GREAT
PORTLAND
ESTATES

Unlocking potential

Great Portland Estates Annual Report 2008

Annual review

Governance

Financials

www.gpe.co.uk

Front cover image:
New reception at the redeveloped 60 Great Portland Street, W1

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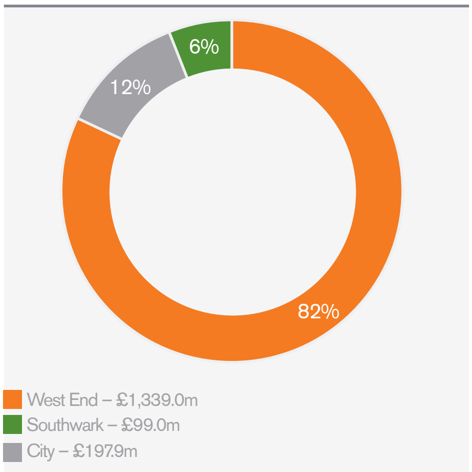
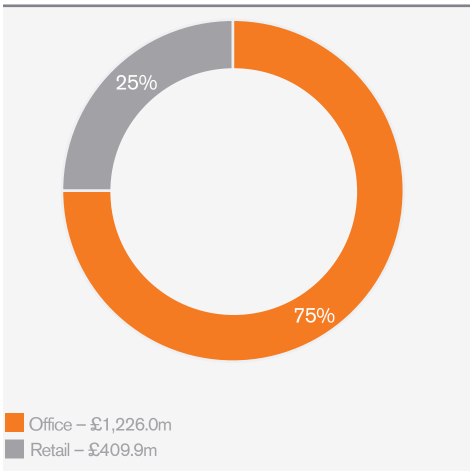
Great Portland Estates is a central London property investment and development company owning over £1.6 billion of real estate. We aim to deliver superior returns to shareholders through active asset management, the application of our development skills to create value and the maximising of equity returns through efficient structuring and flexible financing.

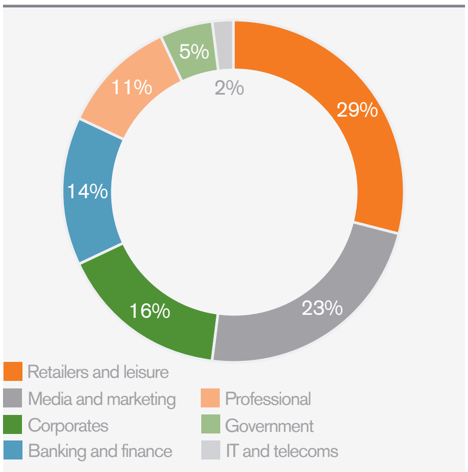
Our locations[1]



Our business mix[1]

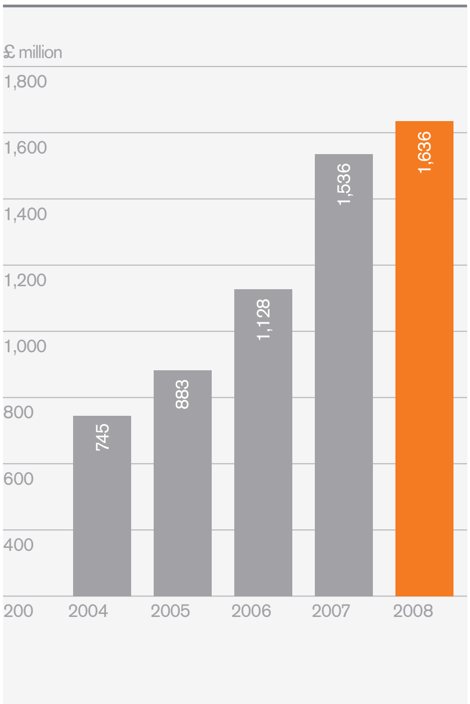


Our tenants[1]

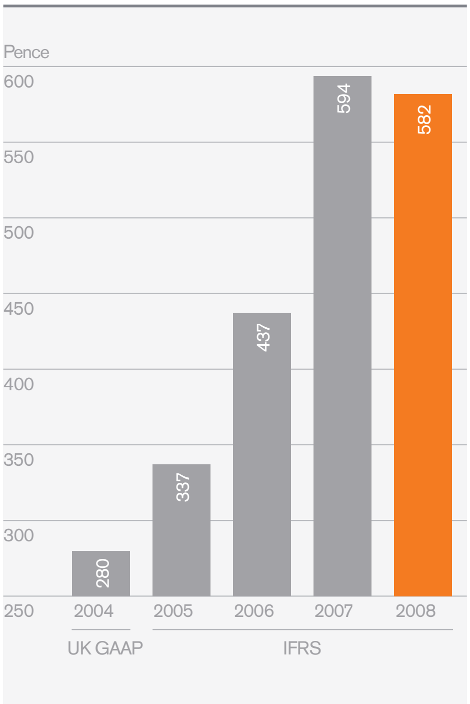


Notes
1. Includes Group's share of joint ventures.
2. Adjusted, diluted on EPRA basis – see note 7 on pages 64 to 65.

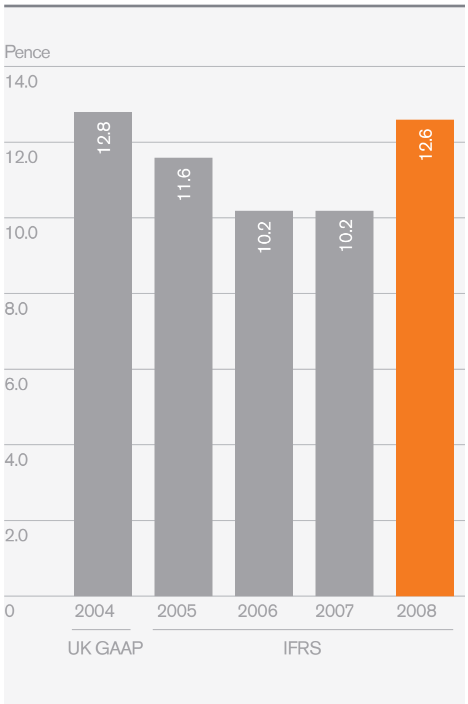
Portfolio value[1]



Net assets per share[2]



Earnings per share[2]



Our strategy and operational progress

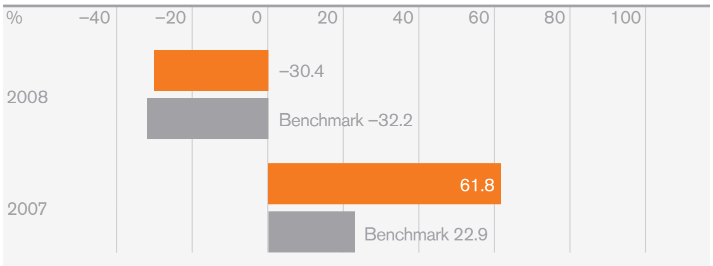
We have a clear and straightforward strategy. It is set and regularly reviewed in the context of medium to long-term trends in the property market and helps us define our strategic priorities for the year ahead. It has been a year of strong operational results.

Strategic priorities	Operational initiatives and activities	Operating performance measures
Develop		
– Lease new space from developments above target ERV. – Manage development risks to generate maximum returns. – Deliver near-term programme on time and budget. – Add to medium and long-term pipeline.	– 340,000 sq ft of office lettings took place at 180 and 60 Great Portland Street, W1 and 160 Tooley Street, SE1. – JV created for Blackfriars Road, SE1 scheme to mitigate risk. – Practical completion reached at 60 and 79/83 Great Portland Street, W1 in January 2008. – 160 Tooley Street, SE1 completion expected June 2008. – Planning consent gained for Wigmore Street, W1. See Development on pages 20 to 21. Case studies on pages 6 to 7 and pages 10 to 11.	– Development leasing was 14% above March 2007 estimated rents. – Two schemes completed. – Profit on cost for completed developments 80.2% (2007: 103.7%). – Further 475,000 sq ft of development prospects acquired through new Joint Venture.
Recycle capital		
Buy properties – With low relative rents. – With angles to exploit. – To grow medium and longer term development programme. **Sell properties** – With historically high capital values. – With limited further angles. – Where capturing rental growth will be difficult.	– GCP joint venture formed with £655 million of properties at year end. – Acquisitions of £42.4 million made adjacent to existing holdings. – Met Building sold for £107 million post redevelopment and letting. – Other sales made in the year totalled £229 million. See Capital recycling on pages 24 to 25. Case studies on pages 10 to 11, pages 12 to 13 and pages 14 to 15.	– GCP properties have rental reversionary potential of 33.2% at 31 March 2008. – Three new development prospects identified from new investments. – Met Building sale crystalised return of 156%. – Total asset sales of £336 million (2007: £203 million) enhancing Group liquidity.
Asset manage		
– Drive rental values and rental income higher. – Execute individual property strategies. – Create value through asset repositioning.	– 85 new leases completed (2007: 47). – £25.0 million of rent roll generated by new leases (our share £19.8 million). – GCP/The Crown Estate lease restructuring and swap involving £358 million of property. – Total space covered by lettings, reviews and renewals 648,500 sq ft, 21% of the portfolio. See Asset management on page 25. Case studies on pages 6 to 7 and pages 8 to 9.	– Portfolio rental value growth of 12.4% (2007: 17.1%). – New leases were at rents 5.9% above March 2007 ERV. – Total portfolio reversionary potential is 34.1% (2007: 26.8%). – Void rate 3% (2007: 5%). – Fees from joint ventures £5.8 million (2007: £1.6 million).

Group key performance indicators

Over the medium-term we aim to consistently beat our benchmarks. Difficulties in the global financial markets and in parts of the real estate sector have impacted valuation levels in both the direct investment and equity markets. These pressures have affected our performance for the year although, relative to our TPR benchmark the Group has, again, outperformed.

Total Shareholder Return (TSR)*



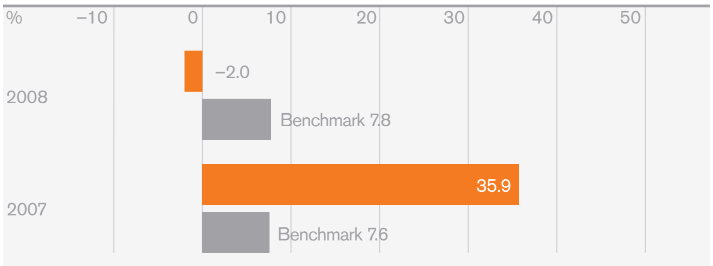
The measure and benchmark
TSR is the most direct way of measuring the increase in shareholder value during the year.

TSR of the Group is benchmarked against the TSR of the FTSE 350 Real Estate Index as this is the most relevant group of comparable companies over the year.

Commentary
The TSR of Group outperformed the FTSE 350 Real Estate index by 1.8 percentage points although in absolute terms it was −30.4%. Turbulence in the credit markets impacted our sector more than others so the Group TSR underperformed the wider FTSE 250 by 18.2 percentage points.

For the year to 31 March 2007 the Group's TSR outperformed the benchmark by 38.9 percentage points and over the five years to 31 March 2008 shareholders by 30.7 percentage points.

Adjusted net assets per share growth*

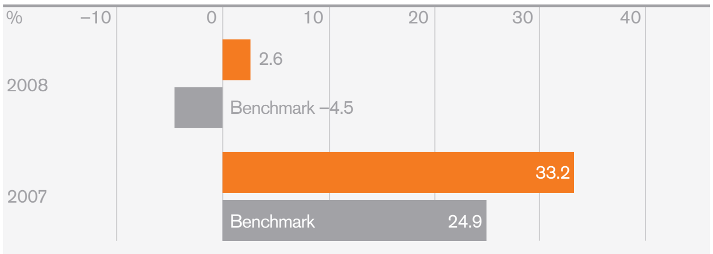


The measure and benchmark
Adjusted net assets per share growth is the traditional industry measure of the success in creating value at a balance sheet level because it captures changes in the valuation of the portfolio and the effect of the capital structure of the Group.

We compare the growth in net assets per share with the increase in the retail price index (RPI) plus a hurdle of up to 12% over a three year period.

Commentary
Net assets per share declined by 2% over the year as adverse market movements reduced the portfolio valuation in the second half. Our RPI benchmark stayed at broadly the same level of last year causing a 9.8 percentage point relative underperformance for the year. For the five years to March 2008 the Group's net assets per share has grown by a compound 20.1% pa compared the benchmark of 7.6% pa.

Portfolio Total Property Return (TPR)*

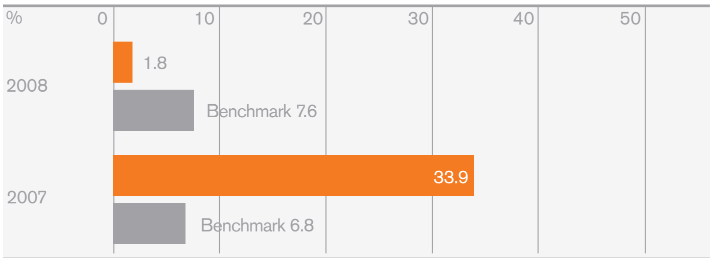


The measure and benchmark
TPR is calculated from capital growth in the portfolio plus net rental income derived from holding these properties plus profit on sale of disposals expressed as a percentage return on the period's opening value.

The Group's portfolio TPR is compared to a universe of over £25 billion of similar assets included in the IPD central London benchmark. This is an independent index and is the most appropriate way of benchmarking asset level returns against comparable buildings in our market.

Commentary
The Group generated a portfolio TPR of 2.6.% in the year whereas the benchmark produced a return of minus 4.5%. This out performance placed the Group in the top quintile of portfolios in the IPD universe. Over the last five years the Group's portfolio TPR has consistently exceeded this benchmark.

Return on Capital Employed (ROCE)*



The measure and benchmark
ROCE is measured as reported profit before financing costs plus revaluation surplus on development property divided by the opening gross capital. This measure illustrates the level of value creation from operating activities compared to the capital base of the business.

The ROCE is best compared against the Group's weighted average cost of capital which we calculate at 7.6% at March 2008.

Commentary
ROCE for the year was 1.8%, which is below the Group's WACC. The underperformance for the year is due to the second half valuation falls. Our ROCE is unlikely to outperform the benchmark if investment markets remain challenging. Over the five years to March 2008 the Group's excess return compared to its WACC is 60%.

*Year to 31 March

Financial highlights

TSR performance over the year

Source: Thomson Datastream

Balance sheet

	March 2008	March 2007	Percentage change
Portfolio value[1] (% change like-for-like)	£1,635.9m	£1,535.6m	(0.2)%
Net assets	£1,049.4m	£1,076.0m	(2.4)%
Basic net assets per share	580p	594p	(2.4)%
Adjusted net assets per share[2]	582p	594p	(2.0)%

Income statement

	March 2008	March 2007	Percentage change
Rental and joint venture fee income	£50.2m	£48.5m	3.5%
Total rental and joint venture fee income[1]	£72.0m	£54.1m	33.1%
(Loss)/profit before tax	£(3.0)m	£326.0m	n/a
Adjusted profit before tax	£23.8m	£17.4m	36.8%
Basic EPS	(2.2)p	235.7p	n/a
Adjusted EPS[2]	12.6p	10.2p	23.5%
Dividend per share	11.9p	11.3p	5.3%

Notes

1. Includes Group's share of JVs – see page 19.

2. EPRA adjustments on a diluted basis – see note 7 on pages 64 and 65.

Chairman's statement

Activity has remained at a high level – opportune sales and important lettings have been effected and, notwithstanding the current difficulties, new credit facilities have been put in place, providing further firepower for the future.

The year under review has proved to be a particularly testing one, with most property companies and funds experiencing a sharp fall in capital values. Whilst we could not expect to be immune from the impact of rising interest rates and the credit crunch, it is with a degree of satisfaction that I report briefly on our own figures. Both adjusted earnings per share at 12.6 pence and the proposed final dividend of 8.0 pence show healthy advances, whilst the triple net asset value per share of 590 pence is only fractionally down, bearing testimony to the success of our strategy (implemented at, and honed since, the beginning of the decade) of concentrating on central London; we have now outperformed our peer group and the relevant indices for five consecutive years.

Activity has remained at a high level – opportune sales and important lettings have been effected, several subtle transactions have been completed, particularly in respect of our growing joint ventures, whereby our West End holdings have been cemented and enhanced with a simultaneous reduction in the exposure to our major Southwark development. In addition, notwithstanding the current difficulties, new credit facilities have been put in place, providing further firepower for the future. Full details, together with the reports on corporate governance, etc. can be found in the succeeding 80 odd pages and I will let them speak for themselves. It is fascinating to reflect that, if we go back to 1959 and our very first set of Accounts, those were the days when shareholders were greeted with 12 pages of large typeface, no Chairman's Statement, a few bits and pieces of information, the Notes comprised one page and the Auditors' Report was 13 lines long! One could be forgiven for becoming somewhat dizzy at the plethora of information which has to be absorbed these days with its overall cost and time to the Group. Having said that, our own award-winning Accounts are, I feel, finely presented and full of interesting and highly relevant material.

Looking ahead, I cannot get away from the conclusion that it has rarely been more difficult to read the runes. On the one hand, for the time being our core West End market appears to be holding up, on the other there is no question that a deep seated sense of fragility and uncertainty pervades and this is not going to disappear overnight. Some seasoned operators suspect that the current malaise is partly due to an all or nothing, almost a lemming-like it's now or never, attitude which has been taken for a couple of years by a few highly leveraged, possibly less experienced, investors. Not unnaturally, each generation believes that the previous one is out of time and that it has discovered the new paradigm. How often have we heard the cyclical comment – "it really is different this time"? It may be true once in a blue moon, but it is always vital to get back to fundamental principles and one can never overstress the importance of taking a long-term view of commercial property.

Equally, from our own focused portfolio stance, I firmly believe that the Capital, a real tower of strength for the British economy, will not surrender its pre-eminent status as the European financial centre; personally, let it be said, I wholeheartedly subscribe to the famous Johnsonian (Samuel, not Boris!) aphorism, "when a man is tired of London, he is tired of life".

Eheu fugaces, Postume, Postume, labuntur anni. As Horace so poignantly remarked to his chum, the years do, indeed, run away from us far too quickly for, mirabile dictu, on 16 March 2009 Great Portland Estates, all being well, will have been listed on the London Stock Exchange for 50 years. By then I will have been a director of your Company for 40 of them and your Chairman for nearly a quarter of a century; that is why, not wishing to outstay my welcome, a while ago now I made up my mind that this golden anniversary represents the perfect date for me to retire. This is the last time, therefore, that I shall be penning my annual statement to shareholders and, by a happy coincidence and with quite extraordinarily good timing, in the past few months Great Portland has won three prestigious awards in the form of overall winner of The Property Accounts Awards, The Best Accounts in the FTSE 250 and Property Company of the Year. These are tremendous achievements and congratulations are due to all of our talented people.

The one thing I can say with confidence about the future is that my successor, about whom we anticipate making an announcement later this year, will find Great Portland in excellent shape for whatever conditions emerge, and she or he will inherit a skilled and talented Board, with the young ones in the management team complemented by the greyer hairs of the non-executives.

After such a lengthy career with one Company, I suppose that it's not unusual for me to be feeling somewhat emotional as I approach the moment when, in the words of the title of a 1960's Number One, it's all over now, so to speak, for me personally. Nevertheless, I shall resist the temptation to wallow in nostalgia and simply confine myself to taking this opportunity of expressing – and I'm sorry if, in the circumstances, it is impossible to name particular individuals – my enormous appreciation of the help, advice, support and fun so many colleagues and advisers have given me over such a long period. I am lucky that my time at Great Portland has produced more highs than lows, more laughter than tears, and it has been a rare and real privilege to have been involved with a great industry and a host of fascinating personalities. Above all, I am proud and honoured to have served you, the shareholders, and retained your trust, for 40 years.

So, with renewed thanks from me to you all and, until the next time we meet, it's simply au revoir.

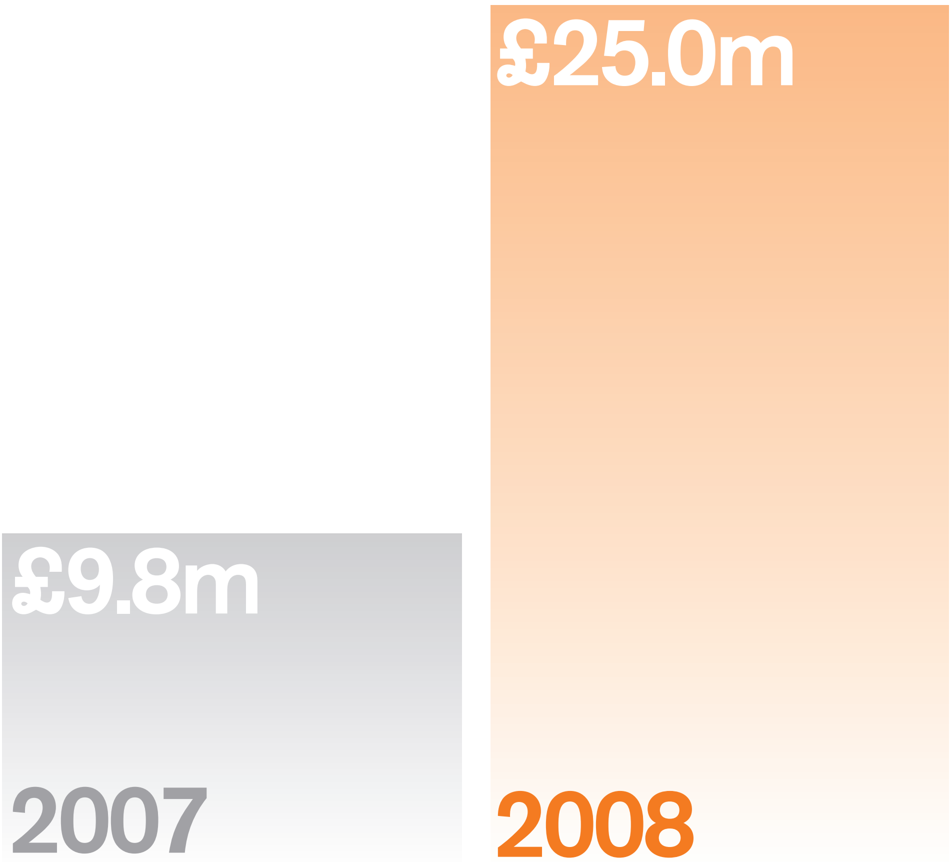
Richard Peskin Chairman

Leasing developments **profitably**

Leasing vacant space created through developments, refurbishments or from the departure of old tenants is a critical Group competence. In the last year, an exceptional performance delivered £25.0 million of new leases (our share £19.8 million), up 155% from the previous year and representing over 26% of the rent roll of the portfolio at the start of the year. Of particular success has been letting of completed development schemes where our leasing teams have worked well with external agents to bring top quality tenants into new homes. At 60 Great Portland Street, W1 and 160 Tooley Street, SE1 we pre-let all the office space prior to the completion of the construction phase to derisk the development projects. Within a year of launching the nearly completed 180 Great Portland Street, W1 we had completed the office lettings at rental levels substantially higher than at the commencement of the campaign.

Develop | Recycle | Asset Manage

New leases completed

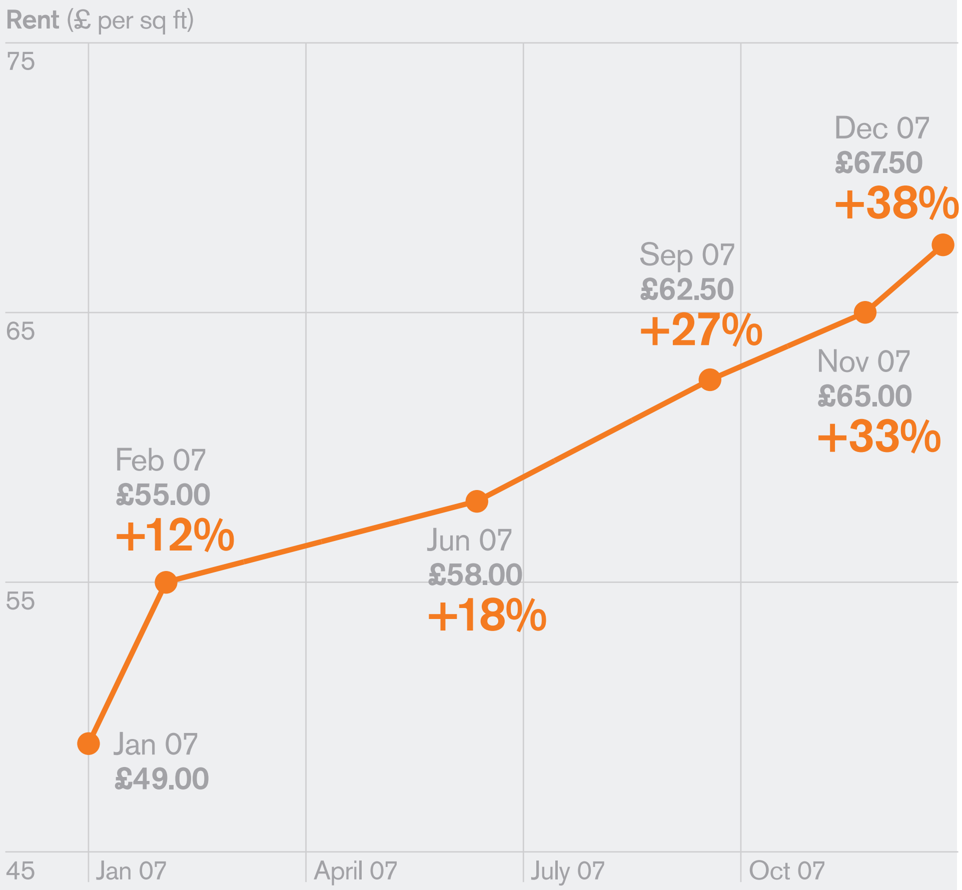


180 Great Portland Street, W1

Tenants

ESTĒE LAUDER
ST.MODWEN
mjm
STENHAM
AEGIS
fsi Finers Stephens Innocent
double click
Sainsbury's

Strong rental growth
The leasing approach at 180 Great Portland Street was designed to drive rents up as the building was occupied and to attract a diverse group of well established, quality tenants.



Elsley House, W1

before

Floor	ERV per sq ft
Lower ground	£19.69
Ground	£30.72
1st	£32.50
2nd	£32.50
3rd	£32.50
4th	£32.50
5th	£32.50
Average	**£30.85**

Inventive refurbishment and careful management **creates rental growth**

Elsley House, Great Titchfield Street, just north of Oxford Street is a good illustration of how judicious refurbishment can reposition an asset in its local market. This 66,000 sq ft building has always been popular, but its restrictive entrance and inefficient core meant that it never attracted mainstream tenants. As a result rents were only just higher than £30 per sq ft on average across the floors despite the building being only a few hundred yards from Oxford Circus.

The external refurbishment involved repositioning of the main entrance and core from Great Titchfield Street into a redesigned courtyard, providing the building with an entrance and core of a scale suitable for the building. In addition, 25,000 sq ft of the office space was opened up and refurbished to provide light, bright contemporary office space capable of attracting premium tenants.

The revitalised building rapidly gained new occupiers prepared to pay higher rents resulting in an average rent of over £47 per sq ft being secured, up 55%.

