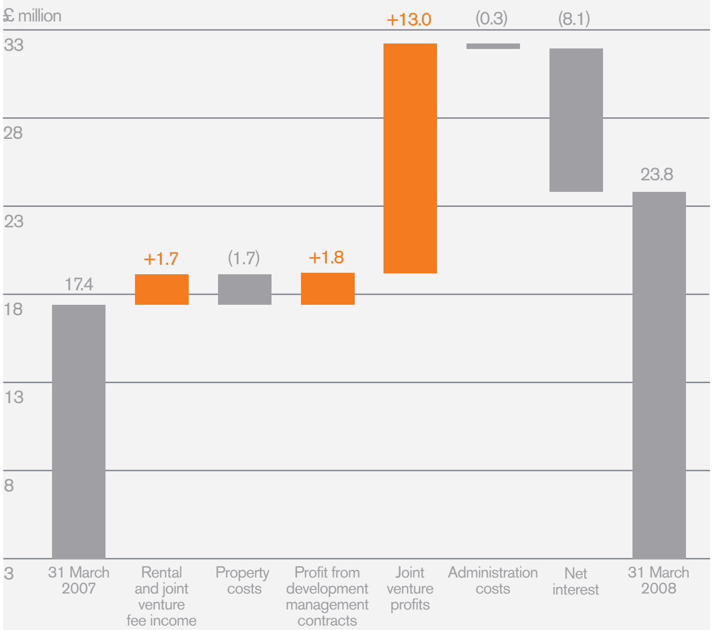
Income statement and earnings per share

Rental income and joint venture fees for the year were £44.4 million and £5.8 million respectively, together these rose by £1.7 million or 3.5% compared to last year. The level of rental income has benefited from strong underlying growth but has been impacted by transfers of buildings to the joint ventures, which reduced "top line" rental income but increased the share of joint venture profits. Including the share of JV income of £21.8 million, the Group's total income rose by 33% year on year to £72.0 million, as illustrated in the chart above.

Rent reviews, lease renewals and new lettings added £6.3 million to rental income during the year. The estimated rental value of the portfolio grew by some 12.4% in the year, due to positive occupational market factors and the upgrading of many of the Group's assets. The Group's joint ventures generated management fees of £5.8 million, up 263% from last year, as a result of investment and development activity at GWP, GVP2 and GCP.

Adjusted profit before tax

Year to 31 March 2008



Adjusted profit before tax

	March 2008 £m	March 2007 £m
Reported (loss)/profit before tax	**(3.0)**	326.0
Deficit/(gains) from investment properties	**8.7**	(278.1)
Deficit/(gains) from joint venture properties	**17.7**	(42.1)
Fair value movement on derivatives	**0.4**	0.1
Non-recurring items	**–**	11.5
Adjusted profit before tax	**23.8**	17.4

Adjusted profit before tax at £23.8 million was £6.4 million or 36.8% higher than last year; the key drivers behind this rise are set out in the chart above. Adjusted profit levels were boosted by the rise in rental and fee income, described above, and higher profits from development management operations and joint ventures, partly offset by increased interest and administration charges.

Development management income from the Tooley Street, SE1 and Margaret Street, W1 schemes lifted profits by £1.8 million year on year. At March 2008, the Tooley Street scheme was around 90% complete as a result of which £6.9 million of the total anticipated profit and bonus payments were recognised in the year. The remaining income will fall in the year to 31 March 2009. Adjusted profits from joint ventures (excluding valuation movements and gain/loss on property sales) were £16.1 million, up £13.0 million on last year, mainly due to the creation of GCP in April 2007, which has significantly increased the size of this part of our business. Further details are set out below. Administration costs slightly increased by £0.3 million year on year at £14.2 million as employee costs were held broadly constant. Underlying finance costs increased by £8.1 million as the result of higher net debt due to investment in our development schemes and acquisitions made during the year and higher rates on the floating segment of the Group's credit facilities.

Adjusted earnings per share were 12.6 pence, 23.5% higher than last year. The higher adjusted PBT, described above, had a positive impact which was further enhanced by a lower underlying tax charge due to REIT status.

Revaluation falls and loss on sale of assets caused the Group to report a loss after tax of £4.1 million (2007: profit of £382.8 million). Basic EPS for the year showed a loss of 2.2 pence, compared to a positive result of 235.7 pence for 2007.