Develop | Recycle | Asset Manage

Elsley House, W1

after

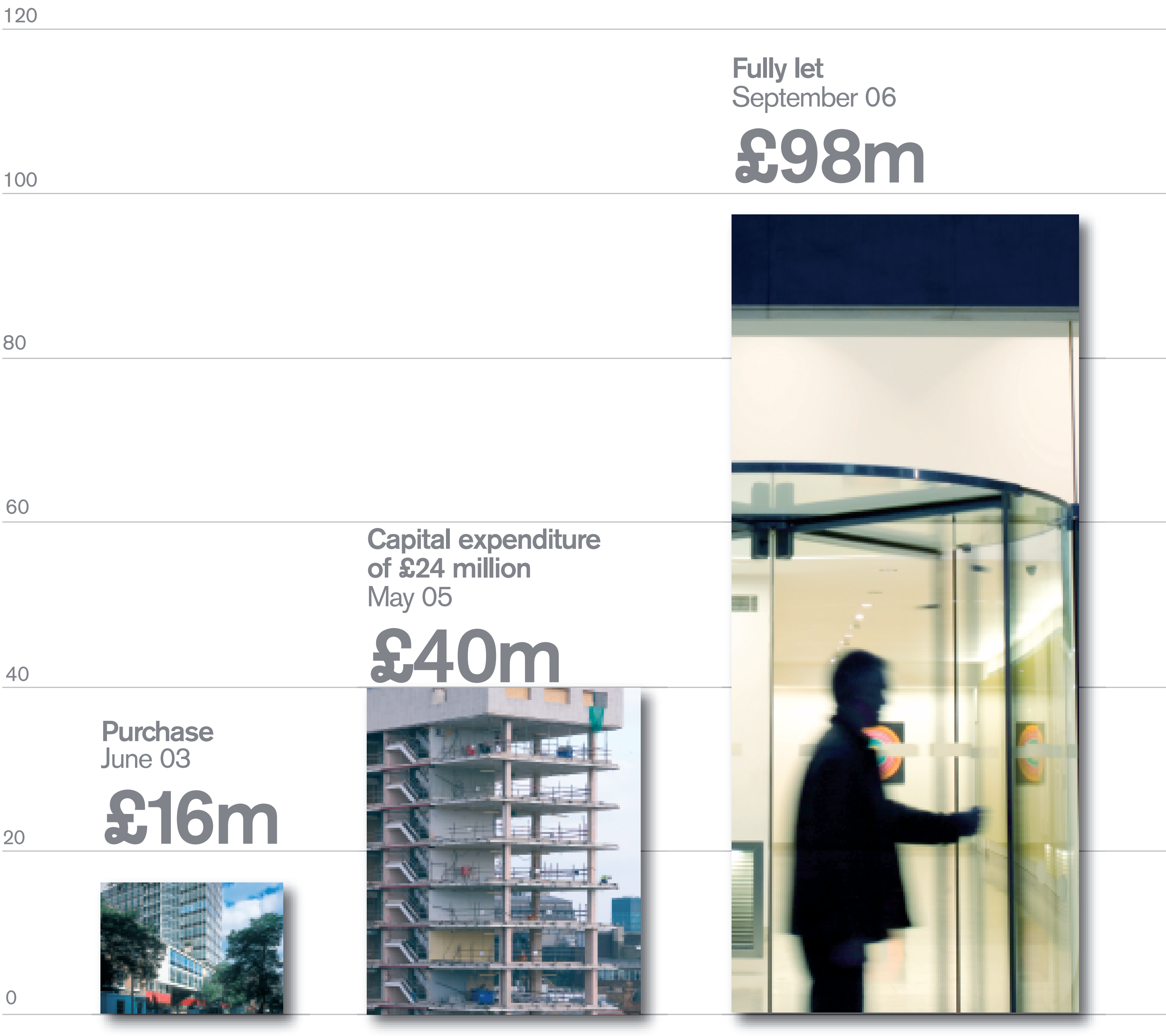
Floor	Rent per sq ft	Increase
Lower ground	£35.00	78%
Ground	£48.96	59%
1st	£47.50	46%
2nd	£47.50	46%
3rd	£50.00	54%
4th	£50.00	54%
5th	£50.00	54%
Average	**£47.67**	**55%**

Recycling capital
to fund growth

The Met Building story is an excellent example of the crystallisation of value created from successful real estate investment and development. Purchased in 2003, the building was comprehensively refurbished and let to a wide range of business services and media tenants. We concluded the sale of the building for £107 million in September 2007 generating a post tax return on capital of 156%. **The proceeds were redeployed across our business to fund the growth engines of our portfolio.**

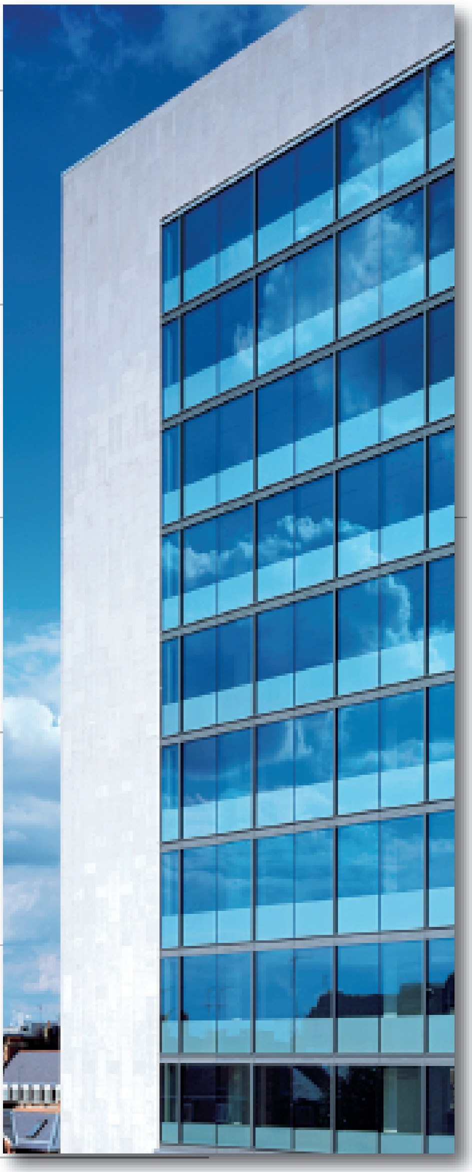
Develop | Recycle | Asset Manage

Met Building
Value, creation and realisation



Sold
September 07

£107m



Recycled

£107m

Investment
- Acquisitions in GCP
- Hanover Square add-ons
- Bermondsey site assembly

£74m

Development schemes
- Wells & More
- 60 Great Portland Street
- Bermondsey Street
- Foley Street

£30m

Refurbishment projects
- Elsley House
- New City Court
- Pollen House

£3m

Strengthening existing opportunities **through acquisition**

Apart from the creation of the Great Capital Partnership ("GCP") our 50:50 JV with Capital & Counties formed in April last year, the only acquisitions carried out during the course of the year have adjoined or been linked to existing ownerships. Each was made with the specific purpose of unlocking the combined potential from the related assets. All but one were off-market transactions made quickly and quietly.

Develop | **Recycle** | Asset Manage

Hanover Square, W1
+

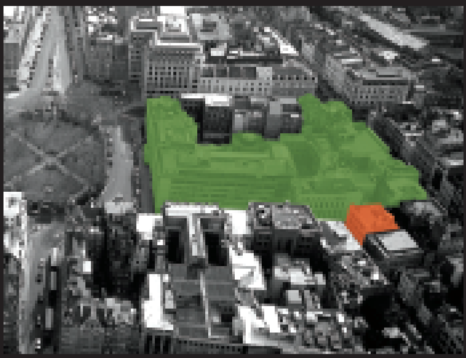
18 Dering Street, W1
– Final piece of jigsaw for Hanover Square site assembly.
– Development scheme masterplanning underway

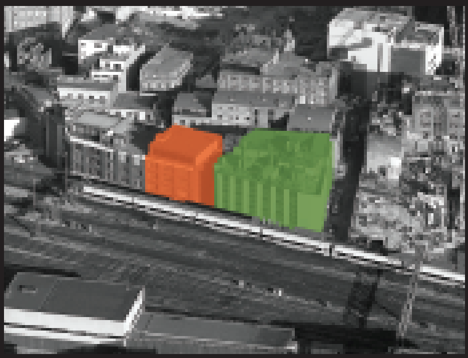
Shand Street, SE1
+

9 Holyrood Street, SE1
– Adjoins two existing ownerships
– Longer term development pipeline augmented
– Site neighbours successful Tooley Street scheme

Broadwick Street, W1
+

52/54 Broadwick Street, W1
– Potential land use swap for St Lawrence House
– Creates viable development pipeline

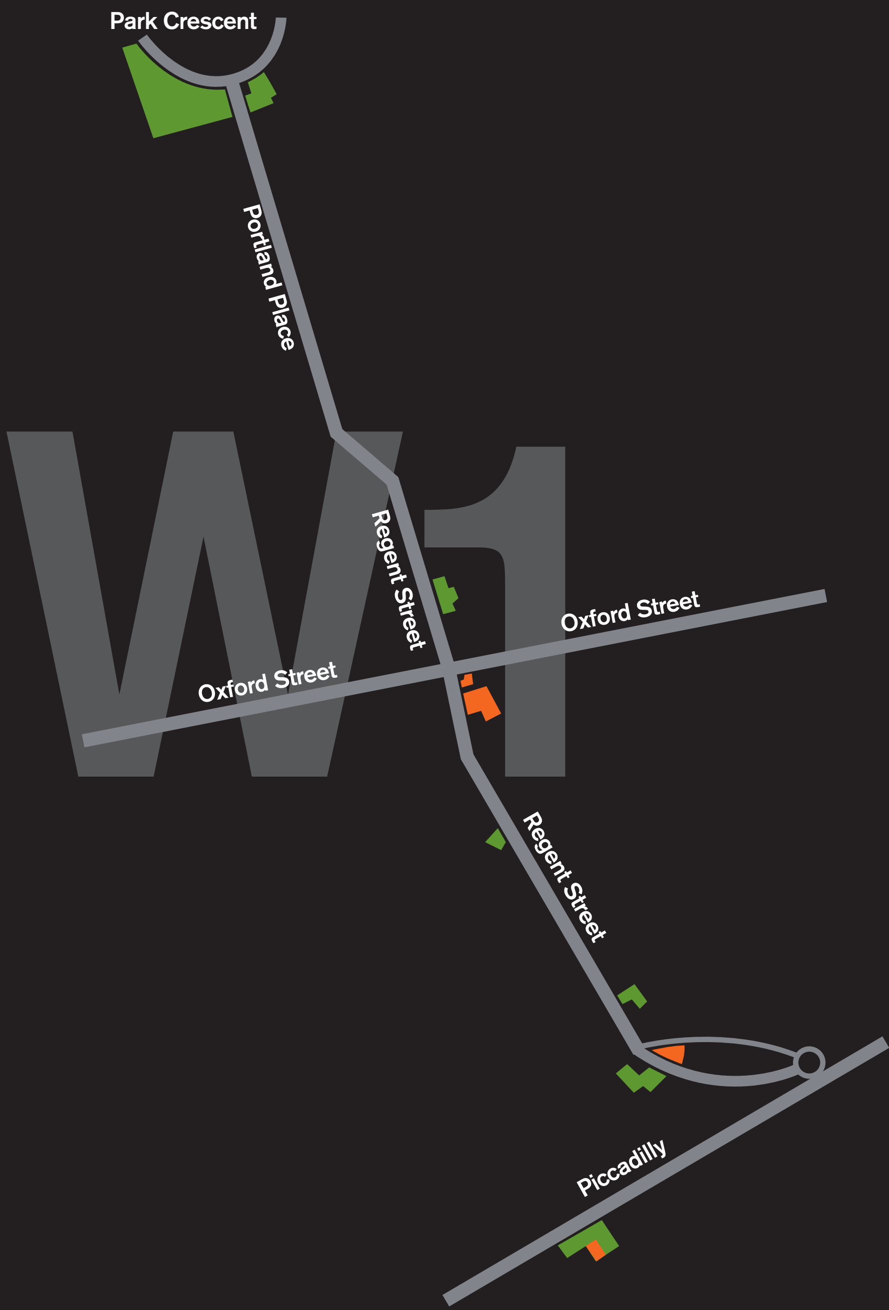




GCP assets

+

19/25 Argyll Street, W1
266/270 Regent Street, W1
100 Regent Street, W1
54/56 Jermyn Street, SW1
– Unlocked swap deal with The Crown Estate
(see following pages)



New Fetter Lane, EC4

+

43 Fetter Lane, EC4
– Creates island site with existing ownership
– Enables significant increase in net area
– Development pipeline augmented
– Planning application late 2008

Piccadilly, W1

+

54/56 Jermyn Street, SW1
– Extends existing ownership
– Unlocks access to middle of site
– Masterplanning underway
– Longer term development pipeline augmented

swapping...

We swapped these valued at **£61.1 million**

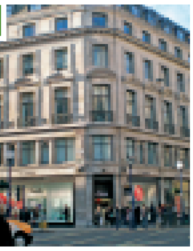
16/21 Sackville Street

A 

91/101 Regent Street

B 

203 Regent Street W1

C 

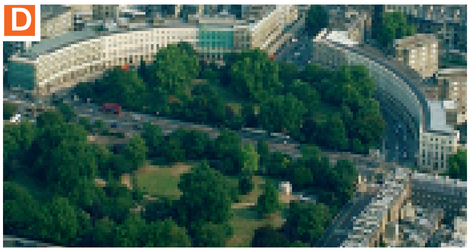
Accessing new material
we can reposition

The creation of the Great Capital Partnership ("GCP"), a 50:50 joint venture with Capital & Counties, has given the Group exposure to exceptionally located central London assets without paying a premium. Starting with £460 million of assets, during its first 11 months GCP was grown with £89 million of acquisitions in neighbouring interests augmenting existing ownerships. **Following these transactions a significant swap deal was executed with The Crown Estate involving 55% of the JV's assets to release immediate value and unlock future potential. These properties will now provide us with a steady pipeline for repositioning.**

...to improve.

In return for improved interest in these, lifting their **value by £81.8 million**

Park Crescent buildings

D


Before swap	After swap
– 74 year leases	– 150 year leases
– Minimal ground rent	– Minimal ground rent
– Office use only	– Open use allowed
– No development	– Development allowed
	– Additional buildings included

26/40 Kensington High Street

E


Before swap	After swap
– 104 year lease	– Freehold
– 5.0% ground rent	– No ground rent

Regent Street buildings

F


Before swap	After swap
– Average 80 year leases	– 125 year leases
– Average 12.8% ground rent	– Average 3.5% ground rent
– No alterations	– Alterations allowed

G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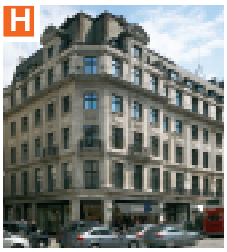

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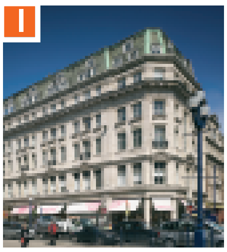

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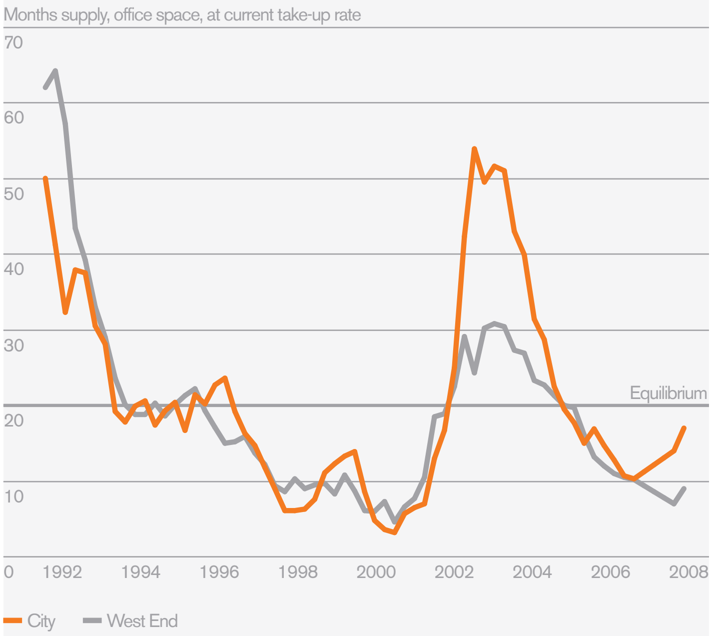
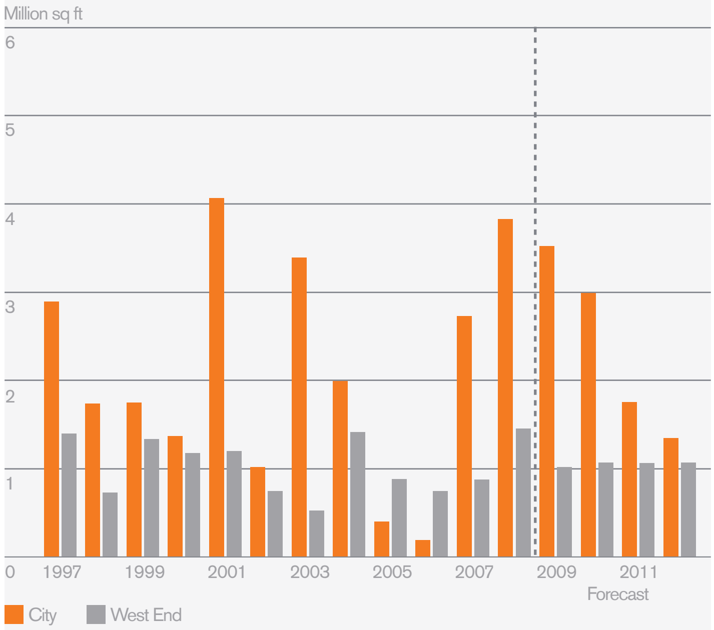
Our market

1. Market balance in key sub-markets



Source: PMA

2. Development completions – City and West End



Source: PMA

London

London is our market. Throughout 2007, the Capital continued to consolidate its position as a global city, dominating the European finance and business services (F&BS) sector. For the eighteenth year in succession, it was voted Europe's number one city for business; it attracted more foreign direct investment than any other European country, providing the headquarters for one-third of the world's largest corporations, and generating around 20% of the UK's economic activity.

In part because of its world financial status, London has not been immune to the dramatic events in global capital markets, particularly since last summer. In the short term, although the extent of the impact on London's economy is difficult to gauge and will be influenced by the duration of the credit crunch and the policy response, we expect the demand for office space, particularly from the F&BS sector to moderate from last year's high levels. Longer term, we remain firm believers in the prospects for London's economy and its real estate markets.

Occupational markets

West End

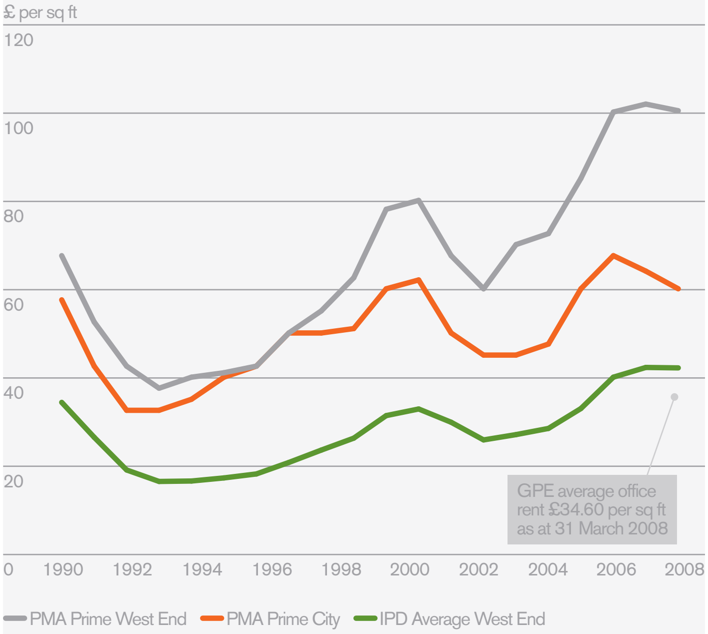
For much of 2007, strong demand from a broad range of tenants across the West End sub-markets combined with constrained supply of new office space to keep the market balance favouring the landlord at only seven months supply at December (Chart 1). Since then, take-up has slowed and availability has increased marginally to leave the year end balance slightly higher at nine months.

Tenant take up in the West End for the year to March 2008 was 5.4 million sq ft (2007: 5.8 million sq ft) whilst vacancy rates have risen marginally to 4.5% (2007: 4.3%). Prime rental values rose around 12.8% in the year to March 2008 (2007: 15%) with the rental range between "superprime" small suites in Mayfair and mid market properties widening dramatically.

Looking forward, with limited new supply of offices coming on stream in the West End (Chart 2) and the challenging planning environment acting as a drag on future supply, the direction of rents will be principally determined by the level of demand for space. We monitor closely the level of requirements from occupiers and the latest data suggests a reduction in demand from companies actively seeking office space of around 15% since last December's high point. We expect rental values for "superprime" units to be impacted by this slowdown more than the mid-market, where rents remain at more affordable levels.

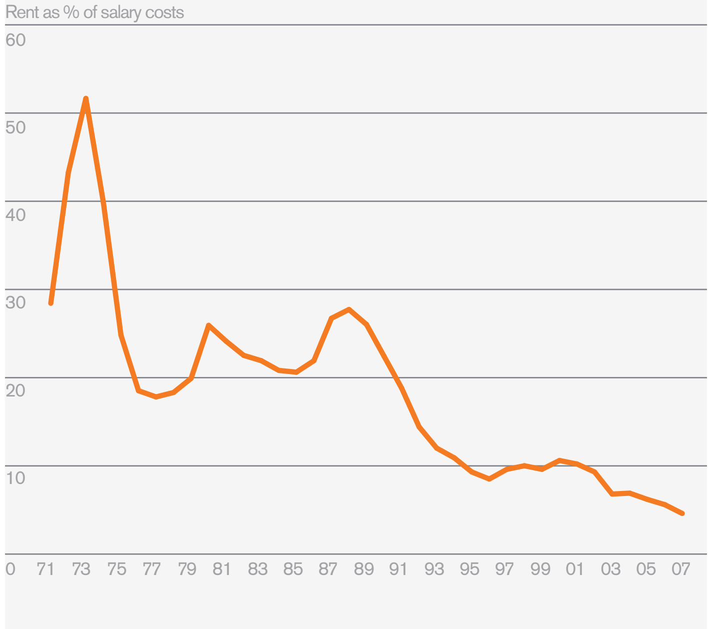
The Group's valuers estimate the rental value of our West End office portfolio to be an average of £54 per sq ft in its current state, compared to its average passing rent of £38 per sq ft, providing reversionary potential of 42%. The significant discount this rent passing represents to prime West End rental values provides the Group with the opportunity to generate significant increases over time as we invest in our portfolio, repositioning properties from the IPD average rent line up towards the PMA prime rent line (Chart 3). Interestingly, not only do average rents in the West End remain significantly lower than the small number of top rents paid (see Rental village map on page 18), but they have continuously taken a smaller share of London businesses cost base (Chart 4) implying a steady improvement in affordability over the past 35 years.

3. Central London office market rents



Source: PMA/GPE

4. London office rent as a % of salary costs



Source: ONS

The West End retail market (comprising 24.8% of our West End portfolio by rent roll) has also performed solidly in the year with retail sales in central London up 7.2% in the year to March 2008 (2007: 11.8%). Footfall in the three main retail thoroughfares of Oxford Street, Regent Street and Bond Street, where over 65% of our retail portfolio is located, was up during the year. Demand from international retailers for these key shopping streets remains strong.

City and Southwark

The first quarter of the financial year saw continued growth of the financial services sector with significant tenant requirements for new offices in the City and its neighbouring markets. Major dislocations in the world's capital markets since July 2007 have affected employment and expansion plans of many businesses throughout the City. This dampening effect, combined with new potential supply from speculative development schemes, has started to shift market balance away from the landlord.

Take up in the City market for the year to March 2008 was 8.3 million sq ft (2007: 8.8 million sq ft) and vacancy rates have risen to 7.9% (2007: 7.5%). Prime office rental values increased by 4.4% over the same period although they reduced by 5.5% in the three months to March and are forecast to soften further this year. We remain concerned about the effects of reduced tenant requirements and new development supply on rental levels in the City market.

Investment markets in central London

Central London real estate transaction volumes declined in the second half of the year due to the lower availability of debt capital and uncertainty over rental growth prospects leading to a lack of confidence by many market participants.

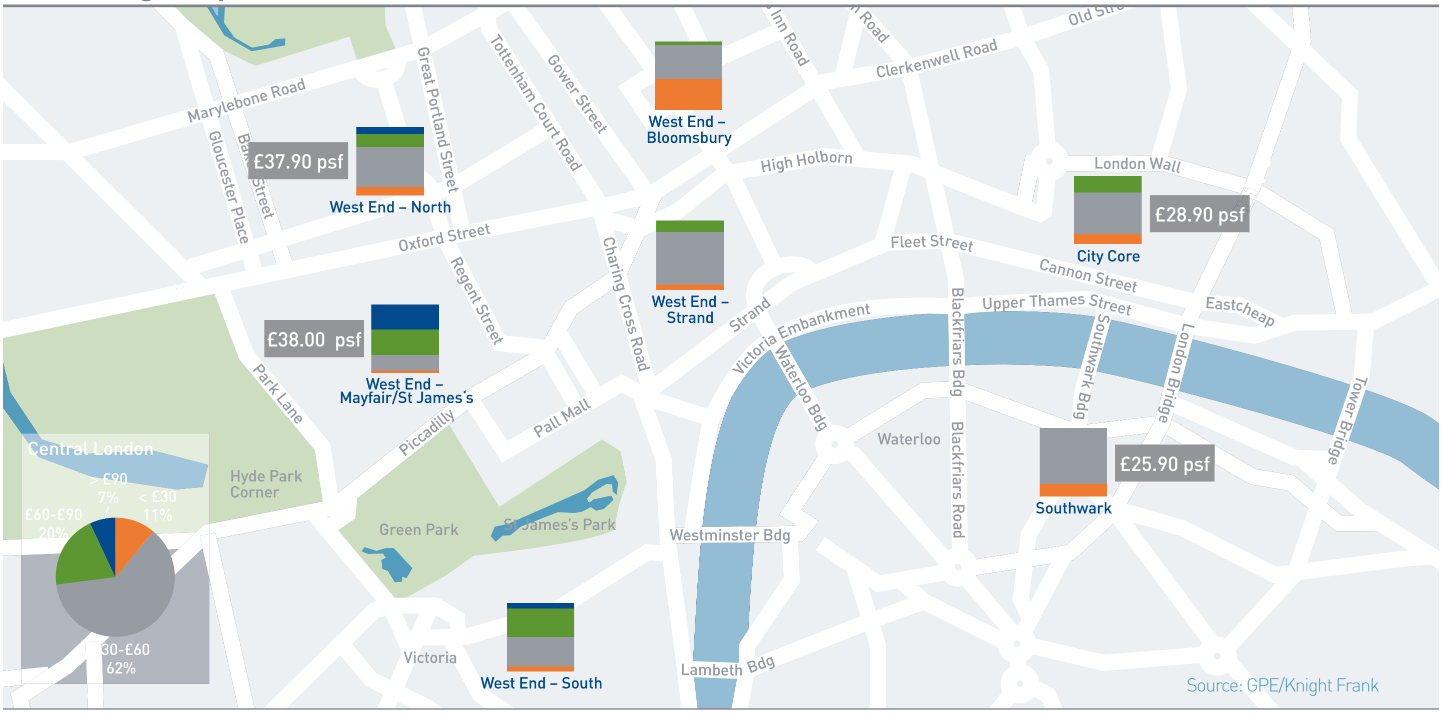
During the course of the year we predicted that rising yields in the wider global investment markets would have a negative impact on property valuations. This has proved to be the case as investors reappraised risk and sentiment deteriorated, particularly in the last six months of the financial year, putting upward pressure on investment yields.

Looking forward, investment market turbulence is forecast to continue, particularly for poorly located, secondary properties and where rental growth opportunities are limited.

In this environment the Group's portfolio of well located assets with low rents is well positioned.

Our business

Rental village map



Proportion of office lettings by rent band
12 months to March 2008

<£30 per sq ft | £30–60 per sq ft | £60–90 per sq ft | >£90 per sq ft | £ psf GPE average rent

Valuation

The valuation of the Group's properties as at 31 March 2008, including both acquisitions made during the year and our share of gross assets in joint ventures, was £1,635.9 million. The valuation of the portfolio held throughout the year was £1,276.3 million, a decrease of £2.7 million or 0.2% on a like-for-like basis, net of capital expenditure. Positive valuation trends in the first half of the year reversed sharply in the third quarter as turmoil in the credit markets affected the real estate industry. The portfolio's first half growth of 8.0% contrasts with a second half decline of 7.5%. Acquisitions made during the year were valued at March 2008 at £359.6 million and fell in value by 1.7% net of capital expenditure and acquisition costs.

There were three main influences on the Group's valuation movement for the year:

- **Growth in rental values –** Positive growth in each quarter delivered a total uplift for the year of 12.4%, although the rate slowed in the fourth quarter as tenant demand moderated. Properties being developed or refurbished generated the strongest growth with rental values up by 19.3%.
- **Development gains –** Like last year, the strongest performance came from our development properties which increased in value by 5.6% over the year. The Group's successful project at 60 Great Portland Street, W1 was transferred to the investment portfolio during the year following its pre-letting and completion of the works. Net of capital expenditure it increased in value by 22% during the year.
- **Adverse yield shift –** Equivalent yields widened by 68 basis points over the 12 month period (2007: 55 basis points contraction) from 4.88% to 5.56% on a like-for-like basis. In the first half yields were broadly static but following the difficulties in the capital markets during the summer, they moved steadily higher. The IPD central London equivalent yield increased by more than our portfolio (80 basis points to 6.1%) during the year illustrating the positive impact from our portfolio management activities and the defensive nature of the Group's properties.

The initial yield of the investment portfolio was 3.5% at March 2008 (2007: 3.4%) which rises to 4.4% when contracted pre-lets and leases currently in rent free arrangements are added back. The near-term reversionary yield of the portfolio including committed developments at March 2008 was 6.1% (2007: 5.2%).

The North of Oxford Street portfolio was the best performing investment segment over the year increasing by 2.3% on like-for-like basis. City and Southwark was the worst performer as the valuers expressed concerns over the prospects for rental growth in the City. The joint venture properties fell in value by 2.0% compared to a 0.2% rise for the wholly owned portfolio over the year but outperformed the wholly owned portfolio during the second half partly due to the value created by The Crown Estate transaction in the Great Capital Partnership.

The Group delivered a total property return for the year of 2.6%, significantly outperforming the IPD central London benchmark of minus 4.5% for the fifth year running. Measured over a one, three and five year period, a key driver of our outperformance has been the active management of the "held" portfolio, where our repositioning in driving rental value improvements has helped unlock value and driven healthy rental growth.

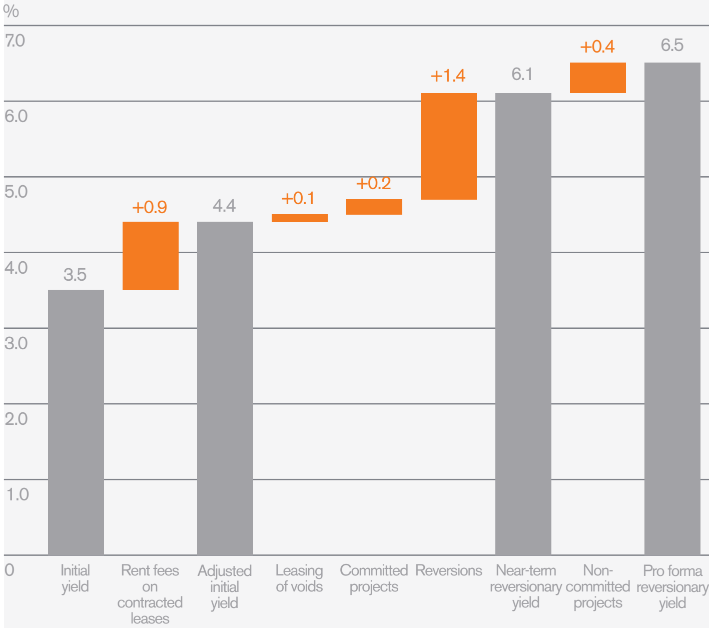
Total property return relative to IPD central London

Years to 31 March

Source: IPD

Initial yield to pro forma reversionary yield

As at 31 March 2008



Portfolio performance

At 31 March 2008

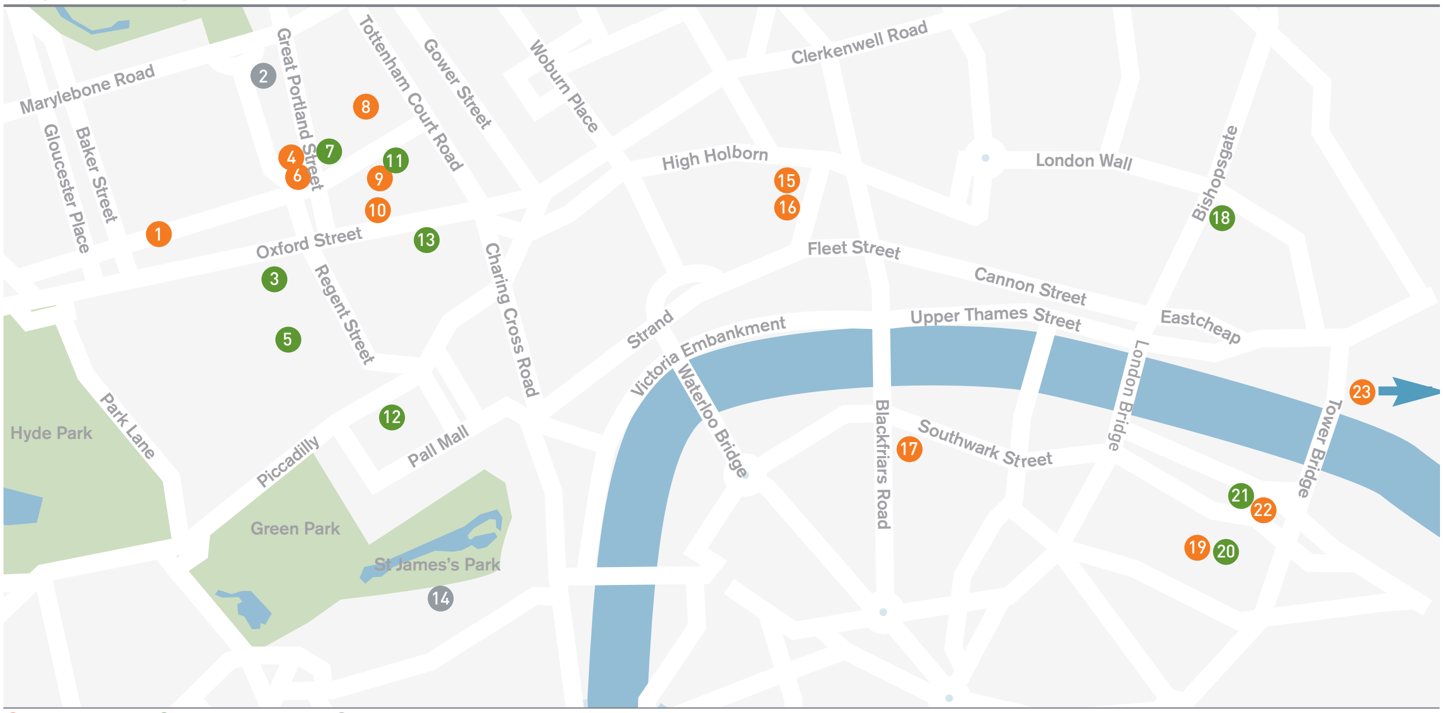
		Valuation Wholly owned £m	Valuation Share of joint venture £m	Valuation Total £m	Proportion of portfolio %	Valuation movement %	ERV movement %
North of Oxford Street	Office	337.8	67.4	405.2	24.8	4.2	11.5
	Retail	74.7	77.6	152.3	9.3	(2.5)	4.0
Rest of West End	Office	215.7	33.1	248.8	15.2	2.5	16.2
	Retail	106.9	30.8	137.7	8.4	(6.2)	1.5
Total West End		735.1	208.9	944.0	57.7	1.0	10.0
City and Southwark	Office	215.9	–	215.9	13.2	(7.5)	12.3
	Retail	8.4	–	8.4	0.5	(2.2)	2.3
Total City and Southwark		224.3	–	224.3	13.7	(7.4)	11.5
Investment property portfolio		959.4	208.9	1,168.3	71.4	(0.7)	11.6
Development properties		108.0	–	108.0	6.6	5.6	19.3
Total properties held throughout the year		**1,067.4**	**208.9**	**1,276.3**	**78.0**	**(0.2)**	**12.4**
Acquisitions		19.9	339.7	359.6	22.0	(1.7)	
Total property portfolio		**1,087.3**	**548.6**	**1,635.9**	**100.0**	**(0.5)**	

Portfolio characteristics

At 31 March 2008

		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		635.7	98.1	733.8	556.6	177.2	**733.8**	1,284.2
Rest of West End		605.2	–	605.2	384.7	220.5	**605.2**	953.6
Total West End		1,240.9	98.1	1,339.0	941.3	397.7	**1,339.0**	2,237.8
City and Southwark		269.2	27.7	296.9	284.7	12.2	**296.9**	785.9
Total		1,510.1	125.8	1,635.9	1,226.0	409.9	**1,635.9**	3,023.7
By use:	Office	1,115.9	110.1	1,226.0				
	Rental	394.2	15.7	409.9				
Total		**1,510.1**	**125.8**	**1,635.9**				
Net internal area sq ft 000's		2,707.5	316.2	3,023.7				

Map of development schemes



Near-term Medium-term Long-term

Development
The improvements we bring to our assets through innovative development and refurbishment is one of our core skills and has again helped generate higher levels of rental growth than the market. Throughout the period, our development business made good progress across all of its main activities:

– leasing and pre-letting of schemes;

– construction and completion of projects according to plan;

– securing planning consents;

– design and feasibility studies for future projects; and

– site acquisition and assembly.

Some examples of our achievements in these categories are set out below.

Today, the development pipeline encompasses 23 projects with a potential total area of 2.79 million sq ft representing a 79% increase over the current area and includes projects currently on site to prospects with possible start dates after 2015. The near-term programme alone has an estimated completed value of £604.9 million, equivalent to 56% of the existing portfolio. This value is lower than the March 2007 equivalent due to the transfer of a number of successfully completed and let projects to the investment portfolio.

The Group currently has minimal exposure to speculative development – with only three schemes on site costing an estimated £25.9 million to complete, or less than 2% of our existing portfolio. The remaining schemes within the near-term programme will be analysed carefully in the context of current market conditions before commencement to ensure that appropriate, risk weighted returns are available. Further details are set out in the table above.

Leasing
The successful leasing of space has been one of the highlights of the year, with new tenants being secured for all the office space of over 340,000 sq ft of space at 180 Great Portland Street, 60 Great Portland Street, both W1 and 160 Tooley Street, SE1.

The two Great Portland Street developments delivered an exceptional combined surplus of £67.1 million, or 80.2% on their total cost, partly because the lettings were at levels significantly higher than that expected by the Group's valuers. 180 Great Portland Street is described in more detail in the case study on pages 6 to 7. In September, we announced the pre-let of the entire office element at 60 Great Portland Street, W1 totalling 60,000 sq ft over the basement, ground and fifth floors on a 20 year lease, generating an initial rent of £3.5 million per annum after a 17 month rent free period. We are in discussions with potential retail tenants about the remaining showroom unit. The Tooley Street scheme, pre-sold last year, was entirely pre-let to London Borough of Southwark at an average rent of £38.50 per sq ft, crystallising an additional payment due to the Group on practical completion.

Key
1 79/97 Wigmore Street
2 Park Crescent and Portland Place
3 Hanover Square Estate
4 79/83 Great Portland Street
5 28/29 Savile Row
6 288/300 Regent Street
7 78/92 Great Portland Street
8 46/48 Foley Street
9 Wells & More, 45 Mortimer Street
10 184/190 Oxford Street
11 37/41 Mortimer Street
12 Jermyn Street
13 79/89 Oxford Street
14 40/48 Broadway
15 24/31 Holborn
16 12/14 & 43 Fetter Lane
17 240 Blackfriars Road
18 100 Bishopsgate
19 46/58 Bermondsey Street
20 65/71 Bermondsey Street
21 14/28 Shand Street
22 160 Tooley Street
23 Metropolitan Wharf

Total development programme

	Number of schemes
Near-term programme	12
Medium-term programme	9
Long-term programme	2
Total	23
Existing area	1.6m sq ft
Proposed area	2.8m sq ft
Increase (79%)	1.2m sq ft

Near-term programme

	Committed	Uncommitted
Number of schemes	6	6
Site value	£78m	£126m
Project cost (excluding site)	£77m	£191m
Total cost (£psf)	£484	£468
ERV	£10.2m	£20.9m
Gross development value	£235m	£370m
Profit on cost	£79.6m	£52.6m
Profit on cost	51.2%	16.6%
Development yield on cost	8.6%	6.6%

Construction
The construction programmes at schemes on Mortimer Street, W1 (125,000 sq ft), Foley Street, W1 (20,000 sq ft) and at Bermondsey Street, SE1 (47,000 sq ft) are proceeding according to plan. We achieved practical completion at 60 and 79/83 Great Portland Street, W1 in January, Met Wharf, E1 in April 2008 and we expect the Tooley Street site to complete by June 2008. Demolition is also complete at Blackfriars Road, SE1.

We have continued to employ procurement and project management techniques to control construction cost inflation and ensure project milestones are achieved.

Planning consents
We gained planning permission for the 136,000 sq ft redevelopment of our Wigmore Street, W1 holdings in February 2008. The City of London is currently reviewing our refurbishment proposals for Buchanan House, Holborn, EC1 which were submitted in March 2008. We anticipate submitting a planning application for the Fetter Lane, EC4 (140,000 sq ft) and Broadway, SW1 (85,000 sq ft) projects before the end of 2008.

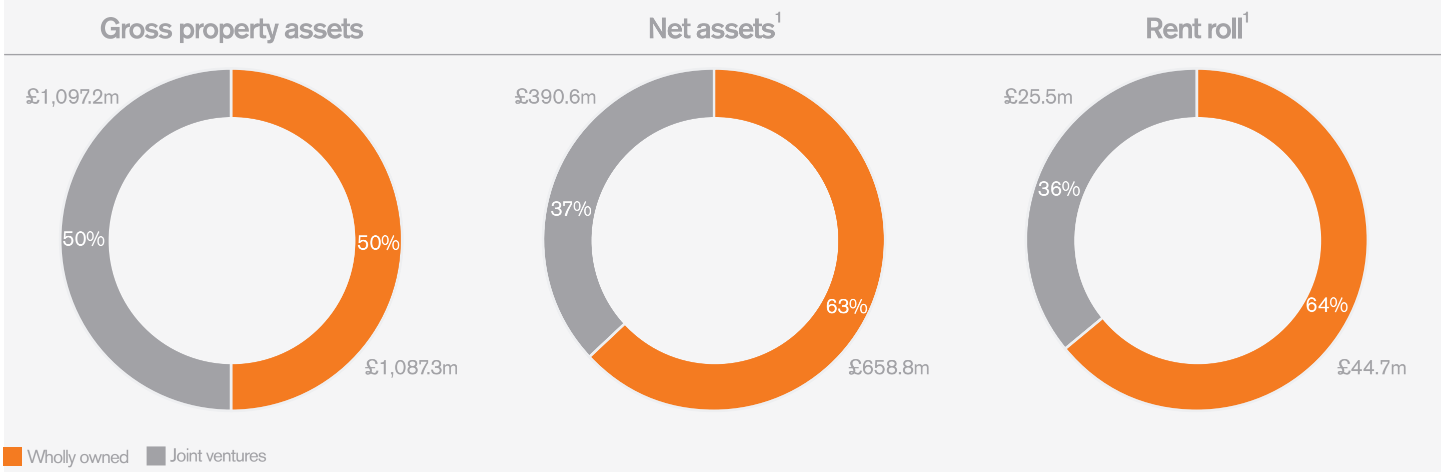
Design and feasibility studies
At the Hanover Square Estate, W1, we are working on a major mixed use scheme with Westminster City Council and Crossrail to facilitate a potential redevelopment which would lead to the creation of enhanced public amenities in the heart of the West End. The proposed Crossrail transport initiative gained Government support in the autumn and is moving through its legislative and funding phases. We are also advancing feasibility studies for possible schemes at various prime locations including Jermyn Street, SW1, Oxford Street, W1, Regent Street, W1, Portland Place, W1 and Great Portland Street, W1.

As outlined on pages 33 and 34, in designing and procuring our developments we aim to deliver buildings which will meet rapidly changing environmental legislation and resulting occupational market requirements.

Site acquisition and assembly
The year under review has seen numerous examples of acquisitions to augment existing holdings enhancing our development prospects shown in the case study on pages 12 and 13. These acquisitions will enhance our medium-term programme, providing first class growth opportunities from 2009 onwards. In addition, a recent swap transaction with The Crown Estate (described on page 24 and in the case study on pages 14 to 15) has improved the likelihood of several major refurbishment schemes coming forward by improving the flexibility of these buildings' headleases.

Joint venture business – contribution to the Group

Values at 31 March 2008



1. Includes Group's share of joint ventures.

Joint ventures in the context of the Group

It has been a year of significant expansion and major transactions for the JV business.

The JVs have facilitated good relative portfolio performance at Group level for the second half and brought in assets with repositioning, refurbishment and redevelopment potential. All the JVs are structured as 50:50 partnerships with the Group managing the property for an appropriate fee. Our JV partners are well regarded, long term, major owners of UK real estate who rely on our specialism in the central London markets.

Our JVs are increasingly material to the Group, making up 50% of property assets, 37% of net assets and 36% of rent roll at March 2008 (at March 2007: 24%, 16% and 13% respectively).

We believe that the JVs will continue to provide a competitive advantage to the Group as their portfolios are rich with rental growth opportunity and our partners are supportive in terms of capital, reputation and relationships.

Good performance

On an overall basis, the JVs combined rental income grew by 289% to £21.8 million and adjusted profit before tax increased by 419% to £16.1 million due mainly to the investment in the Great Capital Partnership ("GCP"). On an underlying, like-for-like basis, rental income grew by 36% primarily due to leasing at 180 Great Portland Street, W1.

Management fees payable to the Group by the joint ventures were up substantially to £5.8 million (2007: £1.6 million).

The portfolio movement for the joint ventures produced a reduction of 2.0%, as rental value growth and lease restructuring gains were outweighed by rising investment yields and up front acquisition costs.

Further information on JV financing and commitments are set out in Our financial position.

Composition and activities of our JV business

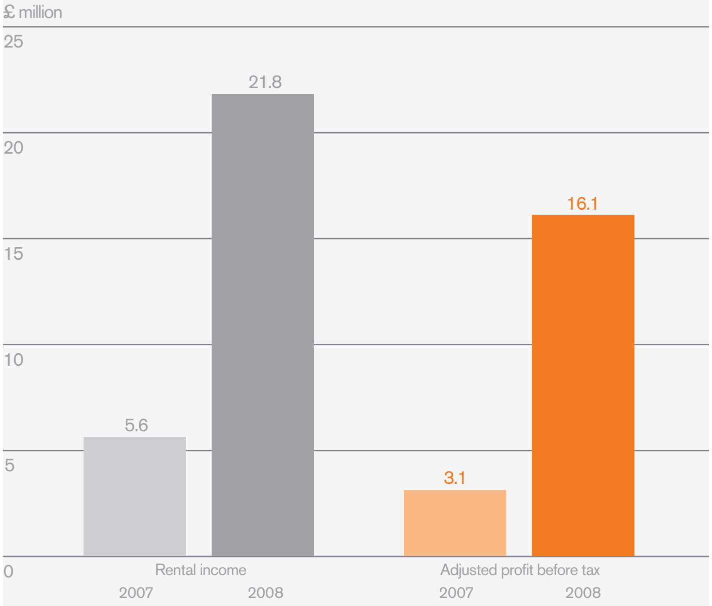
The major change during the year was the formation of GCP in April 2007 which subsequently saw further investments in August and December. In early 2008, GCP announced a major property swap and lease restructuring with The Crown Estate and arranged a new £225 million non-recourse debt facility. Further details on these events are set out on page 24 and pages 26 to 29.

At Great Wigmore Partnership ("GWP") we have seen excellent results in leasing at the completed 180 Great Portland Street, W1 development, where the last office lease was signed at £67.50 per sq ft in January, some 38% ahead of the rental value of the building at the start of the letting campaign a year earlier. At the Wigmore Street Island Site there has been good progress in working up a potential redevelopment of the offices through securing planning consent and aligning occupational leases to gain vacant possession.

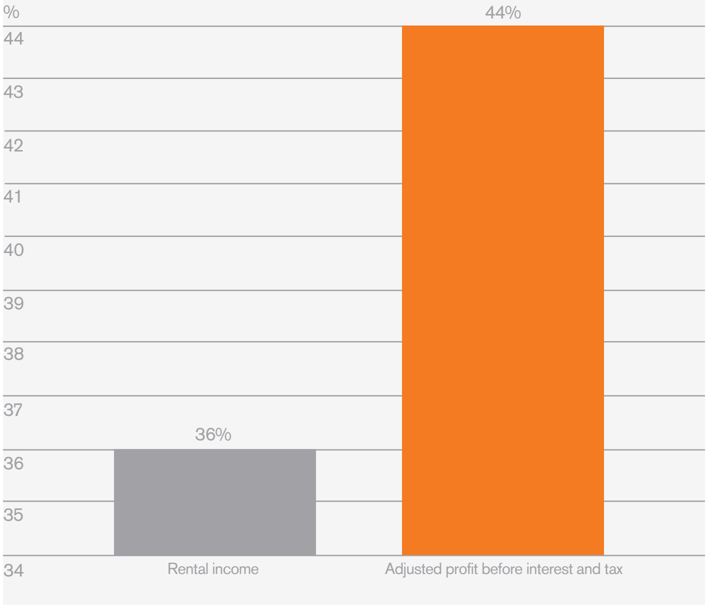
The two Great Victoria joint ventures, ("GVP1") and ("GVP2"), produced solid performance with encouraging lettings at the Mount Royal retail block in Oxford Street and the completion of the redevelopment at the former Liberty department store at 208/222 Regent Street, W1 where the retailer GAP, the last of the new lettings at the building, opened for trading in August.

Just before the year end, we set up The Great Ropemaker Partnership ("GRP"), a new 50:50 JV with BP Pension Fund, to own and potentially develop 240 Blackfriars Road, SE1. GRP acquired the site from the Group for an initial consideration of £20.5 million. In addition, £2.0 million is payable in enhanced fees if the site is redeveloped and a further £5.0 million in priority payments become due if various performance hurdles are met.

Growth in joint venture income and profit
Years to 31 March



Like-for-like growth in joint venture income and profit
Year to 31 March 2008



Joint venture statistics
At 31 March 2008

Operating statistics

Name	Great Victoria Partnerships	Great Wigmore Partnership	Great Capital Partnership	Great Ropemaker Partnership
Partner	Liverpool Victoria	Scottish Widows	Liberty International	BP Pension Fund
Ownership	50:50	50:50	50:50	50:50
Manager	GPE	GPE	GPE	GPE
Date commenced	January 2005	July 2006	April 2007	March 2008
Location in London	W1, SW1,	W1	W1, SW1, EC1, EC4, E1, W8	SE1

Financial statistics

	£m	£m	£m	£m	Total £m
Rent roll[1]	5.9	4.3	15.3	–	25.5
Property value[1]	129.3	79.4	327.7	12.2	548.6
Net debt[1]	42.7	(1.0)	104.1	–	145.8
Net investment in JV[1]	84.3	78.7	216.8	10.8	390.6
Fees payable to GPE[2]	0.5	1.2	4.1	–	5.8

1. 50%.
2. 100%.

Acquisitions

Description	Cost £m	NIY %	Area sq ft	Cost £ per sq ft
12 months to 31 March 2008				
18 Dering Street, W1	6.6	2.7	5,200	1,264
Great Capital Partnership investment*	233.4	4.6	858,000	544
19/25 Argyll Street, W1*	26.6	4.1	63,600	836
65/71 Bermondsey Street, SE1	9.4	2.7	16,600	566
43 Fetter Lane, EC4*	10.7	–	28,000	768
54/56 Jermyn Street, SW1*	10.2	5.3	28,400	725
100 Regent Street, W1*	26.6	5.5	53,000	1,003
266/270 Regent Street, W1*	5.7	9.1	14,800	769
9 Holyrood Street, SE1	5.8	4.6	14,100	411
52/54 Broadwick Street, W1*	9.1	5.2	29,600	615
Great Ropemaker Partnership investment*	10.5	–	–	–
	354.6			599

*Properties held in joint venture.

Sales

Description	Price £m	NIY %	Book value 31 March 2007 adj for capex £m
12 months to 31 March 2008			
Sale of initial properties to GCP	161.6	4.6	161.6
Met Building, 28 Percy Street, W1	107.0	4.1	109.0
45/51 Whitfield Street and 14/22 Tottenham Street, W1	16.1	4.4	13.8
240 Blackfriars Road, SE1	20.5	–	31.2
Sale of properties for The Crown Estate swap	30.8	4.3	27.9
	336.0		343.5

Capital recycling – investment management
This year has seen exceptional levels of investment activity across the Group with the equivalent of 45% of our starting portfolio either bought or sold. We have crystallised attractive returns and improved the Group's liquidity by selling £336.0 million of properties and bought £354.6 million of new assets with multiple opportunities to generate significant rental value growth.

Great Capital Partnership investments
In April 2007, we invested £233.4 million to create GCP, a new joint venture with Liberty International subsidiary Capital & Counties which started with a portfolio of 17 holdings across central London.