Financial effects of near-term development schemes
The near-term development and refurbishment schemes have progressed according to plan during the year, with £50.7 million (2007: £32.1 million) spent on schemes, including 60 Great Portland Street, W1, Wells & More, W1 and Bermondsey Street, SE1. The valuation of the Group's development portfolio has increased by 5.6%, due to growth in estimated rental value in the period and the elimination of some of the construction and leasing risks.

The committed near-term developments are forecast to require £25.9 million in capital expenditure in order to reach practical completion. Construction of the uncommitted near-term schemes would cost an additional £150 million if we decide to proceed with them.

By 2013, all near-term schemes are forecast to generate incremental rental income for the Group of £25.9 million. Some of this additional revenue will be captured through higher profits from joint ventures as several schemes are in the GRP, GWP and GCP ownerships. This increase in rental income from the near-term schemes is the equivalent of 37% of the Group's current rent roll.

Results of joint ventures
The joint venture business has increased materially compared to last year following the creation and expansion of the Great Capital Partnership. At 31 March 2007 13.2% of Group rent roll and 16.4% of net assets were in 50:50 joint ventures; by 31 March 2008 the comparable figures were 36.3% and 37.2% respectively. Non-recourse net debt in the joint ventures has increased from £34.5 million at March 2007 to £145.8 million at year end due to the new credit facility in GCP described below.

Summary of Group results – pro forma proportional consolidation basis

Balance sheet	March 2008 Group £m	March 2008 Share of JVs £m	March 2008 Total £m	March 2007 Group £m	March 2007 Share of JVs £m	March 2007 Total £m
Investment property*	1,087.3	548.6	1,635.9	1,323.0	212.6	1,535.6
Other assets	26.7	4.3	31.0	25.2	2.8	28.0
Net debt	(424.6)	(145.8)	(570.4)	(389.1)	(34.5)	(423.6)
Other liabilities	(30.6)	(16.5)	(47.1)	(59.1)	(4.9)	(64.0)
Net assets	658.8	390.6	1,049.4	900.0	176.0	1,076.0

*Investment properties excluding finance leases

Income statement	March 2008 Group £m	March 2008 Share of JVs £m	March 2008 Total £m	March 2007 Group £m	March 2007 Share of JVs £m	March 2007 Total £m
Rental income	44.4	21.8	66.2	46.9	5.6	52.5
Fees from joint ventures	5.8	–	5.8	1.6	–	1.6
Profit from development management agreements	7.1	–	7.1	5.3	–	5.3
Property and administration costs	(19.9)	(2.9)	(22.8)	(18.2)	(0.7)	(18.9)
Finance costs	(30.1)	(2.8)	(32.9)	(21.7)	(1.8)	(23.5)
Profit before (deficit)/gain on investment property	7.3	16.1	23.4	13.9	3.1	17.0
(Deficit)/gain from investment property	(8.7)	(17.7)	(26.4)	278.1	42.1	320.2
Exceptional items	–	–	–	(11.2)	–	(11.2)
Reported (loss)/profit before tax	(1.4)	(1.6)	(3.0)	280.8	45.2	326.0

Our share of joint venture net rental income increased to £21.8 million compared to £5.6 million for last year primarily due to the inclusion of the GCP assets. On a "same building", like-for-like basis the joint ventures reported an increase in rental income of 36% as a result of the leasing activities at 180 Great Portland Street, W1, Mount Royal, Oxford Street, W1 and 208/222 Regent Street, W1. The Group's share of joint venture adjusted profits (excluding revaluation gains and profit on sales) grew to £16.1 million mainly due to the addition of GCP assets. These profits are after charging £5.8 million of management fees (2007: £1.6 million) to the individual joint ventures.

To illustrate the scale of the joint ventures in comparison with the wholly owned operations, pro forma "proportional consolidation" statements have been prepared as shown above.

The Group has limited exposure to its JVs as the debt facilities are of a non-recourse nature and as of 31 March 2008 none of the major development schemes in JV are committed.

Financial resources and capital management

The Group's higher rental income and joint venture revenues contributed to the cash generated from operations improving to £38.3 million, up 35.3% compared to last year. Group consolidated net debt increased to £424.6 million, up from £389.1 million at 31 March 2007 mainly due to the investments in GCP. The sales of properties including the Met Building, W1, Blackfriars Road, SE1 and Whitfield Street, W1 generated £132 million in net proceeds. Group consolidated gearing increased to 40.5% at 31 March 2008 from 36.2% at last year end and interest cover remained at a conservative 1.8 times.