In August, GCP acquired a further five properties in four transactions at a cost of £159.6 million (£79.8 million our share) in Jermyn Street, SW1, Fetter Lane, EC4 and Regent Street, W1 all adjacent or near to existing holdings providing enhanced opportunities for asset repositioning. In December, GCP purchased a 29,500 sq ft holding fronting Broadwick Street, W1 for £18.2 million (£9.1 million our share) bringing the Group's total property investment in GCP to £322.3 million for the year.

In February, GCP completed a swap transaction with The Crown Estate involving 580,000 sq ft of property valued at £358 million across the West End. GCP swapped three of its properties worth £61 million in exchange for three new leasehold properties, one freehold and more favourable terms on a number of its other leaseholds generating an immediate value uplift of £81 million. In addition to unlocking value instantly, GCP now has a number of future repositioning opportunities through the improved head lease terms negotiated. There are three elements to the deal:

- the acquisition of a freehold interest in 26/40 Kensington High Street, W8 (previously GCP held a 104 year leasehold interest) and three further 150 year leasehold properties adjoining the Park Crescent Estate, W1;
- the extension and improvement of GCP's existing leasehold interests from The Crown Estate at eight holdings on Argyll Street, Regent Street, Park Crescent and Portland Place, W1. GCP and The Crown Estate have regeared the leasehold interests extending their length, reducing the rent paid to The Crown Estate and loosening various operational, user and development restrictions which will enable GCP to refurbish and redevelop the properties over time; and
- the transfer by GCP to The Crown Estate of 21 Sackville Street, W1, 99/101 Regent Street, W1 and 203 Regent Street, W1. The assets were valued at £61.1 million at 31 December 2007 and produced an annual rent, net of ground rents of £2.6 million per annum.

Other acquisitions
In our wholly owned portfolio, we made three acquisitions at a cost of £21.8 million during the year, all adjacent to existing holdings. 18 Dering Street, W1 was purchased to augment our holding on the western side of Hanover Square; Bramah House, 65/71 Bermondsey Street together with 1 Black Swan Yard, both in Southwark were acquired to extend our holdings in this part of the Southbank; and 9 Holyrood Street, SE1 was acquired in March to enhance the expansion potential of our adjacent buildings in Shand Street opposite our successful Tooley Street, SE1 development.

Sales
We have continued to recycle capital, either selling properties where we have executed our strategy, using properties to seed joint ventures or swapping properties for those which offer the Group better opportunity for value creation. At the beginning of the period, our initial GCP assets were sold into the new joint venture. In September, we sold Met Building, 22 Percy Street, W1, the Group's successful development completed in 2005, for £107.0 million, off a net initial yield of 4.1%, and crystallised a return on total capital employed of 156% since purchase in June 2003.

Asset management activity

	Events	Sq ft	Total rent £m	Premium to March 2007 ERV %
Lettings and renewals				
Completed	85	492,000	19.8	5.9
Rent reviews				
Completed	20	156,500	3.6	5.9
Total including JVs	105	648,500	23.4	5.9

Void rate

	% of rent		Sq ft	
	March 2008	March 2007	**March 2008**	March 2007
Void	**3.2**	5.0	**87,000**	126,400
Refurbishment and Development	**13.9**	15.7	**349,400**	266,600
Total including JVs	**17.1**	20.7	**436,400**	393,000

In December, two buildings located in Whitfield Street, W1 were sold for £16.1 million, generating a profit of £2.1 million or 15% above their March 2007 valuation, net of transaction costs.

Asset management
The asset management team has continued to deliver across the portfolio.

- 85 new leases completed (2007: 47 leases) generating annual rent of £19.8 million (2007: £7.2 million) or 28% of year end rent roll;
- some 5.9% ahead of our valuers' March 2007 rental levels and providing positive momentum across our portfolio;
- rent reviews of £3.6 million (2007: £3.0 million) were settled during the year;
- total space covered by new lettings, reviews and renewals was 648,500 sq ft up 137% from 273,200 sq ft in 2007; and
- voids in the investment portfolio have been kept consistently low with the March 2008 position of 3.2% compared to 5% at March 2007.

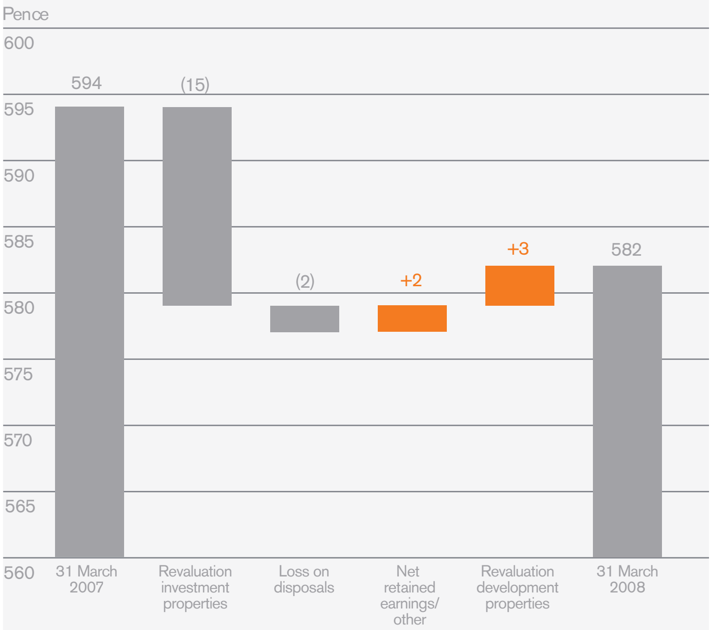
The Group (including our share of JVs) took lease surrenders worth £10.4 million per annum associated with 294,000 sq ft in the year to March 2008 (2007: £64,000 sq ft). In many cases these transactions enabled rental levels to be enhanced from the previous passing rent or to allow a refurbishment scheme to be implemented. In addition to the 53,000 sq ft vacated by the tenants at lease expiry or break, of the total, 30,400 sq ft has been re-let with the remainder taken into the rolling refurbishment programme for subsequent re-letting at higher levels.

At 160 Great Portland Street, W1 we regeared the occupational leases to Virgin Media, which were due to expire in June 2008, to new eleven year leases at slightly higher than the valuers' estimate of rental value at March 2007.

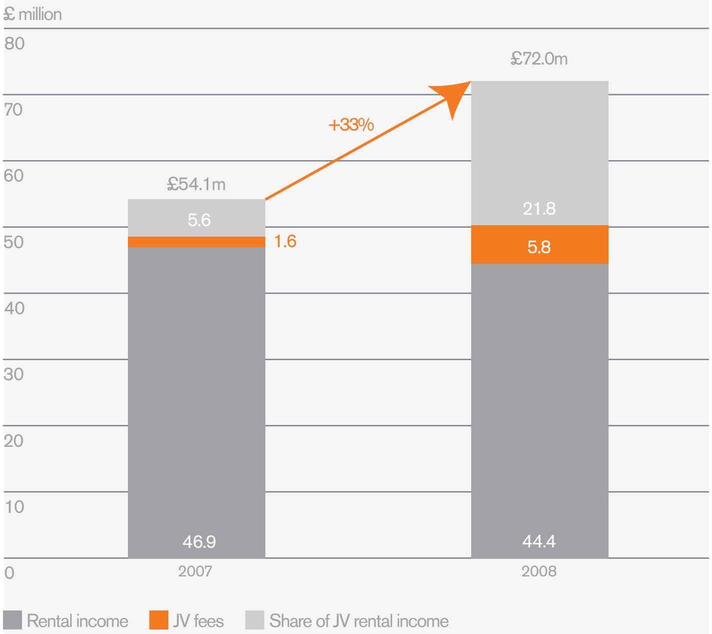
Other operational achievements during the half year included lettings at Kent House, Market Place, W1 and Elsley House, Great Titchfield Street, W1 following completion of comprehensive refurbishments at both properties. New retail and office rental evidence has been set in Regent Street, W1 and Oxford Street, W1 following judicious lease surrenders; successful refurbishment projects were also completed at Pollen House, Cork Street, W1, 67/75 Kingsway, WC2, and Carrington House, Regent Street, W1.

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.

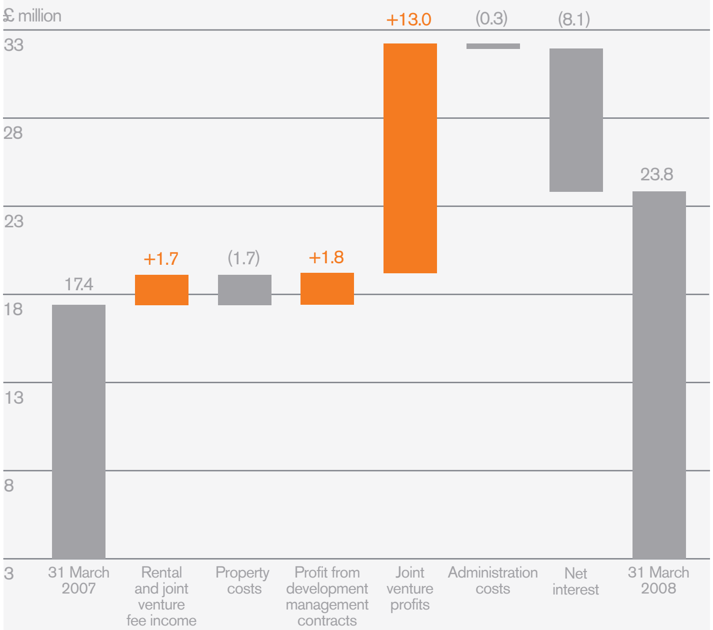
The valuation of the near term development schemes included in the net assets per share at 31 March 2008 includes around one quarter of the expected surplus on the schemes when complete. Triple net assets per share (NNNAV) was 590 pence per share at March 2008 compared to 593 pence per share at March 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;

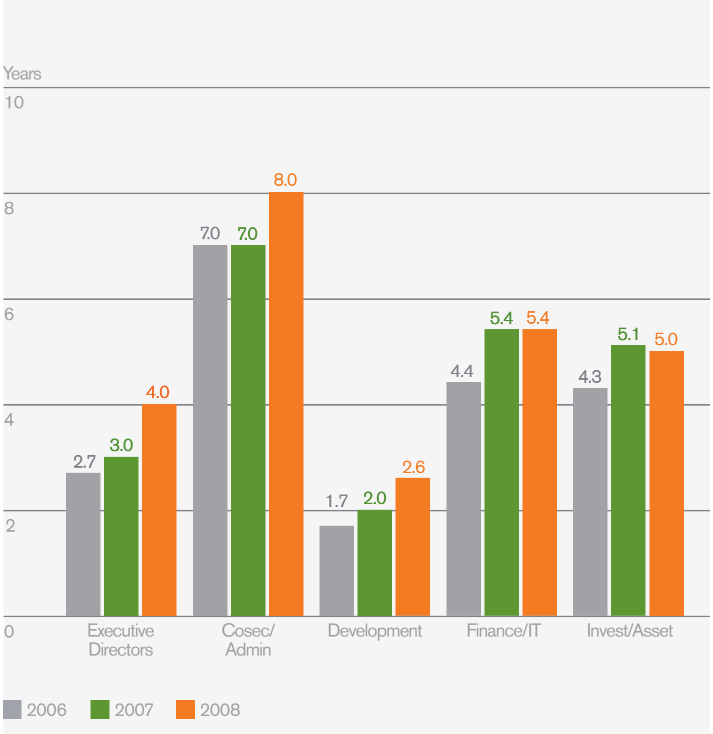
– the current development programme has been derisked whilst the pipeline of opportunities is both long and strong. The next phase has flexible start dates and an income return in the interim; and

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

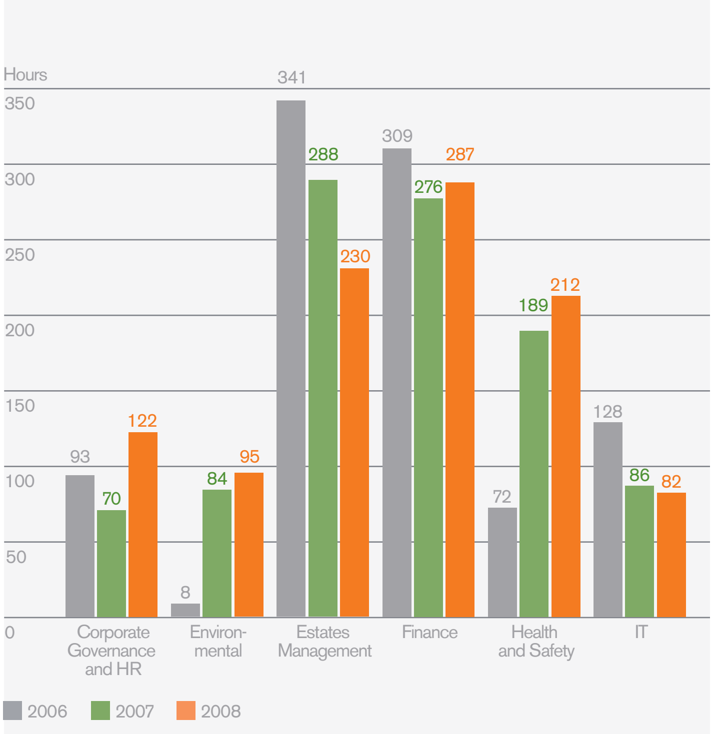
We remain confident, therefore, that our focused operating approach and sector specialism will underpin the long-term prospects of the Group.

Our people

Average period of service



Total number of training hours



Our people
Achievement of our strategic priorities is dependent upon our ability to attract, develop, motivate and retain talented employees. To facilitate this, our objectives are:

– to create an environment where employees are well motivated and have a strong belief in the Group, its strategy and its core values;

– continual improvement in the skills and competency of our employees at all levels and across all disciplines;

– the retention and growth of key skills which are critical to the business;

– well constructed and fair reward systems which incentivise superior performance and align employees and shareholder interests; and

– development and use of appropriate employment practices across the Group.

A significant proportion of remuneration for all employees is performance related based on both corporate and personal objectives and targets and we are pleased that our overall retention rate remains high at 93% per annum. The constant length of service from 2007 and 2008 of the Finance and Asset Management Teams (shown in the table above) reflects additional employees either hired or transferred to the Group during the year as a result of the GCP joint venture.

The Company is committed to equal opportunities and formal performance reviews are undertaken every six months with a view to maximising employees' potential and contribution and a formal training programme of both external courses and in-house seminars is provided. The Company encourages career development through the provision of relevant training with funding and study leave to support professional development including formal training for professional qualifications, external degrees or as part of a vocational training programme. During the year £44,905 was invested in formal staff training providing 1,028 hours of training.

Training programmes provided during the year included both business related topics, key risk areas and personal skills development.

Meetings involving all employees are held on a quarterly basis to keep everyone up to date and involved in the Company's plans and activities and to act as a forum for the Executive Directors to answer questions. Weekly meetings are held both across and within departments to ensure good communication throughout the Group. Meetings with non-office based personnel are also held weekly to ensure their involvement and to encourage the sharing of best practice.

All employees receive a copy of the Company's Ethics policy which sets out the Company's core values and approaches in its relations with tenants and the local community, shareholders and other investors, employees, suppliers, and the government.

Employees are involved at all levels in the development of the Company's operating policies.

Corporate responsibility ("CR") people objectives set for 2008/09 include:

– to ensure employee personal development through relevant training;

– to raise employee awareness of the importance of CR throughout the organisation and how it can achieve our long-term objectives;

– to encourage CR related employee initiatives; and

– to ensure all employees operate ethically and with integrity.

Risk management

The Group views effective risk management as integral to the delivering of superior returns to shareholders. Principal risks and uncertainties facing the business and the processes in place by which the Company aims to manage those risks are:

Risk	Mitigation	Commentary
Market risk Property markets are cyclical. Performance depends on general economic conditions, a combination of supply and demand for floor space as well as overall return aspirations of investors.	Research into the economy and the investment and occupational markets is evaluated as part of the Group's annual strategy process covering the key areas of investment, development and asset management and updated regularly throughout the year. Prior to committing to a development the Group conducts a detailed Financial and Operational appraisal process which evaluates the expected returns from a development in light of likely risks. During the course of a development, the estimated returns are regularly monitored to allow prompt decisions on leasing and ownership to be determined. Pro-active management of tenants to ensure changing needs are met. The Group's rents remain low by comparison to the market.	Our market pages 16 and 17. Development pages 20 and 21
The impact of changes in legislation particularly in respect of environmental legislation and planning regulations.	Through the use of experienced advisers and direct contact, senior Group representatives spend considerable time ensuring that buildings are maintained and refurbished or redeveloped in line with current regulations and changing tenant demands including, for example, changing environmental legislation requirements in the most cost effective manner.	Development pages 20 and 21. Environment and the portfolio pages 33 and 34.
Development Failure to obtain or delays in gaining planning consents.	Planning applications are proactively managed. The Company monitors changes in planning legislation and has strong relationships with planning authorities and consultants.	Development pages 20 and 21.
Construction cost inflation.	Specialist advisers are used to forecast both labour and construction costs. Procurement strategies are employed to mitigate this risk as far as possible. Detailed appraisals are produced at key stages of the development process to ensure that decisions are based on up-to-date forecasts.	Development pages 20 and 21.
Letting risk.	Market analysis including a good understanding of tenants' requirements which influence building design and sensitivities are included within the development appraisals. The Company has resource dedicated to the letting of the developments supported by a strong network of specialist leasing agents.	Development pages 20 and 21. Case study pages 6 and 7.
Investment Difficulty in sourcing investment opportunities at attractive prices.	The Company has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions.	Capital recycling pages 24 and 25. Case studies pages 12 and 13, and pages 14 and 15
Portfolio returns impaired by inappropriate recycling of capital.	Business plans are produced on an individual asset basis to ensure the appropriate churn of those buildings with relative limited potential performance.	Capital recycling pages 24 and 25. Case studies pages 10 and 11, and pages 14 and 15
Attracting and retaining the right people Achieving the Company's aims requires people of the highest calibre.	The Company has a remuneration system that is strongly linked to performance and a formal appraisal system to provide regular assessment of individual performance and the identification of training needs.	Our people page 30.
Reputation Health & Safety and Environment ("HSE").	The Company has dedicated HSE personnel to oversee the Company's HSE Management Systems including regular risk assessments and annual audits to proactively address key HSE areas including energy usage and employee, contractor and tenant safety.	Environment and the portfolio pages 33 and 34. Health and safety pages 35 and 36.
Financial risks Liquidity risk.	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. Funding maturities are managed across the short-, medium- and long-term. The Group's funding measures are diversified across a range of bank and market bonds. Strict counterparty limits are operated on deposits.	Our financial position pages 26 to 29. Note 14 forming part of the Group financial statements pages 69 to 71.
Adverse interest rate movements.	Formal policy to manage interest rates.	Our financial position pages 26 to 29. Note 14 forming part of the Group financial statements pages 69 to 71.
Breach of borrowing covenants.	Financial ratios are monitored and regularly reported to the Board.	Our financial position pages 26 to 29. Note 14 forming part of the Group financial statements pages 69 to 71.
Non compliance with REIT regulations.	The Group's accounts and forecast financial measures are regularly compared to REIT limits and reported to the Board.	Our financial position pages 26 to 29.

Corporate responsibility

Awards

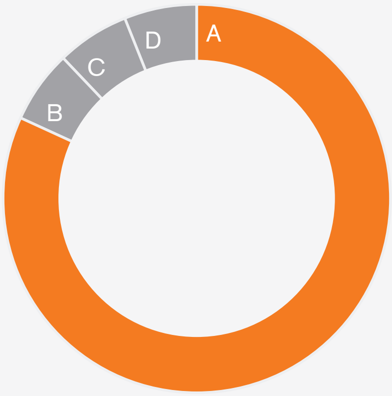
Property Week
2008 Property Company of the Year

PricewaterhouseCoopers'
2007 Building Public Trust Award for the FTSE 250 "Telling It How It Is"

BDO Stoy Hayward
"Property Accounts Awards 2007" – Overall winner – Gold Award

Business in the Community's
2007 "Top 100 Companies for corporate responsibility" – Silver Award

Progress against CR objectives and targets



A. 100% met – 27
B. 80% to 90% met – 2
C. 50% to 70% met – 2
D. Less than 50% met – 2

Great Portland Estates recognises that the importance of the effectiveness of its operations in respect of the environment together with interaction with its key stakeholders, including investors, employees, neighbours, communities, customers and suppliers is key to ensuring the long-term sustainability of its business.

The Board has responsibility for the approval of policy relating to social, environmental and health and safety matters, and is determined to apply high standards to social, environmental and ethical issues in all areas in which the Group operates including the management of the joint venture operations on behalf of the joint venture partners. This year, the Company was delighted that its efforts were rewarded with a series of awards covering a range of corporate responsibility activities.

The Board receives an annual report from the Corporate Responsibility Committee, chaired by the Property Director, Robert Noel, and regular reports from the Health and Safety and the Environmental Working Committees also chaired by Mr Noel. The Group's alignment of Corporate Responsibility (CR) risks with its Corporate Responsibility Value Statement, strategy, and objectives and targets together with the Group's Health and Safety and Environmental policies are approved by the Board on an annual basis.

Property industry
Directors and senior management are encouraged to represent the Company's views and contribute towards the development of the property industry. Toby Courtauld is a member of the Management Board of the Investment Property Forum and a member of the Policy Committee of the British Property Federation (BPF).

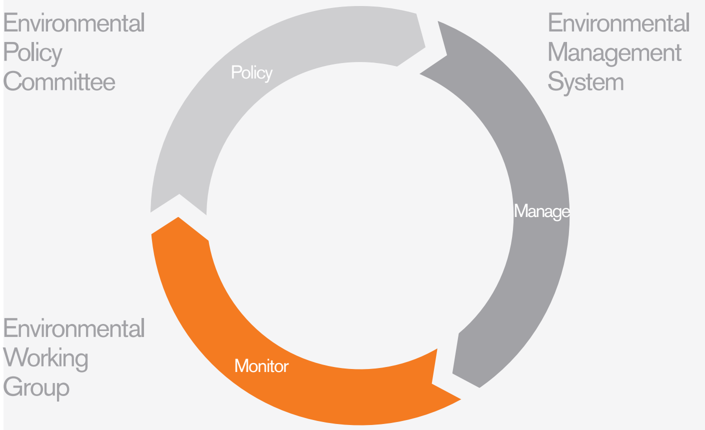
Robert Noel is Vice Chairman of the Westminster Property Owners Association, is a member of the South Bank Employers Group and is on the Board of the New West End Company, a formal Business Improvement District encompassing Bond Street, Oxford Street and Regent Street.

Objectives and targets
Great Portland Estates set a total of 33 CR targets at the beginning of 2007 covering the key areas of:

– our people;
– environment and the portfolio;
– tenants and the community;
– health and safety; and
– investors.

82% of these were fully achieved. Where targets have not been achieved, where relevant, these have been included again for 2008 to emphasis our commitment. Details of the Company's 2007/08 and 2008/09 objectives and targets can be found on the Company website at www.gpe.co.uk/corporate_responsibility/. To ensure the highest level of achievement for 2008, where appropriate, elements of the Company's objectives and targets have also been included within individual employees' objectives and targets.

Environmental strategy



Energy management and usage and reporting

	Target 2007/08	Actual Achieved	% Achieved
To ensure energy audits completed on at least 25% of the joint venture portfolio	**25%**	46%	184%
To switch 5% of energy consumption at our properties onto green energy tariffs	**5%**	15%	300%
To reduce head office energy usage by 15%	**15%**	15%	100%
To introduce long life light bulbs through out common areas of individual buildings in 40% of the portfolio over three years	**13%**	14%	108%
To introduce check meters in landlord areas in 30% of the portfolio	**30%**	27%	90%
To include energy consumption data on Company website	**2008**	2008	100%

Environment and the portfolio

The Company is committed to effective environmental management, to ensure that appropriate environmental policies are set to assist the Group in "future proofing" the Company's portfolio to meet rapidly changing legislation requirements and resulting tenant demands. We regard regulatory compliance as a minimum standard. The Company's Environmental Policy Statement is reviewed annually by the Board and may be viewed on the Company's website, www.gpe.co.uk.

The Environmental Policy Committee chaired by Toby Courtauld is responsible for reviewing the Group's environmental polices and procedures. During the course of 2008, the Environmental Policy Committee:

- identified the need for a Group Energy Manager;
- reviewed the way the Group procures it energy;
- instigated actions required in respect of Energy Performance Certificates;
- approved the new Environmental Construction and Design Policy; and
- approved the Company's tenant survey.

Given the significant number of changes in environmental legislation over the last 12 months, the Committee is in the process of undertaking an in-depth review of the Company's environmental management system, policies and practices in respect of each of the Group's core operations of asset management, recycling and development with a view to providing overarching key objectives and an environmental improvement plan for each area during the course of 2008.

During the year 95 hours of environmental training were provided to employees covering energy management, sustainability, climate change and benchmarking standards for developments. Environmental training is also included in the induction process for all new employees.

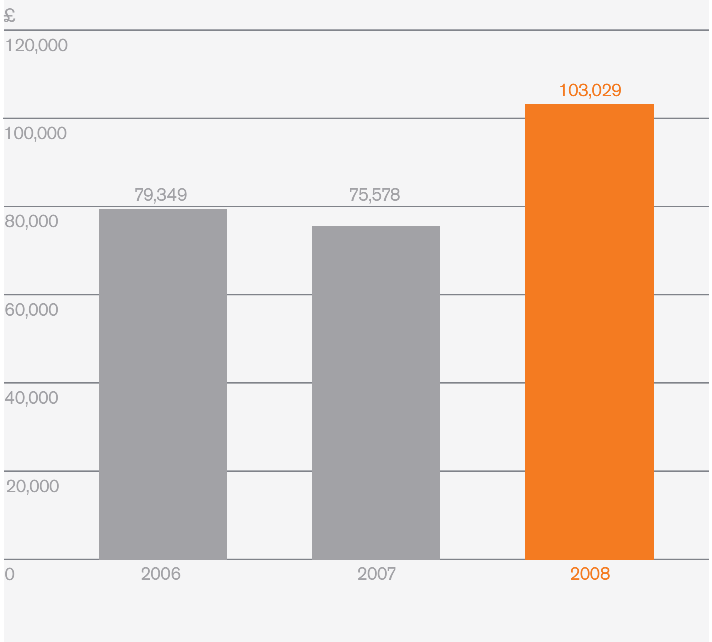
An Environmental Working Group (EWG), chaired by Robert Noel as the Property Director and made up of senior representatives of each department, meets on a quarterly basis and report to the Board annually and to the Environmental Policy Committee. The EWG monitors the Group's compliance with environmental legislation and best practice across the portfolio and agrees procedures to be followed on key environmental issues.

Asset manage

The Company's Environmental Management System is controlled and administered by the Safety, Health and Environmental Manager, and audited by external consultants on a regular basis. Our Environmental Management System has identified the Company "aspects and impacts" in line with ISO 14001 and its procedures and checklists are based upon the issues identified. All contractors are required to comply with the Company's environmental policy statement, and external consultants also carry out environmental checks on all managed properties on an annual basis.

Energy and water consumption is monitored by external consultants and usage data is analysed on a monthly basis. Energy and water consumption data, externally verified by Bureau Veritas is also available from our website. During the year we employed an Energy Manager to assist in ensuring that all properties have Energy Performance Certificates in readiness for the appropriate deadline and improving both energy efficiency and reporting across the portfolio. During 2007 a survey was undertaken of all lamps across the common areas of our properties with a view to changing fittings to energy efficient alternatives as they expire.

New West End Company contributions



An environmental guidance note explaining the Group's environmental procedures is distributed to all tenants on an annual basis to encourage them to adopt similar standards. In February 2008, we surveyed our tenants to obtain their feedback on a number of environmental issues including, the premium they would be prepared to pay for green energy, energy best practices and recycling initiatives.

During the year additional recycling schemes were introduced in 20% of the portfolio and we continue to address how recycling can be increased through co-operation and co-ordination with our tenants.

Recycle

Prior to acquisition an environmental due diligence report is undertaken with particular regard to environmental risk. Mechanical and electrical surveys are also undertaken to identify plant and equipment inefficiencies.

Develop

All major developments are subject to BREEAM with a target to achieve a rating of "Very Good" on major refurbishments increased in 2007 to a target rating of "Excellent" on all new build properties with renewable energy considered at the design phase. We are constantly reviewing ways to maximise the energy efficiency and sustainability of our buildings and in 2007 published our Environmental Construction and Design Policy which sets out standards for segregation and recycling of waste materials, sourcing of timber products and energy consumption, with a compliance audit undertaken by our in-house Project Management Team at the end of each development.

CR environmental objectives set for 2008/09 include:

- to monitor and seek to reduce resource consumption;
- to encourage all contractors and consultants to adopt similar environmental policies and standards as the Company;
- to consider environmental issues during acquisition, design, development and refurbishment;
- to ensure our employees are kept informed of our environmental polices and are given relevant environmental training;
- to encourage new recycling schemes where practicable;
- to procure timber used on developments and refurbishments from FSC certified sources; and
- to ensure that the Company is involved in the setting of environmental best practice standards.

Tenants and the community

The Company recognises that local initiatives are important in enhancing various aspects which serve to improve and promote central London, and supports a number of groups including the Westminster Property Owners Association, Westminster City Council, Transport for London and the New West End Company in their work to address issues such as planning, transport and security. In respect of the New West End Company, the Company has made voluntary contributions to match those of the Company's tenants to support its activities in the marketing of the West End; reducing crime; keeping the street clean; and hosting traffic free days and shopping events. In addition, in partnership with the Westminster City Council and various retailer associations we have provided sponsorship for activities such as West End Live and decorations at Christmas.

In 2007, we signed up to the British Property Federation's initiative, the "Commercial Lease Accreditation Scheme", to ensure continued best practice in our dealing with tenants.


Our employees participated for a third year in helping pupils at St. Vincent's school in Marylebone to improve their reading

Health and safety statistics

	2006	2007	**2008**
Number of RIDDOR reportable injuries	1	0	**2**
First aid injuries	7	8	**8**
Three day injuries	1	0	**2**
Work related fatalities	0	0	**0**
Number of Enforcement Agency prosecutions or fines	0	0	**0**
Number of prohibition notices	0	0	**0**
Employee accidents and incidents	2	2	**1**
Number of employee days off work from injury	0	0	**0**

Principal contractors on all developments and major refurbishments continue to be required to be members of the Considerate Constructors' Scheme with all Monitor's site reports received achieving ratings of a high level beyond compliance and, in February 2008, we were invited to join the Considerate Constructors Scheme Client Partnership. Newsletters were produced on a regular basis to keep stakeholders appraised with progress on all our major development sites during the year at Wells & More, 60 Great Portland Street, 79/83 Great Portland Street, Elsley House, 46/58 Bermondsey Street and 240 Blackfriars Road. Regular meetings are also held with tenants to provide feedback to contractors on performance and, as a result of feedback received during the year we have designed a Tenant Action Plan for use on all future development sites to improve our management of relations with both tenants remaining in situ and those occupying neighbouring buildings.

In March 2008, 33% of tenants responded to our environmental survey designed to engage tenants in recycling and green energy initiatives and which will be used in focusing our activities for the current year.

The Company has continued with its tradition of encouraging staff to be involved in, and of supporting their, charitable activities. In particular, the Company targets charities involved in health, the homeless and the community, and, where practicable, allows temporarily vacant buildings to be occupied, at no cost, by charities seeking premises. In partnership with Westminster Education Authority, through a Primary School Volunteer scheme, 21% of the Company's employees have participated for a third year in helping pupils at St. Vincent's school in Marylebone to improve their reading.

CR social objectives set for 2008/09 include:

– to improve and promote services to tenants; and

– to minimise disruption during developments to tenants in situ and neighbours.

Health and safety

Great Portland Estates is committed to managing health and safety to a consistently high standard.

The Group employs a Safety, Health and Environmental Manager, reporting directly to the Property Director, Robert Noel, to manage and review health and safety compliance. A Health and Safety Management System designed to comply with ISO 18001 requirements is maintained for all properties managed by the Group and includes on site inspections by external consultants and reviews of risk assessments with all procedures updates at least annually. Our Senior Building Manager also carries out regular building audits to monitor compliance with the Group's health and safety procedures.

A Health and Safety Working Group which is chaired by Mr Noel meets on a quarterly basis, and monitors performance, the achievement of key objectives, the results of safety audits and inspections, accidents and near misses, changes in legislation, the development of new procedures, and the allocation of resources to health and safety.

During the year 212 hours of health and safety training was provided to employees covering general health and safety management, first aid at work, stress management and terrorism. Additionally induction training, which includes health and safety issues, is provided to all new employees.

Asset manage

As one of the significant health and safety risks to the business is the control of contractors, a contractor and consultant selection scheme is in place. The Company runs a Permission to Work system for contractors which includes contractor vetting, reviewing of contractor risk assessments and monitoring of contractors' performance on site. Major contractors have service level agreements as an integral part of their contract and scoring on health and safety performance has been included within these agreements.

The Company is a member of the FTSE4Good UK index

FTSE4Good

All accidents and incidents occurring in areas managed by the Group are recorded and reported and appropriate action is taken. A formal investigation of all accidents is conducted by the Safety, Health and Environmental Manager. During the year ended 31 March 2008, there were two reportable accidents arising from Group's activities.

Recycle

Prior to acquisition, detailed surveys are undertaken of new properties to ensure that, where possible, hazardous materials and health and safety risks are identified and are dealt with as soon as practicable on completion.

Develop

At our construction sites, our Safety, Health and Environmental Manager liaises closely with CDM Coordinators and Project Managers to assist in ensuring that health and safety is managed effectively on site. All consultants are required to complete a competency review in line with Health and Safety Executive guidance under the Construction (Design and Management) Regulations 2007. Where building works are being carried out with tenants in situ, our Building Managers regularly attend site to ensure that health and safety concerns are brought to the attention of contractors and dealt with in a timely fashion.

CR Health and Safety objectives set for 2008/09 include:

– to provide a safe and healthy working environment for all employees, contractors working on the portfolio, visiting members of the public, and all others affected by the activities of the Company.

Investors

The Board believes in the importance of effective communication. The Company seeks to improve investors' and potential investors' understanding of its objectives, strategy and performance. In the year to 31 March 2008 over 157 presentations were made by a combination of the Chief Executive, Property and Finance Directors in order to explain the Group's business and financial performance and to answer questions. All such meetings are conducted within the guidance provided by the UKLA Listing and Disclosure Rules on the dissemination of price sensitive information.

The Company is a member of the FTSE4Good UK index, a benchmark index of companies which meets criteria set down by EIRIS (Ethical Investment Research Services) on environmental, social and corporate governance performance. For the fifth year, the Company has taken part in the Business in the Community's annual Corporate Responsibility Index, which, together with the CR activities contained within this report, is independently verified by Bureau Veritas.

The Company's approach to corporate governance is set out on pages 46 to 48.

CR investor objectives set for 2008/09 include:

– to improve the quantity and quality of CR related information;

– to ensure regular dialogue with shareholders and fund managers; and

– to take part in relevant benchmark indices.

Portfolio statistics

Rental income

At 31 March 2008

			Wholly owned			Share of joint ventures			
			Rent roll £m	Reversionary potential £m	Rental values £m	Rent roll £m	Reversionary potential £m	Rental values £m	Total rental values £m
London	North of Oxford Street	Office	15.4	4.0	19.4	6.4	2.5	8.9	28.3
		Retail	3.6	0.6	4.2	4.2	1.1	5.3	9.5
	Rest of West End	Office	8.3	5.7	14.0	8.2	2.8	11.0	25.0
		Retail	4.3	0.8	5.1	5.4	0.8	6.2	11.3
	Total West End		31.6	11.1	42.7	24.2	7.2	31.4	74.1
	City and Southwark	Office	12.5	4.3	16.8	1.2	0.7	1.9	18.7
		Retail	0.6	0.6	1.2	0.1	–	0.1	1.3
	Total City and Southwark		13.1	4.9	18.0	1.3	0.7	2.0	20.0
Total let portfolio			44.7	16.0	60.7	25.5	7.9	33.4	94.1
Voids					2.3			0.7	3.0
Premises under refurbishment					10.2			1.5	11.7
Total portfolio					73.2			35.6	108.8

Rent roll security, lease lengths and voids

At 31 March 2008

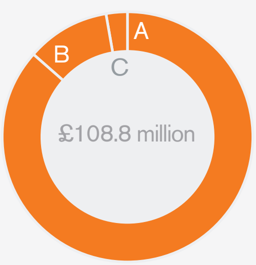
			Wholly owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length Years	Voids %	Rent roll secure for five years %	Weighted average lease length Years	Voids %
London	North of Oxford Street	Office	63.9	9.0	2.1	56.3	5.7	2.6
		Retail	64.0	7.7	3.3	72.4	10.3	1.9
	Rest of West End	Office	22.4	3.2	–	51.8	5.4	2.3
		Retail	54.2	10.4	16.3	89.0	12.9	0.8
	Total West End		51.8	7.5	3.5	65.0	8.1	1.9
	City and Southwark	Office	13.9	3.3	4.3	14.9	2.6	4.5
		Retail	14.4	7.6	–	75.9	12.4	–
	Total City and Southwark		14.0	3.5	4.3	20.2	3.4	4.2
Total let portfolio			40.8	6.4	3.7	62.7	7.8	2.2

Rental values and yields

At 31 March 2008

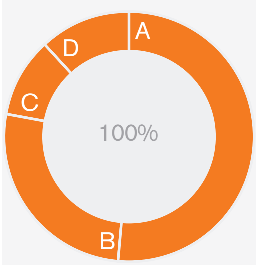
			Wholly owned		Joint ventures		Wholly owned		Joint ventures	
			Average rent £psf	Average ERV £psf	Average rent £psf	Average ERV £psf	Initial yield %	True equivalent yield %	Initial yield %	True equivalent yield %
London	North of Oxford Street	Office	41	55	31	44	1.8	5.8	3.1	5.7
		Retail	39	37	55	67	3.7	5.2	4.6	5.1
	Rest of West End	Office	40	68	36	49	3.4	5.1	4.1	5.9
		Retail	64	74	53	61	3.6	4.8	4.1	5.0
	Total West End		43	56	40	50	2.7	5.4	3.9	5.5
	City and Southwark	Office	28	37	24	29	4.9	6.2	3.4	6.9
		Retail	13	27	42	20	2.8	6.0	5.9	6.7
	Total City and Southwark		27	37	25	28	4.8	6.2	3.6	6.9
Total let portfolio			36	49	39	47	3.2	5.6	3.9	5.6

Analysis of total rental values



A. Rent roll, rent reviews and lease renewals £94.1 million
B. Under refurbishment £11.7 million
C. Voids £3.0 million

Lease expiries (including share of joint ventures)



A. Less than 5 years 51.4%
B. 5 to 10 years 26.5%
C. 10 to 15 years 10.3%
D. Over 15 years 11.8%

Major properties

West End – North of Oxford Street, W1

Property name	Tenure	Type	Principal tenants	Number of tenants	WAULT years	NIA sq ft
38/40 Eastcastle Street	FH	O	Escotex International	9	3	11,200
46/48 Foley Street	FH	O	Under development	–	–	20,400
29/35 Great Portland Street*	FH	O	Axa Insurance	5	5	15,600
32/36 Great Portland Street	FH	O	AWW Limited	5	3	12,900
60 Great Portland Street	FH	O	The Engine Group	11	19	95,000
78/92 Great Portland Street	FH	O	Logica	16	3	50,600
79/83 Great Portland Street	FH	O/R	Thorn Lighting	1	1	4,600
160 Great Portland Street	FH	O	Virgin Media; Villandry	8	10	89,900
180 Great Portland Street*	FH	O	Stenham; Double Click	10	9	105,600
20/30 Great Titchfield Street	FH	O/R	I-level; Fallon	13	8	66,200
33/35 Gresse Street and 23/24 Rathbone Place	FH	O/R	Lewis Moberly; Power TV	15	2	24,500
6/10 Market Place	FH	O/R	Carluccio's; Strada	14	6	18,500
14/17 Market Place	LH	O	Betty Barclay; Reiss; Barratts	11	6	59,300
27/35 Mortimer Street	FH	O	Sainsbury's; Selec TV	4	4	31,600
37/41 Mortimer Street	FH	O	Informa	1	2	24,700
184/194 Oxford Street	LH/FH	O/R	Office; Faith	11	4	35,900
508/540 Oxford Street*	LH	R	Next; Evans; Mothercare	14	12	88,400
Wells & More	FH	O	Under development	–	–	124,600
Park Crescent East*	LH	O/Res	Hale Clinic; Secretary of State for Transport	5	9	100,900
Park Crescent West*	LH	O/Res	Medical Research Council; Secretary of State for Transport; RIBA	4	6	119,400
288/300 Regent Street*	LH	O/R	Oasis; La Tasca	27	5	46,700
183/190 Tottenham Court Road*	LH	R	Caffé Nero	6	6	11,900
59/63 Wells Street*	FH	O	Magistrates Court	1	1	25,300
Wigmore Street Island Site*	FH	O/R	Chevron Oil; Wigmore Sports	20	1	100,500

Key

FH	Freehold or virtual freehold
LH	Leasehold
O	Offices
R	Retail
WAULT	Weighted average unexpired lease term
NIA	Net internal area
*	Held in joint venture
Res	Residential

Rest of West End, W1

Property name	Tenure	Type	Principal tenants	Number of tenants	WAULT years	NIA sq ft
19/25 Argyll Street*	LH	O	Live Nation; Penna; Lend Lease	7	5	63,700
40/48 Broadway and 1/15 Carteret Street, SW1*	LH	O	Capital & Counties; The Youth Justice Board	12	7	72,600
26/30 Broadwick Street*	FH	O/R	VNU Business Publications; Cowling & Wilcox	8	5	70,500
48/54 Broadwick Street*	FH	O/R	Scion Film; Mortimer Facilities; World Production Ltd; Fast Search UK Ltd; Media Audit Ltd	9	3	29,400
10/12 Cork Street*	LH	O/R	Waddington Galleries; Millbank Financial Services	9	1	21,500
Hanover Square Estate	LH/FH	O/R	Avanta Management Services Limited; Dolce & Gabbana; Lend Lease; Knight Frank LLP	39	3	176,100
Jermyn Street Estate*	LH	O/R	Standard Chartered Bank; Wiltons; Vodafone; JCB; Mackenzies of Piccadilly; Richoux; Stork & May; Waterford Wedgewood; BDT	66	6	132,400
26/40 Kensington High Street, W8*	FH	O/R	TK Maxx; Virgin Active; Wagamama	14	8	119,900
201/207 Kensington High Street, W8*	FH/LH	R	Robert Dyas; Club Kensington	4	9	17,600
15/16 New Bond Street	LH	O/R	Mappin & Webb; Georg Jensen; Shore Capital	11	15	29,200
79/89 Oxford Street	FH	O/R	Pizza Hut; Regus	8	2	43,800
100 Regent Street and 33 Glasshouse Street*	LH	O/R	Aquascutum; New Media Spark	5	17	53,100
126/130 Regent Street*	LH	O/R	Thomas Davidson; Russell & Bromley	9	9	30,700
208/222 Regent Street*	LH	O/R	H&M; Desigual; Gap; MWB	5	11	63,000
266/270 Regent Street*	LH	O/R	Calzedonia	2	20	14,900
28/29 Savile Row	LH	O/R	Mary Kay Cosmetics; Flag Clothing	6	2	15,300

City and Southwark

Property name	Tenure	Type	Principal tenants	Number of tenants	WAULT years	NIA sq ft
46/58 Bermondsey Street, SE1	FH	R	Under development; Delfina	1	4	47,300
75 Bermondsey Street, SE1	FH	O	Rise Communications; Kurt Geiger	3	6	25,200
Bishopsgate Estate, EC2	FH	O/R	ABN Amro; Willis; Tyser; Brit Insurance; Bangkok Bank	38	3	251,900
240 Blackfriars Road, SE1*	FH	O	Under development	–	–	–
24/25 Britton Street, EC1*	FH/LH	O	Wolverine; Jarvis Rail	7	3	50,400
Fetter Lane Island Site, EC4*	FH/LH	O	Buzzacott	5	1	53,600
24/31 Holborn, EC1	FH	O	WSP; Capita Symonds; HSBC	7	2	64,200
67/75 Kingsway, EC1*	FH/LH	O/R	Tradingscreen; Belgos	9	6	29,400
Metropolitan Wharf, E1*	FH	O	Under development	–	–	110,400
14/20 St Thomas Street, SE1	FH	O	Tindall Riley; Pitney Bowes	8	6	97,000
14/28 Shand Street, SE1	FH	O	Cameron Taylor; Sunrider Europe; Mitie Group	15	2	56,400

Directors

Richard Peskin MA, LLM
Chairman, Non-Executive
Joined the Company in 1967, appointed to the Board in 1968 and Chairman since 1986. A Non-Executive Director of Royal & Sun Alliance, London Board, and formerly a member of the General Council of the British Property Federation and the Estates Committee of the M.C.C. Age 64.
Member of Nomination Committee.

Toby Courtauld MA, MRICS
Chief Executive
With MEPC from 1991 to 2002, joined the Group and appointed to the Board in 2002. A Non-Executive Director of Liv-ex and a member of the Management Board of the Investment Property Forum and the Policy Committee of the British Property Federation. Age 40.

Timon Drakesmith BSc, FCA
Finance Director
Formerly Group Director of Financial Operations at Novar plc, previously with Credit Suisse and Barclays. Joined the Group and appointed to the Board in 2005. Member of the Finance Committee of the British Property Federation. Age 42.

Robert Noel BSc, MRICS
Property Director
A director of Nelson Bakewell from 1992 to 2002, joined the Group and appointed to the Board in 2002. Vice Chairman of the Westminster Property Owners Association and a director of New West End Company. Age 43.

Neil Thompson BSc(Hons), MRICS
Development Director
With Derwent Valley from 1996 to 2002 and previously with Legal & General. Joined the Group in 2002 and appointed to the Board in 2006. Age 40.

Kathleen O'Donovan BSc (Econ), FCA
Non-Executive Director
Non-Executive Director and Chairman of the Audit Committees of Prudential and Trinity Mirror, member of the Audit Committee of Arm Holdings and Chairman of the Invensys Pension Fund Trustee Board. Previously a Non-Executive Director and Chairman of the Audit Committee of the Court of the Bank of England and EMI Group and a Non-Executive Director of O_2. Appointed to the Board in 2003. Age 51.
Senior Independent Director.
Chairman of the Nomination and Audit Committees and Member of the Remuneration Committee.

Charles Irby FCA
Non-Executive Director
Chairman of Aberdeen Asset Management and a Non-Executive Director of North Atlantic Smaller Companies Investment Trust and QBE Insurance Group. Appointed to the Board in 2004. Age 62.
Chairman of the Remuneration Committee and Member of the Audit Committee

Phillip Rose MA, FFin, FSI
Non-Executive Director
Chief Executive Officer of Alpha Real Capital and a Non-Executive Director of Hermes Property Unit Trust. Head of Real Estate for ABN Amro from 2002 to 2005 and formerly Chief Operating Officer of TrizecHahn Europe and Managing Director of Lend Lease Global Investments. Appointed to the Board in 2005. Age 48.
Member of the Audit and Nomination Committees.

Jonathan Short BSc, ACIB
Non-Executive Director
Founding partner and Chief Investment Officer of Internos Real Investors LLP, a pan european real estate investment management business. Non-Executive Director of Big Yellow Group plc and an Urban Land Institute Trustee. Appointed to the Board in 2007. Age 46.
Member of the Audit and Remuneration Committees.

Report of the directors

Business review
The principal business of the Group is the investment in, and development of, freehold and leasehold properties. A review of the performance and development of the Group's business during the year including KPIs, its position at the year end and its prospects is set out in the sections covering our business and financial position on pages 1 to 29. A description of the principal risks and uncertainties facing the Group and how these are mitigated can be found on page 31. Additional information on employees, environmental matters and social and community matters is included on page 30 and on pages 32 to 36.

The purpose of the Annual Report is to provide information to the members of the Company. The Annual Report contains certain forward-looking statements with respect to operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

Results and dividends for the year
The Group results for the year are set out on page 56. An interim dividend of 3.9 pence per share was paid on 3 January 2008, and the directors propose to pay a final dividend of 8.0 pence per share, making a total of 11.9 pence per share for the year ended 31 March 2008. If approved by the shareholders at the Annual General Meeting to be held on 3 July 2008, the proposed dividend will be paid on 8 July 2008.

Freehold and leasehold properties
A valuation of the Group's property portfolio at 31 March 2008 was carried out by CB Richard Ellis on the basis of market value which amounted to £1,087.3 million, the difference between the book value of £1,095.8 million and the market value relates to the capitalisation of finance leases. No account has been taken of any additional value which may be attributed to the portfolio if it were to be grouped judiciously prior to sale.

Directors
Jonathan Short was appointed a Non-Executive Director on 2 April 2007. The other directors whose names appear on pages 40 to 41 served as directors of the Company throughout the year to 31 March 2008. Timon Drakesmith, Richard Peskin and Phillip Rose are the directors retiring by rotation at the Annual General Meeting and, being eligible, following the Board evaluation process, the Board is recommending that they offer themselves up for reappointment. A suitable replacement having been found, Mr Peskin will retire on 16 March 2009. Biographical details of all the directors can be found on pages 40 to 41.

Directors' shareholdings

	At 31 March 2008 Number of shares	At 31 March 2007† Number of shares
Richard Peskin and family		
– beneficial	760,000	140,000
– trustee	73,000	148,000
Toby Courtauld	140,197	35,000
Robert Noel	77,635	29,600
Timon Drakesmith	35,155	31,000
Neil Thompson	29,054	12,714
Kathleen O'Donovan	800	800
Charles Irby	3,000	3,000
Phillip Rose	2,000	2,000
Jonathan Short	7,790	–

† Or at date of appointment.

All directors' shareholdings are in ordinary shares and are beneficial, unless otherwise stated. There have been no changes in the shareholdings of any director between 1 April 2008 and 21 May 2008. No director had any interest in the Company's debenture stock, convertible bonds or loan notes, nor in the shares of any subsidiary undertaking, or contract with the Company or any subsidiary undertaking (other than service contracts) during the year.

Directors' indemnities
On 14 September 2007, an indemnity was given by the Company to the directors in terms which comply with Company law and remains in force at the date of this report.

Significant shareholdings
As at 9 May 2008, the Company had been notified of the following beneficial or discretionary interests amounting to 3% or more of the voting rights of the issued share capital:

	Number of shares	%
Cohen & Steers, Inc	16,401,210	9.06
Government of Singapore Investment Corporation Pte Ltd	8,705,303	4.81
Standard Life Investments Limited	8,090,840	4.46
Legal & General Investment Management Limited	7,817,707	4.32
Stichting Pensioenfonds ABP	5,701,037	3.15
Morgan Stanley Investment Management Limited	5,592,307	3.09

Financial instruments
Details of the financial instruments used by the Group are set out in notes 1 and 14. The Group's financial risk management objectives and policies are included in the Risk management overview on page 31 and in Our financial position on pages 26 to 29.

Share capital and control
The following information is given pursuant to section 992 of the Companies Act 2006. As at 31 March 2008, the Company's authorised share capital comprised £68,762,594, divided in 550,100,752 ordinary shares of 12.5 pence. On 31 March 2008, there were 181,023,034 ordinary shares in issue. There are no restrictions on transfer or limitations on the holding of the ordinary shares. None of the shares carries any special rights with regard to the control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers and voting rights.

As far as the Company's aware, there are no persons with significant direct or indirect holdings in the Company other than those noted above.

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with legislation in force from time to time.

Creditor payment policy
It is the Company's policy that suppliers be paid in accordance with those terms and conditions agreed between the Company and the supplier, provided that all trading terms and conditions have been complied with. For the year ended 31 March 2008, the average payment period for trade creditors was 49 days (2007: 40 days).

Charitable and other donations
During the year the Company made donations for charitable purposes amounting to £45,394; no contributions for political purposes were made.

Statement as to disclosure of information to auditors
So far as the directors who held office at the date of approval of this Directors' Report are aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors
A resolution to reappoint Deloitte & Touche LLP as auditors of the Company will be proposed at the Annual General Meeting.

Annual General Meeting
The Notice of Meeting on pages 84 to 85 sets out the resolutions to be proposed at the Annual General Meeting. Resolutions 1 to 8 comprise ordinary business and resolutions 9 to 12 special business.

Resolution 9 will seek to renew the authority for the directors to allot up to 60,280,670 ordinary shares, representing 33.3% of the existing issued share capital of the Company at 21 May 2008. The directors have no present intention of exercising the authority, if granted.

Resolution 10 will seek to renew the authority for the directors to allot equity securities for cash (including any shares held in treasury) up to an aggregate nominal amount of £1,131,394 (representing 5% of the existing issued share capital of the Company at 2008) in respect of rights and other pre-emptive issues, in each case as if the pre-emption requirements of section 89 of the Companies Act 1985 did not apply.

Resolution 11 will seek to renew the authority enabling the Company to purchase its own shares in respect of 27,135,353 shares (representing 14.99% of the issued share capital of the Company at 21 May 2008). The directors intend to exercise this authority if to do so would, in their opinion, enhance shareholder value. If Resolution 10 is passed at the Annual General Meeting, the Company will have the option of holding as treasury shares any of its own shares that it purchases pursuant to the authority conferred by this resolution. This would give the Company the ability to sell treasury shares, providing the Company with additional flexibility in the management of its capital base. No dividends will be paid on shares whilst held in treasury and no voting rights will attach to the treasury shares. Whilst in treasury, the shares are treated as if cancelled. Any shares purchased by the Company under this authority would be cancelled unless the shares are being purchased by the Company to hold and re-sell as treasury shares. The maximum number of ordinary shares which may be purchased under the proposed authority will be 27,135,353. The price paid for ordinary shares will not be less than the nominal value of 12½ pence per share and not more than the higher of 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day on which the ordinary shares are purchased and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003.

There were no purchases of shares by the Company during the year. At 31 March 2008, the number of shares which may be purchased under the shareholders' authority given at the 2007 Annual General Meeting was 27,134,869 and the number of shares in issue was 181,023,034.

At 21 May 2008, the Company held no shares in treasury.

The authorities granted under Resolutions 9, 10 and 11 will expire at the conclusion of the 2009 Annual General Meeting or on 2 October 2009, whichever is the earlier.