Including the non-recourse debt in the joint ventures, total net debt was £570.4 million (2007: £423.6 million) equivalent to a loan to value ratio of 34.9% (2007: 27.6%).

We have taken further steps to increase liquidity and manage the cost of debt during the year to ensure financing is in place for future business development activities. With the debt capital markets becoming more challenging we turned to our relationship banks for funding to allow us to execute our real estate strategies over the medium term. We arranged over £362 million in new committed credit facilities during the year. The key debt transactions were:

- a new £200 million bank facility maturing in 2012 arranged in July 2007;
- a bilateral £50 million bank facility maturing in 2010 completed in November 2007; and
- within GCP, a £225 million five year term loan (GPE share £112.5 million) implemented in March 2008.

The average margin for these new facilities is 60 basis points over LIBOR, broadly in line with our previous credit agreements. At 31 March 2008, the Group including its joint ventures had cash and undrawn committed credit facilities of £282 million, which is in excess of the capital expenditure required to complete all near-term development schemes. The projected phasing of our financial resources is set out in the chart above.

The Group's weighted average interest rate for the year was 6.01%, an increase of 46 basis points compared to the prior year. This was due to higher short-term floating rates which have stepped up since the summer of 2007.

Over the last year the level of short-term market rates and borrowing terms have risen and there are signs that further increases in the cost of debt could occur in response to liquidity and inflationary concerns. Our Treasury policy of keeping floating rate debt at less than 40% of total has partially insulated the Group from increasing market rates and in September 2007 we executed £90 million of five year interest rate swaps and collars to further protect the Group. At year end 76% of the Group's total debt (including non recourse joint ventures) was at fixed or capped rates (2007: 62%).

Debt analysis

Year end net debt position	March 2008 £m	March 2007 £m
Net debt excluding JVs	424.6	389.1
Net gearing	40.5%	36.2%
Total net debt including 50% JV non-recourse debt	570.4	423.6
Loan-to-property value	34.9%	27.6%

Credit statistics	March 2008 £m	March 2007 £m
Interest cover	1.8x	1.8x
Weighted average interest rate	6.01%	5.55%
Percentage of total debt fixed/capped	76%	62%

Total available facilities versus possible capital expenditure

Years to 31 March

As at 31 March 2008 the Group had significant headroom over the levels required by the financial covenants in its credit agreements and debenture documentation.

Dividend

The Board has recommended a final dividend of 8.0 pence per share up 6.0% on last year's final dividend, which will be paid on 8 July 2008. This brings the total for the year to 11.9 pence per share an increase of 5.3% over 2007. The increase in dividends results from the enhanced level of Group earnings and the good prospects for future income growth. Half of the final dividend is a REIT Property Income Distribution ("PID").

Taxation

The current tax provision in the income statement for 2008 is only £0.1 million (2007: £0.2 million) due to a variety of REIT reliefs. The Group's underlying effective tax rate for 2008 was low at around 5% (2007: 10%) as a result of REIT status. The Group complied with all relevant REIT tests for the year to March 2008.

The Group's focus on corporate responsibility issues is reflected within its tax strategy including the objective to pay a fair contribution to the UK tax authorities as an accountable corporate citizen. We seek to fully comply at all times with tax legislation and best practice and endeavour to maintain an open and constructive working relationship with HM Revenue & Customs.

During the year, the Group paid corporation tax in respect of its conversion to REIT status of £28.3 million, based on 2% of property assets at 1 January 2007. The Group paid further corporation tax and stamp duty land tax of £6.6 million (2007: £4.4 million).

Outlook

With capital market turbulence continuing, property valuations are expected to come under continued pressure during 2008. Although there exists a considerable quantity of equity available to acquire real estate, limited debt capital and a lack of confidence may restrict its deployment.

Against this backdrop of investment market uncertainty, the dynamics of our principal occupational market, the West End, present a more favourably balanced picture. The supply of new office stock remains restricted and, so long as the UK economy avoids a significant contraction, the key variable, the demand for space, although expected to slow from its recent high levels, should remain around the long-term average.

We are in an enviably strong position to withstand short-term market challenges:

– more than 80% of our properties are in the undersupplied core of the West End;

– our current rents are substantially lower than market levels providing opportunity for growth;

– the current development programme has been derisked whilst the pipeline of opportunities is both long and strong. The next phase has flexible start dates and an income return in the interim; and

– Group financial leverage is low and liquidity high allowing us to respond quickly to emerging investment opportunities.

We remain confident, therefore, that our focused operating approach and sector specialism will underpin the long-term prospects of the Group.