Resolution 12 will seek approval for a number of amendments to the Company's articles of association to take effect on and from 1 October 2008, primarily to reflect certain provisions of the Companies Act 2006 that will be in force by or on that date. An explanation of the main changes is set out below.

Due to the phased nature of implementation of the Companies Act 2006, it is likely that further related changes to the articles of association will be proposed at a later Annual General Meeting.

Principal changes to the Company's articles of association

The principal changes to be introduced in the new articles are set out below. Other changes, which are of a minor, technical or clarifying nature have not been noted.

Articles which duplicate statutory provisions

Provisions in the current articles which reflect provisions contained in the Companies Act 1985 are, in the main, amended to bring them into line with the equivalent provisions contained in the Companies Act 2006. Examples of such provisions, including provisions relating to proxies and to convening and notice of general meetings, are detailed below.

Convening and notice of general meetings

It is proposed that the provisions in the current articles dealing with convening of general meetings and the length of notice required to convene general meetings be amended to conform to the new provisions in the Companies Act 2006. In particular, a general meeting (other than an Annual General Meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Quorum requirements

The Companies Act 2006 provides that in general terms the quorum for a general meeting be calculated by reference to the numbers of "qualifying persons" who are present at the meeting, which includes an individual who is a member of the Company, a person authorised under section 323 of the Companies Act 2006 to act as the representative of a corporation, and a person appointed as proxy of a member. As before, it is proposed that the quorum for a general meeting will be two but in line with the Companies Act 2006, the new articles make clear that there will be no double counting for qualifying persons who are representatives of the same corporation or proxies of the same member.

Proxies

A proxy has a statutory right under the Companies Act 2006 to speak at any general meeting. Under the Companies Act 2006, proxies are also entitled to vote on a show of hands whereas under the current articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed to exercise the rights attached to a different share held by the shareholder. The new articles reflect these new rules, as appropriate.

Form of resolution

The current articles contain a provision that, subject to legislation where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision, and certain other provisions, are being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

Remuneration of directors

The cap on aggregate fees payable to Non-Executive Directors is being increased to £500,000 per annum. The Remuneration Committee believes that this increase will ensure that the Company will continue in the future to have the ability to appoint and retain the best Non-Executive Directors.

Directors' interests

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act 2006, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new articles, as proposed to be revised with effect on and from 1 October 2008, give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. These include, firstly, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and, secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation, or subsequently, if they think this is appropriate.

It is also proposed to include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. In particular, the Companies Act 2006 has clarified that a company can now indemnify a director of a company that is a trustee of an occupational pension scheme against liability incurred in connection with the company's activities as trustee of that scheme. This is reflected in the new articles. The opportunity is also being taken to clarify that, subject to the Companies Act 2006, the Company may grant indemnities to directors of associated companies.

Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website communications. The new articles will allow communications with shareholders in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. However, before the Company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the shareholder (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a shareholder can always request a hard copy version of the document or information.

By order of the Board

Desna Martin
Company Secretary

21 May 2008

Corporate governance

Statement by the directors on compliance with the provisions of the Combined Code

A summary of the system of governance adopted by the Company is set out below. Throughout the year ended 31 March 2008, the Company complied with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006.

The Board of Directors

The Board comprises the Chairman, four Executive Directors and four Non-Executive Directors. The Chairman is responsible for the effectiveness of the Board, and the Chief Executive for the day-to-day management of the Company, with the division of responsibilities approved by the Board.

The Board is responsible to shareholders for the management and control of the Group's activities and good corporate governance. The Board meets for scheduled Board meetings at least six times a year. Key matters reserved for the Board include:

- the setting and monitoring of strategy, including dividend policy;
- reviewing performance and implementation of the strategy by the Executive Directors;
- significant financing arrangements;
- examining major potential acquisitions and disposals;
- approval of major developments;
- interim, half year and annual reporting to shareholders;
- approving policy on key areas including corporate responsibility, objectives and targets, health and safety and the environment;
- Board appointments and the appointment and removal of the Company Secretary; and
- corporate governance and Board evaluation.

At least once a year the Board reviews the nature and magnitude of matters reserved for its decision. After each Board meeting the Chairman and the other non-executives meet without the Executive Directors, and at least three times a year the non-executives meet without the Chairman. In addition, individual directors meet regularly outside the formal Board meetings as part of each director's contribution to the delivery of the Company's strategy and review of operations. The Executive Directors also meet weekly as the Executive Committee, chaired by the Chief Executive, to deal with the ongoing management of the Group with copies of the minutes of these meetings distributed to the Chairman and Non-Executive Directors.

The biographies of all members of the Board are set out on pages 40 to 41. Richard Peskin, who was Managing Director until March 2000, is Non-Executive Chairman of the Board, Toby Courtauld is Chief Executive and Kathleen O'Donovan is the Senior Independent Director. Each of the Non-Executive Directors is considered to be independent of the executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

To enable the Board to discharge its duties, all directors receive appropriate and timely information, including briefing papers distributed in advance of Board meetings and regular property tours. All directors have access to the advice and services of the Company Secretary, who is responsible to the Chairman on matters of corporate governance. The directors may, at the Company's expense, take independent professional advice and are offered formal training in specific areas relevant to either their speciality or Committee roles or to the Board as a whole. On appointment, new Non-Executive Directors, who are expected to provide a time commitment to the Company of at least 24 days a year, are provided with a detailed induction programme on the Company's operations, including social, ethical and environmental matters, and meet with senior management as part of a guided tour of the Group's main properties.

Attendance at Board and Committee meetings during the year was as follows:

	Board – scheduled (6 meetings)	Board – other (6 meetings)	Nomination Committee (2 meetings)	Remuneration Committee (3 meetings)	Audit Committee (6 meetings)
Chairman					
Richard Peskin	6	6	2	–	–
Executive Directors					
Toby Courtauld	6	6	–	–	–
Robert Noel	6	6	–	–	–
Timon Drakesmith	6	6	–	–	–
Neil Thompson	6	6	–	–	–
Non-Executive Directors					
Kathleen O'Donovan	6	6	2	3	6
Charles Irby	6	5	–	3	6
Phillip Rose	6	6	2	–	4
Jonathan Short(1)	6	6	–	3	4

(1) Appointed on 2 April 2007.

The Company maintains directors' and officers' liability insurance and pension trustee liability insurance, both of which are reviewed annually.

Board performance evaluation

Each year the Board undertakes a formal evaluation of its own performance and that of its Committees and individual directors either internally, by the Senior Independent Director, or by external consultants. This year, in order to maintain objectivity and to ensure "best practice" following three years of internal Board review; the performance evaluation was undertaken externally by Dr Tracy Long of Boardroom Review based on all the directors, including the Chairman, completing a comprehensive questionnaire and then having one-to-one interviews with Dr Long. The process covered Board, Committee and personal performance and the output was reviewed at the March Board meeting as part of a wider corporate governance review. Overall, it was concluded that the Board and its Committees continued to operate effectively with appropriate procedures put in place for minor areas identified for improvement.

Committees of the Board

The Board has Nomination, Remuneration and Audit Committees which deal with specific aspects of the Group's affairs, each of which has written terms of reference which are regularly reviewed and which deal with their authorities and duties. Copies of these terms of reference are available on written request and on the Company's website at www.gpe.co.uk/investors/governance/.

Nomination Committee

The Nomination Committee comprises Kathleen O'Donovan (Chairman), Phillip Rose and Richard Peskin. It undertakes an annual review of succession planning for Senior Executives and ensures that the membership and composition of the Board, including the balance of the skills, continue to be appropriate. In making recommendations to the Board of Non-Executive Directors, it specifically considers the expected time commitment of the proposed Non-Executive and other commitments they already have. Agreement of the Chairman of the Company is also required before a Non-Executive Director may accept any additional commitments which could affect the time available to devote to the Company.

Non-Executive Directors are not appointed for specified terms but are subject to re-election by the shareholders at least every three years. Under the current Articles of Association at least a third of the Board, not including directors appointed during the year, must retire by rotation from the Board each year and all proposed reappointments to the Board are formally considered by the Nomination Committee in March. Under the proposed new Articles of Association, a director will retire from office at the third annual general meeting following the annual general meeting at which he was appointed or last reappointed.

As outlined in the Chairman's statement on page 5, it is intended that Richard Peskin, who has been Non-Executive Chairman since March 2000, will retire on 16 March 2009 and recruitment of a new Chairman has begun using external consultants Whitehead Mann.

Remuneration Committee

The Remuneration Committee, which comprises Charles Irby (Chairman), Jonathan Short and Kathleen O'Donovan, has responsibility for determining the remuneration, bonuses, contract terms and other benefits in respect of the Executive Directors, and the remuneration of the Chairman. It also considers and establishes Company policy on remuneration, with access to professional advice outside the Company, as required. Its role is described further in the Directors' remuneration report on pages 49 to 54.

Audit Committee

The Audit Committee comprises Kathleen O'Donovan (Chairman), Charles Irby, Phillip Rose and Jonathan Short (who was appointed to the Committee on 22 January 2008). Miss O'Donovan is also Chairman of the Audit Committee of Prudential plc and Trinity Mirror plc and a member of the Audit Committee of Arm Holdings plc. The Audit Committee provides a forum for reporting by the Group's external auditors and meetings are also attended by certain Senior Executives, by invitation. During the year, the Committee was responsible for reviewing, and reporting to the Board on, a range of matters including:

– the interim management statements, the half year and annual financial statements and significant reporting judgements therein;
– meetings with the Company auditors and property valuers;
– developments in accounting and reporting requirements;
– the review of the Company's internal control and risk management systems;
– the scope, effectiveness independence and objectivity of the external audit;
– the external auditors' management letter;
– the level of fees paid to the external auditors;
– the potential need for an internal audit function; and
– the Company's whistleblowing policy.

The Audit Committee advises the Board on the appointment of the external auditors, their remuneration for audit and non-audit work, and their cost effectiveness, independence and objectivity, and discusses the nature, scope and results of the audit with the external auditors. As part of the review of the effectiveness of the auditors, a formal evaluation process incorporating feedback from the Audit Committee and relevant members of management is provided to the auditors.

The auditors are responsible for the annual audit and other services which the Audit Committee believe they are best placed to undertake due to their position as auditors. During the year these included compliance reporting for transactions, debentures, bonus plans and the long-term incentive plans.

Deloitte & Touche LLP have confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure their objectivity.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. Although there is no formal internal audit function, a rolling programme of review of key controls is conducted through a combination of the external audit process or through reviews by members of the finance team and/or external advisers as appropriate.

Internal controls
The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness, at least annually. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

There are ongoing processes and procedures for identifying, evaluating and managing the principal risks faced by the Group; these processes and procedures were in place throughout the year under review and up to the date of the approval of the Annual Report, and accord with the Turnbull guidance "Internal Control – Guidance for Directors on the Combined Code".

Key features of the system of internal control include:

- a comprehensive system of financial reporting and business planning;
- a defined schedule of matters for decision by the Board;
- an organisational structure with clearly defined levels of authority and division of responsibilities;
- formal documentation procedures;
- the close involvement of the Executive Directors in all aspects of day-to-day operations, including regular meetings with senior management to review all operational aspects of the business and risk management systems; and
- The Board reviewing Group strategy and progress on developments at each scheduled Board meeting.

The Audit Committee carries out a twice yearly review of the framework of how the Group's risks are managed through operational management procedures/authorisations, ongoing review by the Executive Committee, and Board review and oversight, formally considering the scope and effectiveness of the Group's system of internal control and reporting to the Board. This involves the identification of risks specific to the areas of property and financial markets which impact on the Group's objectives, together with the controls and reporting procedures designed to minimise those risks, which are reviewed, formalised and updated throughout the year, as appropriate. These include business risks, financial controls, social, ethical and environmental issues and policy, and the regulatory environment. Key risks to the business and the processes in place by which the Company aims to manage those risks are included on page 31.

Relations with shareholders
Communications with shareholders is given a high priority and the Company undertakes a regular dialogue with shareholders and fund managers. Visits are also arranged to buildings of particular interest or significance, particularly in relation to developments, to assist investors' understanding of the Company's business. The Executive Directors are the Company's principal spokesmen with investors, analysts, fund managers, press and other interested parties, and independent feedback on presentations by the Executive Directors to all major shareholders is provided to the Non-Executive Directors on a regular basis. Presentations to analysts and the accompanying script are simultaneously posted on the Company's website at www.gpe.co.uk/investors/presentations. As Chairman and Senior Independent Director, respectively, Richard Peskin and Kathleen O'Donovan are each available, as appropriate, as a contact for shareholders.

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board is available before the meeting, in particular, for shareholders to meet new directors. The Chairman of each of the Audit, Nomination and Remuneration Committees is available at the Annual General Meeting to answer questions. Details of the resolutions to be proposed at the Annual General Meeting on 3 July 2008 can be found in the Notice of Meeting on pages 84 to 85. Details of the number of proxy votes for, against and withheld for each resolution, will be disclosed at the meeting and posted to the Company's website.

Going concern
After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Desna Martin
Company Secretary

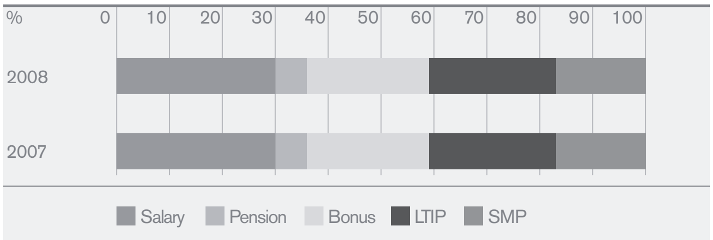
21 May 2008

Directors' remuneration report

Remuneration policy principles
The Company's remuneration policy seeks to provide remuneration in a form to attract, retain and motivate high calibre executives, with an emphasis on delivering greater variable reward for achieving and exceeding the Group's strategic plan. This total pay position is analysed by looking across each of the different elements of remuneration including, salary, pension, the annual bonus plan and long-term incentives to provide the Remuneration Committee ("the Committee") with a total remuneration view rather than just the competitiveness of the individual elements.

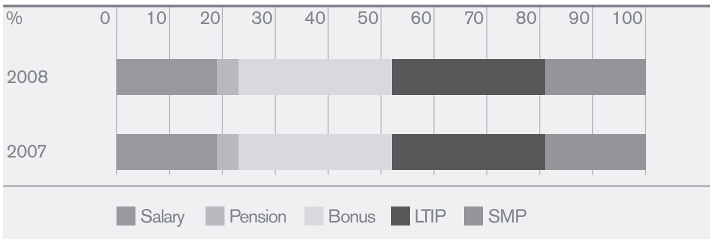
To achieve the Company's remuneration policy, the Committee seeks to ensure around mid-market total remuneration for on-target performance taking into account the size and complexity of the business as compared to other peer companies in the sector, using a high level of variable reward and with the opportunity to increase total potential remuneration for superior performance through the annual bonus plan, long-term incentive plan ("LTIP") and share matching plan ("SMP"). The relative size of the components of the Executive Directors' variable remuneration has remained unchanged from 2007.

Distribution of total "on-target"[1] annual Executive Director remuneration



1. The on-target award level for the bonus plan is assumed to be 75% of salary with a maximum award of 150%. The on-target award for the LTIP and SMP are based on the market norm expected values provided by Hewitt New Bridge Street ("HNBS") of 82.5% of salary for the LTIP and 55% for the SMP with maximums of 150% and 100% respectively.

Distribution of total maximum annual Executive Director remuneration



Details of all payments to Executive Directors in the year, which are disclosed on page 50, show the relative values of the basic and performance related elements of remuneration for the year under review.

Although financial targets for the annual bonus plan were not met (primarily as a result of the movement in yields following the credit crunch), overall the Company has continued to perform well, both in its relative performance, and in the Executive Directors' achievement of their personal objectives to progress the Company's strategy. In considering the Executive Directors' reward structure for the year to come, we believe that the relative magnitude of the elements of the variable reward structure and performance targets for the LTIP and SMP remain appropriate with adjustment made only for appropriate increases in salary to reward competitively individual performance and experience.

Basic salary and benefits
Basic salaries and the level and nature of benefits provided to Executive Directors are reviewed by the Committee annually and are assessed having regard to Company and individual performance and responsibilities and salary levels in comparable organisations (particularly within the listed property sector). However, the Committee is mindful of the need to treat comparisons with caution to avoid an upward ratchet of remuneration levels. It also takes account of pay and employment conditions across the Group, especially when determining annual salary increases. Basic salary is the only element of Executive Director remuneration which attracts pension contributions.

In April 2007, following a benchmarking exercise by HNBS, the directors received increases in salaries as follows: Toby Courtauld £425,000 (from £400,000), Timon Drakesmith £260,000 (from £225,000), Robert Noel £340,000 (from £320,000) and Neil Thompson £260,000 (from £216,000). The increases of Timon Drakesmith and Neil Thompson, who were appointed to the Board in September 2005 and August 2006 respectively, reflected that their salaries were initially set below mid-market levels in order to provide scope for development into their roles. It is now felt that their salaries reflect the increasing importance of the Group's financial and development operations and their proven abilities in their roles.

For the current year, following review of a benchmarking exercise carried out by HNBS and reference to the continued performance of the Executive Directors, from 1 April 2008 the directors salaries have been increased as follows:

Toby Courtauld £446,250 (from £425,000), Timon Drakesmith £273,000 (from £260,000), Robert Noel £357,000 (from £340,000) and Neil Thompson £286,000 (from £260,000).

Benefits principally comprise life insurance, health insurance, private healthcare subscriptions, car and travel concessions and membership subscriptions. The taxable value of these benefits is included in the table on page 50.

Directors' remuneration details in respect of the year ended 31 March 2008 (audited)

	Salaries/ fees £000	Performance related bonuses £000	Benefits £000	Total 2008 £000	Total 2007 £000	Pension contribution 2008 £000	Pension contribution 2007 £000
Executive							
Toby Courtauld	425	446	11	882	1,005	85	80
Timon Drakesmith	260	273	8	541	569	52	45
Robert Noel	340	357	13	710	809	68	64
Neil Thompson[1]	260	273	9	542	365	52	29
	1,285	1,349	41	2,675	2,748	257	218
Non-Executive							
Richard Peskin	163	–	17	180	179	–	–
Kathleen O'Donovan	56	–	–	56	53	–	–
John Edgcumbe[2]	10	–	–	10	35	–	–
Charles Irby	45	–	–	45	41	–	–
Phillip Rose	42	–	–	42	38	–	–
Jonathan Short[3]	38	–	–	38	–	–	–
	354	–	17	371	346	–	–
Total	1,639	1,349	58	3,046	3,094	257	218

1. Joined the Board on 1 August 2006.
2. Retired 5 July 2007.
3. Joined the Board on 2 April 2007.

Alignment of variable awards with Company strategy for the year ended 31 March 2008

Variable component	Maximum percentage of salary	Key elements of strategy	Measured by	Maximum performance target	Percentage achieved
Annual Bonus Plan	75%	Market competitiveness	Growth of the Company's property portfolio against IPD's relevant Capital Growth Index (for the year to 31 March)	Annual percentage rate of portfolio capital growth to exceed annual percentage rate of capital growth of the central London IPD index by 2.5%	100%
	45%	Absolute performance	Achievement of NAV targets (for the year to 31 March)	NAV growth greater than 130% of target	0%
	30%	Operational excellence	Achievement against objectives (for the year to 31 March)	Exceeding personal objectives	100%
2004 and 2005 LTIP	125%	Shareholder value	Total shareholder value and growth in the Group's net assets per share (Based on a three year performance period)	Upper decile TSR performance and growth in the Group's net assets to exceed RPI by 6%	2004 – 100% 2005 – n/a[1]
2006, 2007 and proposed 2008 LTIP	75%	Shareholder value	Total shareholder return (Based on a three year performance period)	Upper quartile TSR performance	2006 – n/a 2007 – n/a
	75%	Absolute performance	Growth in the Group's net assets per share (Based on a three year performance period)	The Group's net assets to exceed RPI plus 8%	
SMP	50%	Shareholder value	Total shareholder return (Based on a three year performance period)	Upper quartile TSR performance	
	50%	Absolute performance	Growth in the Group's net assets per share (Based on a three year performance period)	The Group's net assets to exceed RPI plus 12%	

1. As at the date of this Report, 100% of shares under the 2005 award would vest.

Long-Term Incentive Plan details in respect of the year ended 31 March 2008 (audited)

	Award date	Number of shares under award at 1 April 2007	Number of shares awarded during the year	Number of shares lapsed/did not vest	Market value of shares on grant Pence	Number of shares vested	Market value on date of vesting Pence	Number of shares under award at 31 March 2008	Vesting date of outstanding shares
Toby Courtauld	27 May 2004	165,677	–	–	257.17	165,677	720	–	n/a
	25 May 2005	133,928	–	–	348.25	–	–	133,928	25 May 2008
	17 July 2006	116,166	–	–	517.00	–	–	116,166	17 July 2009
	31 May 2007	–	91,726	–	715.50	–	–	91,726	31 May 2010
Timon Drakesmith	12 Sept 2005	71,666	–	–	379.75	–	–	71,666	25 May 2008
	17 July 2006	65,343	–	–	517.00	–	–	65,343	17 July 2009
	31 May 2007	–	56,115	–	715.50	–	–	56,115	31 May 2010
Robert Noel	27 May 2004	131,058	–	–	257.17	131,058	720	–	n/a
	25 May 2005	107,142	–	–	348.25	–	–	107,142	25 May 2008
	17 July 2006	92,933	–	–	517.00	–	–	92,933	17 July 2009
	31 May 2007	–	73,381	–	715.50	–	–	73,381	31 May 2010
Neil Thompson	27 May 2004	55,390	–	–	257.17	55,390	720	–	n/a
	25 May 2005	71,428	–	–	348.25	–	–	71,428	25 May 2008
	17 July 2006	62,817	–	–	517.00	–	–	62,817	17 July 2009
	31 May 2007	–	56,115	–	715.50	–	–	56,115	31 May 2010

1. Performance conditions attached to the LTIP awards are described below and on page 50.

Bonus plan

Each year the Committee considers the appropriateness of the component parts of the annual bonus plan on page 50 in assessing the overall remuneration of Executive Directors. The Committee also has the discretion to recommend the payment of an additional bonus to a director for exceptional performance over and above the high standard already required.

The personal objectives, other than those covered by the corporate measures for the Executive Directors for 2008 included the following and were specific as to each individual's role and responsibilities:

– successful execution of investments;
– enhanced portfolio performance;
– exceeding rental income and void targets;
– efficient management of joint venture operations;
– appropriate monitoring of factors affecting REIT status;
– successful progression of the development programme;
– proactive shareholder relations programme;
– good internal communication;
– ensuring appropriate levels of human resources;
– active representation on key property industry associations;
– the development of the Group's environmental policies; and
– ensuring delivery of health and safety objectives.

As a result of the achievement of the Executive Directors' achievements during the year, as reflected in the review of the Company on pages 6 to 14, pages 18 to 29 and pages 32 to 36, the Remuneration Committee has awarded the Executive Directors the full 30% of salary for operational excellence.

Long-Term Incentive Plans

2006 LTIP

Executive Directors (and Senior Managers to a lesser extent) are eligible to be awarded shares under an LTIP, approved by shareholders in 2006, up to an annual limit of 150% of a participant's salary. Under the 2006 scheme there are two separate performance conditions for the vesting of awards, each applying to one half of the shares awarded, which are believed by the Committee to provide the best alignment between the interests of participants and shareholders.

– the performance condition attached to one half of an award requires NAV growth of between RPI plus 3% in total increasing on a straight line to RPI plus 8% in total over three financial years (starting with the financial year that commences immediately before the date) for between 20% and 100% of this part of the award to vest (i.e. between 10% and 50% of the total award); and

– the performance condition attached to the other half requires total shareholder return ("TSR") performance against selected constituents of the FTSE 350 Real Estate Sector (excluding agencies) over the three years from grant of the award of between median and upper quartile for between 20% and 100% of this part of the award to vest (i.e. between 10% and 50% of the total award) with straight-line vesting in between.

LTIP awards before 2006

Under the previous LTIP, Executive Directors (and Senior Managers to a lesser extent) were eligible for share awards up to an annual limit of 125% of a participant's basic salary. The vesting of the shares under the 2005 award under this LTIP are conditional on the following performance conditions both being met:

– Total shareholder return (measured using share price and the reinvestment of dividends) over the three years relative to a bespoke comparator group of 18 companies (including the Company) selected from the FTSE Real Estate Index at the date of the award.

Comparator companies for the award are:

Brixton plc	Minerva plc
CLS Holdings plc	Quintain Estates & Development PLC
Derwent London plc	St Modwen Properties PLC
Development Securities plc	Shaftesbury PLC
Grainger Trust plc	SEGRO plc
Hammerson plc	The British Land Company PLC
Helical Bar plc	Warner Estate Holding PLC
Land Securities Group PLC	Workspace Group plc
Liberty International PLC	

– The growth in the Group's net assets per share exceeding the rate of inflation over the same period by an average of at least two percentage points per annum.

Net assets per share is to be calculated as the fully diluted net asset value of the Great Portland Estates Group as published in the Company's Annual Report, adjusted, as appropriate:

– to exclude the effect of deferred tax relating to capital allowances exceeding depreciation;
– to include the effect of marking debt to market;
– to include the effect of contingent corporation tax on chargeable gains;
– to ensure a consistent basis of calculation following any changes in accounting standards; and
– to take account of certain variations in share capital.

A participant in the 2005 award will be entitled to a percentage of their award dependent upon the Company's total shareholder return over the performance period compared to the comparator group over the same period as follows:

Ranking in comparator group	Percentage of award vesting
1st and 2nd	100
3rd	85
4th	70
5th	55
6th	40
7th	35
8th	30
9th	25
10th	20
11th or below	0

Share Matching Plan
Executive Directors (and to a lesser extent Senior Managers) are eligible to be awarded shares under an SMP, approved by shareholders in 2006, up to an annual limit of 100% of salary:

– an individual may purchase or pledge shares already owned in the Company ("Investment" shares) up to an amount equal to 30% of their pre-tax annual base salary. After the Investment shares have been purchased or pledged, the Company will grant conditional awards of shares ("Matching" shares) under the SMP with a value equal to two times the value of the Investment shares (grossed up for tax and employee National Insurance);
– Investment shares will remain registered in the name of the holder with full voting and dividend rights but if Investment shares are disposed of then the conditional Matching awards will lapse on a proportionate basis; and
– dividends on Matching shares will be rolled up.

There are two separate performance conditions, each applying to half of the Matching shares awarded:

– the performance condition attached to one half of an award will require NAV growth of between RPI plus 4% in total increasing on a straight line to RPI plus 12% in total over three financial years (starting with the financial year that commences immediately before the date of grant) over the three years from grant of the award for between 20% and 100% of this part of the award to vest (i.e. between 10% and 50% of the total award); and
– the performance condition attached to the other half will require total shareholder return ("TSR") performance against the selected constituents of the FTSE 350 Real Estate Sector (excluding agencies) of between median and upper quartile for between 20% and 100% of this part of the award to vest (i.e. between 10% and 50% of the total award) with straight-line vesting in between.

The performance conditions selected for both the LTIP and SMP are thought by the Committee to provide an appropriate balance between rewarding sustained increases in the value of the Company's net asset base and rewarding relative stock market performance. For the part of an award to which the TSR performance condition applies, the Committee must also be satisfied that the number of shares that vest as a result of the performance conditions being met is reflective of the underlying financial performance of the Company. Actual performance against the conditions will be independently verified and reported to the Committee.

LTIP and SMP Matching shares, upon vesting, are transferred out of the Great Portland Estates plc LTIP Employer Share Trust ("the Trust"), a discretionary trust established to facilitate the operation of the LTIP and SMP with shares vesting to date being purchased by the Trustees of the Trust in the open market. The number of shares held by the Trust as at 31 March 2008 was 758,027.

Share Matching Plan details in respect of the year ended 31 March 2008 (audited)

Director	Award date	Number of shares under award at 1 April 2007	Number of shares awarded during the year	Number of shares lapsed/did not vest	Market value of shares on grant Pence	Number of shares vested	Market value on date of vesting Pence	Number of shares under award at 31 March 2008	Vesting date of outstanding shares
Toby Courtauld	17 July 2006	78,376	–	–	517.00	–	–	78,376	17 July 2009
	08 June 2007	–	60,676	–	661.50	–	–	60,676	08 June 2010
Timon Drakesmith	17 July 2006	44,086	–	–	517.00	–	–	44,086	17 July 2009
	08 June 2007	–	37,121	–	661.50	–	–	37,121	08 June 2010
Robert Noel	17 July 2006	62,700	–	–	517.00	–	–	62,700	17 July 2009
	08 June 2007	–	48,543		661.50	–	–	48,543	08 June 2010
Neil Thompson	17 July 2006	42,380	–	–	517.00	–	–	42,380	17 July 2009
	08 June 2007	–	37,121	–	661.50	–	–	37,121	08 June 2010

Performance conditions attached to the SMP awards are described above.

Share ownership

Under the 2006 LTIP, Executive Directors are expected to build and hold a shareholding of the Company's shares obtained through incentive plans equal in value to 100% of salary within five years.

As at 31 March 2008

Director	Target value of shareholding £	Current shareholding Shares	Value of shareholding 31 March 2008 £	Percentage holding against 5 year target
Toby Courtauld	425,000	140,197	742,343	175%
Timon Drakesmith	260,000	35,155	186,146	72%[1]
Robert Noel	340,000	77,635	411,077	121%
Neil Thompson	260,000	29,054	153,841	59%[2]

1. Joined the Board on 12 September 2005.
2. Joined the Board on 1 August 2006.

Pensions

A contribution of 20% of basic salary is made to each Executive Director for his personal pension arrangements or direct to his personal pension plan.

Remuneration of Non-Executive Directors

The fees of the Non-Executive Directors, excluding the Chairman, are reviewed annually by the Executive Directors, who make recommendations to the Board. The total of Non-Executive Directors' fees is limited by the Articles of Association. Remuneration of the Non-Executive Directors including the Chairman comprises a basic fee, together with a fee for serving on each Board Committee. The Chairman receives a basic fee of £160,000 per annum increased to £168,000 from 1 April 2008 and all other Non-Executive Directors received a basic fee of £35,000 per annum increased to £36,750 from 1 April 2008. In addition, in recognition of greater responsibility and time commitment, the Senior Independent Director receives a fee of £5,000 per annum, the Chairman of the Audit Committee receives a fee of £7,500 per annum, the Chairman of the Remuneration Committee a fee of £6,000 per annum and the Chairman of the Nomination Committee a fee of £5,000 per annum. Members of the Audit and Remuneration Committee receive a fee of £3,500 per annum and £3,000 for the Nomination Committee increased to £3,750 for the Audit and Remuneration Committees and £3,350 for the Nomination Committee from 1 April 2008. Non-Executive Directors are not eligible for the Bonus Plan, LTIP or SMP, nor are contributions made to any pension arrangements.

Service agreements

The policy of the Company is to have service contracts for Executive Directors with notice periods of one year. It is sometimes necessary when recruiting a new Executive Director to give a service contract with an initial term of longer than one year. In such circumstances it is the policy of the Company that the notice period should reduce to one year after the initial period of service.

Toby Courtauld's compensation in lieu of notice, payable at the Company's discretion, is 12 months' basic salary. Compensation in lieu of notice of Robert Noel, Timon Drakesmith and Neil Thompson, payable at the Company's discretion, is 12 months' basic salary, pension allowance and the value of benefits in kind provided in the previous year, or the actual provision of those benefits. At the discretion of the Remuneration Committee, LTIP, SMP and other awards may be permitted to vest based upon the applicable performance conditions being tested.

The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. It is the Committee's policy not to reward poor performance.

On a change of control, under the terms of the Bonus Plan, the LTIP and the SMP, all the Executive Directors would also be entitled to pro rata bonuses and outstanding awards subject to the meeting of the appropriate performance conditions for the period concerned.

Executive Directors may, with the consent of the Committee, retain fees paid to them for acting as a Non-Executive Director of a company outside the Group, except where the directorship is a representative of the Company. Toby Courtauld a Non-Executive Director of Live-ex Limited, for which he received no remuneration during the year. Robert Noel became a director of The New West End Company on 1 April 2008 for which he receives no remuneration.

Non-Executive Directors have letters of appointment, are subject to the provisions of the articles of association dealing with appointment and rotation every three years, and are subject to a notice period of three months by either party.

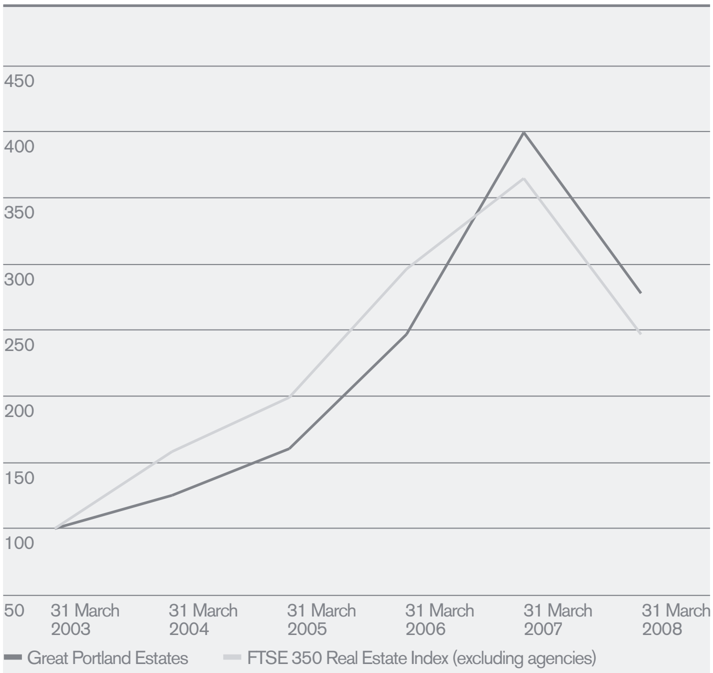
The following table sets out the dates of each of the Executive Directors' service agreements and their unexpired term, the dates of the Non-Executive Directors' letters of appointment and the date on which the Non-Executive Director is next subject to reappointment or re-election.

Executive	Date of service agreement	Unexpired term (months)
Toby Courtauld	18 March 2002	12
Robert Noel	5 June 2002	12
Timon Drakesmith	15 August 2005	12
Neil Thompson	1 August 2006	12

Non-Executive	Date of appointment letter	Date when next subject to reappointment/ re-election
Richard Peskin	31 March 2000	2008
Kathleen O'Donovan	31 March 2003	2010
Charles Irby	31 March 2004	2010
Phillip Rose	11 April 2005	2008
Jonathan Short	2 April 2007	2010

Total shareholder return
The following graph shows the total shareholder returns for the Company for each of the last five financial years compared to the FTSE 350 Real Estate Index (excluding agencies). The Company is a constituent of the FTSE 350 Real Estate Index, and the Committee considers this benchmark to be the most appropriate for illustrating the Company's performance.

Total shareholder return



This graph shows the value, by 31 March 2008, of £100 invested in Great Portland Estates on 31 March 2003 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year-ends.

Source: Datastream

Remuneration Committee and advisers
The Committee comprises three independent Non-Executive Directors, Charles Irby (Chairman), Kathleen O'Donovan and Jonathan Short, and has responsibility for:

– determining the remuneration, contract terms and other benefits of the Chairman and Executive Directors;

– reviewing the remuneration framework for Senior Managers including the annual bonus plan, and long-term incentive arrangements;

– reviewing the remuneration framework for all other employees including the annual bonus plan, where employees are eligible to participate in performance related bonus plans based on Company and individual performance targets;

– overseeing any significant changes to employee benefits, including pensions; and

– approving the design of and targets for performance related incentive schemes.

The Committee's Terms of Reference are available on written request and from the Company's website on www.gpe.co.uk/investors/governance/.

The Committee is advised by HNBS, a firm of independent remuneration consultants, who were appointed by the Committee, and who only provide advice to the Group in respect of remuneration; and Investment Property Databank ("IPD") who provide measurement against its property benchmark. Toby Courtauld, the Chief Executive, provided advice in relation to the discretionary bonuses for the other Executive Directors.

Remuneration report
In preparing this Remuneration report, the Committee has followed the requirements of Section 1 of the 2006 Combined Code on Corporate Governance, the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002, and the Listing Rules of the Financial Service Authority. This report will be submitted to shareholders for approval at the Annual General Meeting to be held on 3 July 2008.

Approved by the Board on 21 May 2008 and signed on its behalf by

Charles Irby
Chairman of the Remuneration Committee

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. Company law requires the directors to prepare such financial statements in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

– provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In the case of UK GAAP Company accounts, the directors are also required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and are required to:

– select suitable accounting policies and apply them consistently;

– make judgements and estimates that are reasonable and prudent; and

– state whether applicable UK Accounting Standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:

– the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

– the management report, which is incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board on 21 May 2008 and signed on its behalf by

N.T. Drakesmith

Toby Courtauld
Chief Executive

Timon Drakesmith
Finance Director

Group income statement

For the year ended 31 March 2008

	Notes	2008 £m	2007 £m
Rental income	2	44.4	46.9
Joint venture fee income	10	5.8	1.6
Rental and joint venture fee income		50.2	48.5
Service charge income		5.1	6.2
Service charge expenses		(6.0)	(7.9)
		(0.9)	(1.7)
Other property expenses		(4.8)	(2.3)
Net rental and related income		44.5	44.5
Administration expenses	3	(14.2)	(14.2)
Development management revenue		35.4	23.6
Development management costs		(28.3)	(18.3)
		7.1	5.3
Operating profit before (deficit)/gains on investment property and results of joint ventures		37.4	35.6
(Deficit)/gain from investment property	8	(8.7)	278.1
Share of results of joint ventures	10	(1.6)	45.2
Operating profit before financing costs		27.1	358.9
Finance income	4	0.6	0.3
Finance costs	5	(30.7)	(22.0)
Premium on redemption of interest-bearing loans and borrowings		–	(11.2)
(Loss)/profit before tax		(3.0)	326.0
Tax	6	(1.1)	56.8
(Loss)/profit for the year	19	(4.1)	382.8
Basic (loss)/earnings per share	7	(2.2)p	235.7p
Diluted (loss)/earnings per share	7	(2.2)p	214.3p
Adjusted earnings per share	7	12.6p	10.2p

All results are derived from continuing operations.

Total operating profit before (deficit)/gain on investment property		2008 £m	2007 £m
Operating profit before gain on investment property and results of joint ventures		37.4	35.6
Share of results of joint ventures	10	16.1	3.1
Total operating profit before (deficit)/gain on investment property		53.5	38.7

Group balance sheet
At 31 March 2008

	Notes	2008 £m	2007 £m
Non-current assets			
Investment property	8	1,073.3	1,314.3
Development property, plant and equipment	9	24.4	20.9
Investment in joint ventures	10	390.6	176.0
Deferred tax	16	–	0.8
Pension asset	24	2.2	–
		1,490.5	1,512.0
Current assets			
Trade and other receivables	11	22.2	22.2
Income tax receivable		0.4	–
Cash and cash equivalents		0.7	4.2
		23.3	26.4
Total assets		1,513.8	1,538.4
Current liabilities			
Trade and other payables	12	26.6	30.7
Income tax payable		–	28.2
Interest-bearing loans and borrowings	13	–	2.9
		26.6	61.8
Non-current liabilities			
Interest-bearing loans and borrowings	13	429.3	390.4
Obligations under finance leases	15	8.5	10.0
Pension liability	24	–	0.2
		437.8	400.6
Total liabilities		464.4	462.4
Net assets		1,049.4	1,076.0
Equity			
Share capital	17	22.6	22.6
Share premium account	18	68.2	68.2
Hedging reserve	19	(3.8)	0.5
Capital redemption reserve	19	16.4	16.4
Revaluation reserve	19	1.3	1.5
Retained earnings	19	944.9	967.7
Investment in own shares	20	(0.3)	(1.0)
Shareholders' funds		1,049.3	1,075.9
Minority interest		0.1	0.1
Total equity		1,049.4	1,076.0
Net assets per share	7	580p	594p
Adjusted net assets per share	7	582p	594p

Approved by the Board on 21 May 2008 and signed on its behalf by

N.T. Drakesmith

Toby Courtauld
Chief Executive

Timon Drakesmith
Finance Director

Group statement of cash flows

For the year ended 31 March 2008

	Notes	2008 £m	2007 £m
Operating activities			
Operating profit before financing costs		27.1	358.9
Adjustments for non-cash items	21	17.2	(319.4)
Increase in receivables		(1.0)	(16.8)
Increase in payables		(5.1)	5.6
Cash generated from operations		38.2	28.3
Interest received		0.6	0.3
Interest paid		(32.7)	(23.9)
Tax paid		(28.7)	(0.7)
Cash flows from operating activities		(22.6)	4.0
Investing activities			
Purchase of interests in joint ventures		(138.8)	(6.9)
Purchase and development of property		(74.4)	(216.3)
Purchase of fixed assets		(0.1)	(0.2)
Purchase of own shares		(0.9)	–
Sale of properties		132.6	132.1
Cash flow from investing activities		(81.6)	(91.3)
Financing activities			
Redemption of loans		(2.9)	(43.1)
Borrowings drawn		35.0	90.0
Loans from joint venture		89.2	–
Purchase of derivatives		–	(0.3)
Issue of debenture		–	52.5
Issue of minority interest		–	0.1
Equity dividends paid		(20.6)	(18.0)
Cash flows generated from financing activities		100.7	81.2
Net decrease in cash and cash equivalents		(3.5)	(6.1)
Cash and cash equivalents at 1 April		4.2	10.3
Cash and cash equivalents at balance sheet date		0.7	4.2

Group statement of recognised income and expense
For the year ended 31 March 2008

	2008 £m	2007 £m
Revaluation of development properties	(0.2)	1.5
Deferred tax on development properties released directly in equity	–	0.1
Fair value movement on derivatives	(4.5)	0.5
Deferred tax on fair value movements on derivatives	0.2	–
Actuarial gains on defined benefit scheme	1.9	–
Net (loss)/gain recognised directly in equity	(2.6)	2.1
(Loss)/profit for the year	(4.1)	382.8
Total recognised income and expense for the year	(6.7)	384.9

Group reconciliation of other movements in equity
For the year ended 31 March 2008

	2008 £m	2007 £m
Opening total equity	1,076.0	654.7
Total recognised income and expense for the year	(6.7)	384.9
Conversion of convertible bond	–	53.7
Minority interest	–	0.1
Deferred tax on convertible bonds	–	(0.6)
Employee Long-Term Incentive and Share Matching Plan charge	1.6	1.2
Purchase of shares in LTIP Employee Share Trust	(0.9)	–
Dividends	(20.6)	(18.0)
Closing total equity	1,049.4	1,076.0

Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation
The financial statements have been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties, financial instruments and pension assets. In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that may affect the financial statements. Management believes that the judgements made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated. Critical accounting judgements include the classification of tenant leases between financing and operating and the determination of profit taking on development management agreements, the accounting policies for these areas of judgement are set out below.

During 2008, the following accounting standards and guidance were adopted by the Group:

– IFRS 7 Financial Instruments – Disclosures;

– Amendments to IAS 23 Borrowing costs; and

– IFRIC 11: IFRS 2 Group and treasury share transactions.

At the date of approval of these financial statements, the following standards and guidance relevant to the Group were in issue:

– IFRIC 14: IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction;

– IFRS 8 Operating segments;

– Amendments to IAS 1 Presentation of financial statements – A revised presentation;

– Amendments to IFRS 2 Share-based payment;

– IFRS 3 (revised) Business combinations; and

– Amendments to IAS 27 Consolidated and separate financial statements.

These pronouncements will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

The principal accounting policies adopted are set out below.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2008.

Rent receivable
This comprises rental income and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable.

Tenant leases
Management have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 "Leases" for all properties leased to tenants and in their judgement have determined that all such leases are operating leases.

Lease incentives
Lease incentives including rent-free periods and payments to tenants, are allocated to the income statement on a straight-line basis over the lease term. The value of resulting accrued rental income is included within the respective property.

Other property expenses
Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the income statement as other property expenses. Costs incurred in the improvement of the portfolio which, in the opinion of the directors, are not of a capital nature are written off to the income statement as incurred.

Administration expenses
Costs not directly attributable to individual properties are treated as administration expenses.

Share-based payment
The cost of granting share-based payments to employees and directors is recognised within administration expenses in the income statement. The Group has used the Stochastic model to value the grants which is dependent upon factors including the share price, expected volatility and vesting period and the resulting fair value is amortised through the income statement over the vesting period. The charge is reversed if it is likely that any non-market based criteria will not be met.

Investment properties
Investment properties, including those under development, are professionally valued each year, on a market value basis, and any surpluses or deficits arising are taken to the income statement. Disposals of properties are recognised where contracts have been unconditionally exchanged during the accounting period and the significant risks and rewards of ownership of the property have been transferred to the purchaser.

1 Accounting policies (continued)

Depreciation
No depreciation is provided in respect of freehold investment properties and leasehold investment properties. Depreciation is provided on plant and equipment, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the balance sheet date of each asset evenly over its expected useful life, as follows:

Fixtures and fittings – over three to five years.
Leasehold improvements – over the term of the lease.

Development properties
Development properties are carried in property, plant and equipment and are professionally valued each year, on a market value basis, and any surpluses arising are taken to the revaluation reserve with any deficits below cost taken to the income statement. A development property is one purchased for the purposes of development, redevelopment or substantial refurbishment with relatively little, or short-term, income whether planning permission exists or is still to be granted. All directly attributable costs of bringing a property to a condition suitable for letting are capitalised into the cost of the property. Once development is concluded, the property is transferred to investment property. Any cumulative revaluation reserve in respect of that property is transferred to retained earnings.

Joint ventures
Joint ventures are accounted for under the equity method: the Group balance sheet contains the Group's share of the net assets of its joint ventures. Long-term loans owed to or from the Group by joint ventures are included within investments. The Group's share of joint ventures' profit is included in the Group income statement in a single line.

Deferred tax
Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Pension benefits
The Group contributes to a defined benefit pension plan which is funded with assets held separately from those of the Group. The full value of the net assets or liabilities of the pension fund is brought on to the balance sheet at each balance sheet date. Actuarial gains and losses are taken to the Group statement of recognised income and expense, all other movements are taken to the income statement.

Capitalisation of interest
Interest associated with direct expenditure on investment properties under development and development properties is capitalised. Direct expenditure includes the purchase cost of a site or property for development properties, but does not include the original book cost of investment property under development. Interest is capitalised from the start of the development work until the date of practical completion. The rate used is the Group's pre-tax weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings.

Financial instruments:

i Derivatives The Group's derivatives are measured at fair value in the balance sheet. To the extent that a derivative provides an effective cash flow hedge against the Group's underlying exposure the movements in the fair value of the hedge are taken to equity. To the extent that the derivative does not effectively hedge the underlying exposure the movement in the fair value of the hedge is taken to the income statement.

ii Borrowings The Group's borrowings in the form of its debentures and bank loans are recognised initially at fair value, after taking account of any discount or premium on issue and attributable transaction costs. Subsequently borrowings are held at amortised cost, with any discounts, premiums and attributable costs charged to the income statement using the effective interest rate method.

iii Cash and cash equivalents Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to insignificant risk of changes in value.

iv Trade receivables and payables Trade receivables and payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Head leases
The present value of future ground rents is added to the carrying value of a leasehold investment property and to long-term liabilities. On payment of a ground rent virtually all of the cost is charged to the income statement, principally as interest payable, and the balance reduces the liability; an equal reduction to the asset's valuation is charged to the income statement.

Segmental analysis
The Group has only one reportable segment on the basis that all of its revenue is generated from investment properties located in central London; accordingly no segmental analysis is presented.

1 Accounting policies (continued)

Development management agreements

Where the outcome of a development management agreement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the balance sheet date. Management exercise judgement when estimating the percentage complete, this is normally measured as the proportion that contract costs incurred for work performed bear to the estimated total contract costs. Variations in work, claims and incentive payments are included to the extent that they have been agreed with the client.

Where the outcome of a development management agreement cannot be estimated reliably, contract revenue is recognised to the extent of costs incurred that it is probable will be recoverable. Costs are recognised as expenses in the period in which they are incurred. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

2 Rental income

	2008 £m	2007 £m
Gross rental income	39.0	44.9
Amortisation of capitalised lease incentives	5.4	2.1
Ground rents payable	–	(0.1)
	44.4	46.9

3 Administration expenses

	2008 £m	2007 £m
Administration expenses		
Employee costs	11.0	11.2
Other	3.2	2.7
Non-recurring items		
Cost of REIT conversion	–	0.3
	14.2	14.2

Included within administration expenses are fees charged by the auditors comprising audit fees for the Company and its subsidiaries of £0.1 million (2007: £0.1 million) and non-audit fees, which largely related to transactions, of £nil (2007: £0.1 million) and depreciation of £0.4 million (2007: £0.4 million).

Included within employee costs is an accounting charge for the LTIP and SMP schemes of £1.6 million (2007: £1.2 million).

Employee information

The average number of employees of the Group, including directors, was:

	2008 Number	2007 Number
Head office and administration	74	68

Included within administration expenses are staff costs, including those of directors, comprising:

	2008 £m	2007 £m
Wages and salaries	9.4	8.9
Social security costs	1.2	1.8
Other pension costs	0.9	0.8
	11.5	11.5
Less: recovered through service charge	(0.5)	(0.3)
	11.0	11.2

The directors received fees of £354,000 (2007: £330,000) and other emoluments of £2,692,000 (2007: £2,764,000), pension contributions have been made for directors of £257,000 (2007: £218,000). The emoluments and pension benefits of the directors are set out in detail within the Directors' remuneration report on page 49.

4 Finance income

	2008 £m	2007 £m
Interest on short-term deposits	0.6	0.2
Other	–	0.1
	0.6	0.3

5 Finance costs

	2008 £m	2007 £m
Interest on bank overdrafts and bank loans	24.7	11.5
Interest on debentures	8.0	7.4
Interest on convertible bonds	–	3.6
Interest on loan notes	–	0.1
Interest on obligations under finance leases	0.7	0.6
Other interest	–	0.2
Gross finance costs	33.4	23.4
Less: capitalised interest at an average rate 6.0% (2007: 5.7%)	(3.1)	(1.5)
	30.3	21.9
Fair value movement on derivatives in ineffective hedging relationships	0.4	0.1
	30.7	22.0

6 Tax

	2008 £m	2007 £m
Current tax		
UK corporation tax	–	0.3
REIT conversion charge	–	28.3
Tax under/(over) provided in previous years	0.1	(0.1)
Total current tax	0.1	28.5
Deferred tax	1.0	(85.3)
Tax charge/(credit) for the year	1.1	(56.8)

The difference between the standard rate of tax and the effective rate of tax arises from the items set out below:

	2008 £m	2007 £m
(Loss)/profit before tax	(3.0)	326.0
Tax (credit)/charge on profit at standard rate of 30%	(0.9)	97.8
Deferred tax released on conversion to REIT status	–	(135.4)
REIT conversion charge	–	28.3
Property revaluations	–	(41.5)
Sale of investment properties	–	(5.2)
Ring-fenced rental income	(4.2)	(0.9)
Accelerated capital allowances	–	(0.8)
Receipts taxable as chargeable gains or taxed in prior year	–	(0.4)
Other	0.6	(0.5)
Accounting losses arising in the year not deductible for tax purposes/(profits arising in the year not taxable)	4.7	(0.3)
Previous years' corporation tax	0.1	(0.1)
Expenses not deductible for tax purposes	0.1	0.3
Accounting losses arising in the year not relievable against current tax	0.7	1.9
Tax charge/(credit) for the year	1.1	(56.8)

During the year a tax credit of £0.2 million (2007: a charge of £0.1 million) was allocated directly to equity. This credit related to deferred tax in respect of derivatives.

6 Tax (continued)

The Group converted to a REIT on 1 January 2007. From that date, the Group has been exempt from corporation tax in respect of the following:

- rental profits arising from its property investment business; and
- chargeable gains arising on the sale of properties from its property investment business, provided that the relevant property is not both:
  - the subject of a development which costs more than 30% of the property's fair value at the later of 1 January 2007 and the date that it was purchased by the Group; and
  - sold within three years of the completion of the development.

The Group is otherwise subject to corporation tax. The Group estimates that as the majority of its future profits will not be subject to corporation tax, it will have a very low tax charge over the coming years. The Group has no current intention of selling any development properties that would give rise to a tax charge.

As a REIT, Great Portland Estates plc is required to pay Property Income Distributions of at least 90% of the profits (excluding chargeable gains) of the Group's property investment business (calculated by tax rules rather than accounting rules).

In order to ensure that the Group is able to both retain its status as a REIT and to avoid financial charges being imposed, a number of tests must be met by both Great Portland Estates plc and by the Group as a whole on an ongoing basis. These conditions are detailed in the Finance Act 2006.

7 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the guidance issued in January 2006 by the European Public Real Estate Association (EPRA).

Weighted average number of ordinary shares

	2008 Number of shares	2007 Number of shares
Issued ordinary share capital at 1 April	181,019,809	163,181,906
Conversion of convertible bonds	2,430	346,843
Investment in own shares	(707,455)	(1,115,628)
Weighted average number of ordinary shares	180,314,784	162,413,121
Effect of conversion of convertible bonds	–	17,534,658
Diluted weighted average number of ordinary shares	180,314,784	179,947,779

Basic, diluted and adjusted earnings per share

	2008 (Loss)/profit before tax £m	2008 Tax £m	2008 (Loss)/profit after tax £m	2008 (Loss)/earnings per share pence	2007 Profit after tax £m	2007 Earnings per share pence
Basic	(3.0)	(1.1)	(4.1)	(2.2)	382.8	235.7
Effect of convertible bonds	–	–	–	–	2.8	(21.4)
Diluted	(3.0)	(1.1)	(4.1)	(2.2)	385.6	214.3
Deferred tax on accelerated capital allowances	–	–	–	–	(7.7)	(4.3)
Premium on redemption of loans	–	–	–	–	9.0	5.1
REIT conversion charge and associated costs	–	–	–	–	28.5	15.8
Movement in fair value of derivatives	0.4	–	0.4	0.2	0.1	–
Reversal of deferred tax on REIT conversion	–	–	–	–	(76.1)	(42.3)
Deficit/(gain) from investment property	8.7	–	8.7	4.8	(278.9)	(155.0)
Deficit/(gain) from joint venture investment property	17.7	–	17.7	9.8	(42.1)	(23.4)
Adjusted (diluted)	23.8	(1.1)	22.7	12.6	18.4	10.2

7 Earnings and net assets per share (continued)

Net assets per share

	2008 Shareholders' funds £m	2008 Number of shares million	2008 Net assets per share pence	2007 Shareholders' funds £m	2007 Number of shares million	2007 Net assets per share pence
Basic	1,049.3	181.0	580	1,075.9	181.0	594
Convertible bonds	–	–	–	–	–	–
Diluted	1,049.3	181.0	580	1,075.9	181.0	594
Fair value of financial liabilities	17.6		10	(1.7)		(1)
Diluted triple net assets	1,066.9		590	1,074.2		593
Fair value of financial liabilities	(17.6)		(10)	1.7		1
Fair value of derivatives	4.0		2	(0.9)		–
Adjusted net assets	1,053.3		582	1,075.0		594

8 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2006	697.9	146.8	844.7
Acquisitions	123.3	42.7	166.0
Costs capitalised	11.3	5.7	17.0
Disposals	(71.4)	(24.5)	(95.9)
Transfer from development property	22.5	–	22.5
Transfer from investment property under development	–	48.8	48.8
Transfer to investment property under development	(44.4)	–	(44.4)
Net valuation gain on investment property	167.7	56.1	223.8
Book value at 31 March 2007	906.9	275.6	1,182.5
Acquisitions	21.8	–	21.8
Costs capitalised	14.1	0.7	14.8
Disposals	(223.2)	(61.2)	(284.4)
Transfer from investment property-development	61.9	–	61.9
Net valuation gain/(deficit) on investment property	0.5	(9.3)	(8.8)
Book value at 31 March 2008	782.0	205.8	987.8

8 Investment property (continued)

Investment property-development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2006	72.6	47.8	120.4
Costs capitalised	20.9	1.0	21.9
Interest capitalised	0.6	–	0.6
Disposals	(49.7)	–	(49.7)
Transfer from investment property	44.4	–	44.4
Transfer to investment property	–	(48.8)	(48.8)
Net valuation gain on investment property-development	43.0	–	43.0
Book value at 31 March 2007	131.8	–	131.8
Costs capitalised	37.2	–	37.2
Interest capitalised	1.9	–	1.9
Disposals	(31.2)	–	(31.2)
Transfer to investment property	(61.9)	–	(61.9)
Net valuation gain on investment property-development	7.7	–	7.7
Book value at 31 March 2008	85.5	–	85.5
Total investment property	867.5	205.8	1,073.3

	2008 £m	2007 £m
Net valuation (deficit)/gain on investment property	(1.1)	266.8
(Loss)/profit on sale of investment properties	(5.8)	11.3
Net valuation deficit on development property taken to the income statement	(1.8)	–
(Deficit)/gain from investment property	(8.7)	278.1

The investment and development properties (note 9) were valued on the basis of market value by CB Richard Ellis, independent valuers, as at 31 March 2008 in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and has been primarily derived using comparable recent market transactions on arm's-length terms. The book value of investment property includes £8.5 million (2007: £10.0 million) in respect of the present value of future ground rents.

At 31 March 2008 the Group had capital commitments of £24.3 million (2007: £58.1 million).

At 31 March 2008, properties with carrying value of £253.5 million (2007: £260.2 million) were secured under first mortgage debenture stock (see note 13).

9 Development property, plant and equipment

	Leasehold improvements £m	Fixtures and fittings £m	Development property £m	Total £m
Cost or valuation				
At 1 April 2006	1.9	0.6	58.6	61.1
Acquisitions	0.1	0.1	8.5	8.7
Costs capitalised	–	–	1.0	1.0
Interest capitalised	–	–	0.8	0.8
Disposals	–	–	(29.2)	(29.2)
Transfers to investment property	–	–	(22.5)	(22.5)
Net valuation gain taken to equity	–	–	1.5	1.5
At 31 March 2007	2.0	0.7	18.7	21.4
Costs capitalised	–	0.1	4.6	4.7
Interest capitalised	–	–	1.2	1.2
Net valuation deficit value taken to income statement	–	–	(1.8)	(1.8)
Net valuation deficit taken to equity	–	–	(0.2)	(0.2)
At 31 March 2008	2.0	0.8	22.5	25.3
Depreciation				
At 1 April 2007	0.3	0.2	–	0.5
Charge for the year	0.2	0.2	–	0.4
At 31 March 2008	0.5	0.4	–	0.9
Carrying amount at 31 March 2007	1.7	0.5	18.7	20.9
Carrying amount at 31 March 2008	1.5	0.4	22.5	24.4

The historical cost of development property at 31 March 2008 was £22.9 million (2007: £17.1 million). The cumulative interest capitalised in development property was £1.7 million (2007: £0.5 million).

10 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	Loans £m	Total £m
At 1 April 2007	166.5	9.5	176.0
Acquisitions	316.1	14.2	330.3
Movement on loan balances	–	(103.4)	(103.4)
Share of profit of joint ventures	16.1	–	16.1
Share of profit on disposal of joint venture properties	2.7	–	2.7
Share of revaluation deficit of joint ventures	(20.4)	–	(20.4)
Deficit from joint venture investment property	(17.7)	–	(17.7)
Distributions	(10.7)	–	(10.7)
At 31 March 2008	470.3	(79.7)	390.6

The investments in joint ventures comprise the following:

	Country	2008	2007
The Great Capital Partnership	United Kingdom	50%	–
The Great Ropemaker Partnership	United Kingdom	50%	–
The Great Victoria Partnership	United Kingdom	50%	50%
The Great Victoria Partnership (No. 2)	United Kingdom	50%	50%
The Great Wigmore Partnership	United Kingdom	50%	50%

10 Investment in joint ventures (continued)

On 25 April 2007 the Group entered into a joint venture with Liberty International subsidiary, Capital & Counties Limited. The Group contributed four properties worth £161.6 million and a balancing sum of £68 million in cash. On 26 March 2008 the Group entered into a joint venture with Ropemaker Properties Limited, the property nominee of the BP Pension Fund. The Group contributed its Blackfriars development site to the joint venture for consideration of £20.5 million.

The Group's share in the assets and liabilities, revenues and expenses for the joint ventures are set out below:

	Great Capital Partnership £m	Great Ropemaker Partnership £m	Great Wigmore Partnership £m	Great Victoria Partnerships £m	2008 Total £m	2007 Total £m
Investment property	337.1	12.2	79.4	129.3	558.0	212.6
Current assets	8.9	–	1.1	6.3	16.3	14.3
Loans to/(from) Partners	85.9	–	(0.7)	(5.5)	79.7	(9.5)
Bank loans	(111.7)	–	–	(46.1)	(157.8)	(46.0)
Current liabilities	(8.1)	(1.4)	(1.8)	(5.2)	(16.5)	(4.9)
Finance leases	(9.4)	–	–	–	(9.4)	–
Net assets	302.7	10.8	78.0	78.8	470.3	166.5
Net rental income	13.1	–	3.1	5.6	21.8	5.6
Finance costs	(0.7)	–	–	(2.1)	(2.8)	(1.8)
Property and administration costs	(1.5)	–	(1.2)	(0.2)	(2.9)	(0.7)
Share of profit from joint ventures	10.9	–	1.9	3.3	16.1	3.1
Revaluation of investment property	(6.9)	(4.8)	(8.1)	(0.6)	(20.4)	38.4
Profit on sale of investment property	2.7	–	–	–	2.7	3.7
Net profit/(loss)	6.7	(4.8)	(6.2)	2.7	(1.6)	45.2

The book value of investment property includes £9.4 million (2007: £nil) in respect of the present value of future ground rents.

Transactions during the year between the Group and its joint ventures are disclosed below.

	2008 £m	2007 £m
New loans during the year	89.2	–
Loans outstanding at the year end from/(to) joint ventures	79.7	(9.5)
Distributions	10.7	2.5
Fee income	5.8	1.6

None of the above balances are secured. The Group earns fee income from its joint ventures for the provision of management services. All of the above transactions are made on terms equivalent to those that prevail in arm's-length transactions.

At 31 March 2008 the Group had capital commitments of £5.4 million (2007: £nil) in respect of balances arising in its joint ventures.

11 Trade and other receivables

	2008 £m	2007 £m
Trade receivables	3.1	4.4
Allowance for doubtful debts	(0.3)	(0.5)
	2.8	3.9
Prepayments and accrued income	1.6	1.1
Other trade receivables	5.4	4.9
Amounts recoverable under development management agreements	12.4	11.4
Derivatives	–	0.9
	22.2	22.2

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the tenant's lease. Trade receivables are provided for based on estimated irrecoverable amounts determined by past default experience and knowledge of the individual tenant's circumstance. At 31 March 2008 the weighted average of the Group's trade receivables that were past due but not impaired was 21 days.

Amounts recoverable on development management agreements relate to amounts due to the Group primarily on its Tooley Street development. During the year the Group received payments on account of £34.4 million (2007: £12.2 million). The aggregate costs incurred and profits less losses recognised to date are £46.6 million (2007: £18.3 million) and £12.4 million (2007: £5.3 million) respectively. There are no material retentions on the projects.

11 Trade and other receivables (continued)

	2008 £m	2007 £m
Movements in allowance of doubtful debts		
Balance at the beginning of the year	(0.5)	(1.2)
Amounts recovered during the year	0.1	–
Amounts written off as uncollectible	0.1	0.7
	(0.3)	(0.5)

12 Trade and other payables

	2008 £m	2007 £m
Trade payables	9.8	12.7
Non-trade payables and accrued expenses	16.8	18.0
	26.6	30.7

13 Interest bearing loans and borrowings

	2008 £m	2007 £m
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	144.3	144.4
Unsecured		
Bank loans	281.0	246.0
Non-current liabilities at fair value		
Derivatives	4.0	–
	429.3	390.4
Current liabilities at amortised cost		
Loan notes	–	2.9
	429.3	393.3

The Group has two floating rate revolving credit facilities of £300 million, £200 million and a £50 million bilateral facility. The £300 million facility is unsecured, attracts a floating rate of 0.525% above LIBOR and expires in 2012. The £200 million facility is unsecured, attracts a floating rate of 0.50% above LIBOR and expires in 2012. The £50 million facility is unsecured, attracts a floating rate of 0.65% above LIBOR and expires in 2010. The unsecured loan notes, which together with an associated guarantee attracted a floating rate of interest of 0.275% in aggregate above LIBOR matured in April 2007. All interest bearing loans and borrowings are in sterling. At 31 March 2008 the Group had £269 million (2007: £239 million) of undrawn credit facilities.

14 Financial instruments

	Carrying amount 2008 £m	Income/(expense) 2008 £m	Gain/(loss) to equity 2008 £m	Carrying amount 2007 £m	Income/(expense) 2007 £m	Gain/(loss) to equity 2007 £m
Categories of financial instrument						
Interest rate swap, caps and collars	(4.0)	(0.4)	(4.5)	0.9	(0.1)	0.7
Non-current liabilities at fair value	(4.0)	(0.4)	(4.5)	0.9	(0.1)	0.7
Trade receivables	22.2	–	–	22.2	–	–
Cash and cash equivalents	0.7	0.6	–	4.2	0.2	–
Loans and receivables	22.9	0.6	–	26.4	0.2	–
Trade and other payables	(26.6)	–	–	(30.7)	–	–
Interest bearing loans and borrowings	(425.3)	(32.7)	–	(393.3)	(22.8)	–
Finance leases	(8.5)	(0.7)	–	(10.0)	(0.6)	–
Liabilities at amortised cost	(460.4)	(33.4)	–	(434.0)	(23.4)	–
Total financial instruments	(441.5)	(33.2)	(4.5)	(406.7)	(23.3)	0.7

14 Financial instruments (continued)

Financial risk management objectives

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with credit worthy tenants and obtaining sufficient rental cash deposits or third party guarantees as a means of mitigating financial loss from defaults.

The concentration of credit risk is limited due to the large and diverse tenant base. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of rent deposits obtained. Details of the Group's receivables are summarised in note 11 of the financial statements.

The Group's cash deposits are placed with a diversified range of banks and strict counterparty limits ensure the Group's exposure to bank failure is minimised.

Liquidity risk
Responsibility for liquidity risk rests with the Board of Directors which operates a framework for the management of the Group's short, medium and long-term funding requirements. Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. The Group's funding sources are diversified across a range of bank and bond markets and strict counterparty limits are operated on deposits.

The following tables detail the Group's remaining contractual maturity on its financial instruments and have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay and conditions existing at the balance sheet date.

At 31 March 2008	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	144.3	311.6	8.0	8.0	24.1	271.5
Bank loans	281.0	349.7	17.5	17.5	314.7	–
Derivative financial instruments						
Interest rate swaps	3.7	(1.3)	(0.4)	(0.4)	(0.5)	–
Interest rate caps	(0.1)	–	–	–	–	–
Interest rate collars	0.4	–	–	–	–	–
	429.3	660.0	25.1	25.1	338.3	271.5

At 31 March 2007	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	144.4	319.6	8.0	8.0	24.1	279.5
Bank loans	246.0	318.3	14.7	14.7	288.9	–
Loan notes	2.9	2.9	2.9	–	–	–
Derivative financial instruments						
Interest rate swaps	(0.7)	(0.5)	(0.1)	(0.1)	(0.3)	–
Interest rate caps	(0.2)	–	–	–	–	–
	392.4	640.3	25.5	22.6	312.7	279.5

Market risk
Interest rate risk arises from the Group's use of interest bearing financial instruments. It is the risk that future cash flows from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy either to eliminate interest rate risk over the cash flows on its long-term debt finance through the use of fixed rate debentures or to mitigate the risk through the use of floating to fixed interest rate swaps, caps and collars. It is the Group's policy to maintain the proportion of floating rate interest rate exposure to between 20–40% of forecast total interest rate cost. The Group adopts hedge accounting to mitigate the impact of movements in the fair value of its interest rate swaps, caps and collars in the income statement to the extent that the hedge is considered effective.

14 Financial instruments (continued)

The Group uses interest rate swaps, caps and collars to manage its interest rate risk.

Interest rate swaps
Interest rate swaps enable the Group to exchange its floating rate interest payments on its bank debt for fixed rate payments on a notional value. Such contracts allow the Group to mitigate the risk of changing interest rates on the cash flow exposures on its variable rate bank loans by locking in a fixed rate on a proportion of its debt.

Interest rate caps
Interest rate caps protect the Group from rises in short-term interest rates by making a payment to the Group when the underlying interest rate exceeds a specified rate (the "cap rate") on a notional value. If the underlying rate exceeds the cap rate, the payment is based upon the difference between the two rates, ensuring the Group only pays the maximum of the cap rate.

Interest rate collars
An interest rate collar is an interest rate cap combined with an interest rate floor. In a floor arrangement if the underlying interest rate falls below a specified rate (the "floor") the Group will make a payment based upon the difference between the underlying rate and the floor. Therefore an interest rate collar gives the Group certainty that the interest rate it will pay will only fluctuate between the floor and the cap giving certainty that its interest rate exposure can only fluctuate within these restricted parameters.

The following table details the notional principal amounts and remaining terms of interest rate derivatives outstanding at 31 March:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008 %	2007 %	2008 £m	2007 £m	2008 £m	2007 £m
Cash flow hedges						
Interest rate swaps						
Between two and five years	5.50%	5.12%	185.0	40.0	3.7	(0.7)
Interest rate caps						
Between two and five years	6.00%	6.00%	40.0	40.0	(0.1)	(0.2)
Interest rate collars						
Between two and five years	4.68%–6.5%	–	25.0	–	0.4	–
			250.0	80.0	4.0	(0.9)

As at 31 March 2008 the aggregate amount of unrealised losses in respect of cash flow hedges was £3.8 million (2007: £0.7 million). It is anticipated that floating interest cash flows will continue to arise until the maturity of the debt. Amounts deferred in equity will be realised in line with these cash flows.

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to interest rates for both non-derivative and derivative financial instruments at the balance sheet date. For the floating liabilities the analysis is prepared assuming the amount of the liability at 31 March 2008 was outstanding for the whole year.

	Impact on profit		Impact on equity	
	2008 £m	2007 £m	2008 £m	2007 £m
Increase of 50 basis points	–	(0.1)	–	(0.1)
Increase of 100 basis points	(0.1)	(0.2)	(0.1)	(0.2)
Decrease of 50 basis points	–	0.1	–	0.1
Decrease of 100 basis points	0.1	0.2	0.1	0.2

Fair value of interest-bearing loans and borrowings

	2008 Book value £m	2008 Fair value £m	2007 Book value £m	2007 Fair value £m
Current liabilities at amortised cost	–	–	2.9	2.9
Non-current liabilities at amortised cost	425.3	407.7	390.4	392.1
Non-current liabilities held at fair value (derivatives)	4.0	4.0	(0.9)	(0.9)
	429.3	411.7	392.4	394.1

The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements. Quoted market values have been used to determine the fair value of listed long-term borrowings, and derivatives have been valued by reference to market rates of interest. The market values of all other items have been calculated by discounting the expected future cash flows at market interest rates.

15 Finance leases

Finance lease obligations in respect of the Group's leasehold properties are payable as follows:

	2008 Minimum lease payments £m	2008 Interest £m	2008 Principal £m	2007 Minimum lease payments £m	2007 Interest £m	2007 Principal £m
Less than one year	0.6	(0.6)	–	0.7	(0.7)	–
Between one and five years	2.3	(2.3)	–	2.7	(2.7)	–
More than five years	68.2	(59.7)	8.5	76.8	(66.8)	10.0
	71.1	(62.6)	8.5	80.2	(70.2)	10.0

16 Deferred tax

	1 April 2007 £m	Reversal to income £m	Reversal directly to equity £m	31 March 2008 £m
Deferred tax liabilities				
Derivatives	(0.2)	–	0.2	–
Deferred tax assets				
Long-Term Incentive Plan and Share Matching Plan	0.9	(0.9)	–	–
Pension liabilities	0.1	(0.1)	–	–
Net deferred tax asset/(provision)	0.8	(1.0)	0.2	–

A deferred tax asset of £4.9 million, mainly relating to tax losses carried forward at 31 March 2008, was not recognised because it is uncertain whether future taxable profits against which these losses can be offset will arise.

17 Share capital

	2008 Number	2008 £m	2007 Number	2007 £m
Ordinary shares of 12½ pence each				
Authorised	550,100,752	68.8	550,100,752	68.8
Allotted, called up and fully paid				
At 1 April	181,019,809	22.6	163,181,906	20.4
Conversion of convertible bonds	3,225	–	17,837,903	2.2
At 31 March	181,023,034	22.6	181,019,809	22.6

18 Share premium

	2008 £m	2007 £m
At 1 April	68.2	15.1
Conversion of convertible bonds	–	53.1
At 31 March	68.2	68.2

19 Reserves

	Hedging reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m
At 1 April 2007	0.5	16.4	1.5	967.7
Loss for the year	–	–	–	(4.1)
Net valuation deficit taken to equity	–	–	(0.2)	–
Actuarial gains on defined benefits schemes	–	–	–	1.9
Fair value movement on derivatives in effective hedging relationships	(4.5)	–	–	–
Deferred tax on fair value movements on derivatives	0.2	–	–	–
Dividends to shareholders	–	–	–	(20.6)
At 31 March 2008	(3.8)	16.4	1.3	944.9

20 Investment in own shares

	2008 £m	2007 £m
At 1 April	1.0	1.8
Employee Long-Term Incentive and Share Matching Plan charge	(1.6)	(1.2)
Purchase of shares	0.9	–
Transfer to retained earnings	–	0.4
At 31 March	0.3	1.0

The investment in the Company's own shares is held at cost and comprises 758,027 shares (2007: 1,115,628 shares) held by the Great Portland Estates plc LTIP Employee Share Trust which will vest in certain senior employees of the Group if performance conditions are met.

During the year 541,757 shares (2007: nil) were awarded to directors and senior employees in respect of the 2004 LTIP award. On 26 November 2007 the Company purchased a further 184,156 shares at an average cost of £4.63 per share to augment the scheme.

The fair value of shares awarded and outstanding at 31 March 2008 was £7.7 million (2007: £4.9 million).

21 Adjustment for non-cash movements in the cash flow statement

	2008 £m	2007 £m
Deficit/(gain) from investment property	8.7	(278.1)
Employee Long-Term Incentive and Share Matching Plan charge	1.6	1.2
Amortisation of capitalised lease incentives	(5.4)	0.2
Share of profit from joint ventures	12.3	(42.7)
Adjustments for non-cash items	17.2	(319.4)

22 Dividends

	2008 £m	2007 £m
Ordinary dividends paid		
Interim dividend for the year ended 31 March 2008 of 3.9 pence per share	7.0	–
Final dividend for the year ended 31 March 2007 of 7.55 pence per share	13.6	–
Interim dividend for the year ended 31 March 2007 of 3.75 pence per share	–	6.1
Final dividend for the year ended 31 March 2006 of 7.33 pence per share	–	11.9
	20.6	18.0

The proposed final dividend of 8.0 pence per share (2007: 7.55 pence per share) was approved by the Board on 21 May 2008 and is payable on 8 July 2008 to shareholders on the register on 13 June 2008. The dividend is not recognised as a liability at 31 March 2008. The 2007 final dividend and the 2008 interim dividend were paid in the year and are included within the Group reconciliation of other movements in equity.

23 Operating leases

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	2008 £m	2007 £m
The Group as a lessor		
Less than one year	35.3	45.0
Between one and five years	103.4	115.2
More than five years	137.9	88.0
	276.6	248.2

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2008 was 6.4 years (2007: 5.4 years). All investment properties except those under development generated rental income and no contingent rents were recognised in the year (2007: £nil).

24 Employee benefits

The Group contributes to a defined benefit pension plan (the "Plan"), the assets of which are held by trustees separately from the assets of the Group. The Plan has been closed to new entrants since April 2002. The most recent actuarial valuation of the Plan was conducted at 1 April 2005 by a qualified independent actuary using the projected unit method. The Plan was valued using the following main assumptions:

	2008 %	2007 %
Discount rate	6.50	5.25
Expected return on Plan assets	5.56	5.13
Expected rate of salary increases	4.50	4.00
Future pension increases	3.50	3.00

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the long-term rate of return on assets assumption for the portfolio. This resulted in the 5.56% assumption.

The amount recognised in the balance sheet in respect of the Plan is as follows:

	2008 £m	2007 £m
Present value of unfunded obligations	13.9	16.0
Fair value of Plan assets	(16.1)	(15.8)
Pension (asset)/liability	(2.2)	0.2

Amounts recognised as administration expenses in the income statement are as follows:

	2008 £m	2007 £m
Current service cost	0.2	0.2
Interest on obligation	0.8	0.8
Expected return on Plan assets	(0.9)	(0.8)
	0.1	0.2
Actuarial gain recognised immediately in the Group statement of recognised income and expense	1.9	–
Cumulative actuarial gains recognised in the Group statement of recognised income and expense	4.2	2.3

24 Employee benefits (continued)

Changes in the present value of the pension obligation are as follows:

	2008 £m	2007 £m
Defined benefit obligation at 1 April	16.0	15.6
Service cost	0.2	0.2
Interest cost	0.8	0.8
Actuarial loss	(2.7)	(0.2)
Benefits paid	(0.4)	(0.4)
Defined benefit obligation at 31 March	13.9	16.0
Changes to the fair value of the Plan assets are as follows:		
Fair value of Plan assets at 1 April	15.8	14.9
Expected return	0.9	0.8
Actuarial loss	(0.8)	(0.2)
Contributions	0.6	0.7
Benefits paid	(0.4)	(0.4)
Fair value of Plan assets at 31 March	16.1	15.8
Net (asset)/liability	(2.2)	0.2

The fair value of the Plan assets at the balance sheet date is analysed as follows:

	2008 £m	2007 £m
Equities	6.4	6.3
Bonds	9.7	9.5
	16.1	15.8

The actual return on Plan assets was £0.1 million (2007: £0.6 million).

Life expectancy assumptions:

	2008 Years	2007 Years
Male aged 65	20	20
Female aged 65	23	23
Male aged 45	21	21
Female aged 45	24	24

The history of the Plan for the current and prior years is as follows:

	2008	2007	2006	2005
Difference between expected and actual return on the scheme assets:				
Amount £m	(0.8)	(0.2)	1.9	0.6
Percentage of scheme assets	(5%)	(1%)	13%	5%
Experience gains and losses on scheme liabilities:				
Amount £m	–	–	0.5	0.6
Percentage of scheme assets	–	–	3%	4%
Total gains and losses:				
Amount £m	1.9	–	1.0	1.2
Percentage of scheme assets	13%	–	7%	9%

The Group expects to contribute approximately 20.4% of members' pensionable salaries plus £0.4 million to the Plan in the year to 31 March 2009. However this rate will be subject to review pending the outcome of the triennial funding valuation due as at 1 April 2008.

Independent auditors’ report

Independent auditors’ report to the members of Great Portland Estates plc

We have audited the Group financial statements of Great Portland Estates plc for the year ended 31 March 2008 which comprise the primary financial statements such as the Group income statement, the Group balance sheet, the Group statement of cash flows, the Group statement of recognised income and expense, Group reconciliation of other movements in equity and the related notes 1 to 24. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Great Portland Estates plc for the year ended 31 March 2008.

This report is made solely to the Company’s members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Annual Report, the Directors’ Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors’ Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the Group financial statements. The information given in the Directors’ Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors’ Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors’ Report, the Chairman’s Statement, the unaudited part of the Directors’ Remuneration Report, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors’ Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors’ Remuneration Report to be audited.

Opinion
In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its loss for the year then ended;

– the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

– the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and

– the information given in the Directors' Report is consistent with the Group financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

21 May 2008

Company balance sheet – UK GAAP

	Notes	2008 £m	2007 £m
Fixed asset investments	iii	1,636.8	1,373.5
Current assets			
Debtors	iv	121.3	111.6
Deferred tax	vi	–	0.7
Cash at bank and short-term deposits		3.6	3.9
		124.9	116.2
Creditors: amounts falling due within one year	v	(354.8)	(75.3)
Net current assets		(229.9)	40.9
Total assets less current liabilities		1,406.9	1,414.4
Creditors: amounts falling due after more than one year			
Debenture loans	13	(144.3)	(144.4)
Bank and other loans	13	(281.0)	(246.0)
Derivatives	13	(4.0)	–
Net assets		977.6	1,024.0
Capital and reserves			
Called up share capital	17	22.6	22.6
Share premium account	18	68.2	68.2
Hedging reserve	vii	(3.8)	0.5
Revaluation reserve	vii	756.2	758.5
Other reserves	vii	25.0	25.0
Profit and loss account	vii	109.7	150.2
Investment in own shares	20	(0.3)	(1.0)
Shareholders' funds		977.6	1,024.0

Note references in roman numerals refer to the notes to the Company financial statements, references in numbers refer to the notes to the Group financial statements.

Approved by the Board on 21 May 2008 and signed on its behalf by

Toby Courtauld
Chief Executive

Timon Drakesmith
Finance Director

Notes forming part of the Company financial statements

i Accounting policies

Accounting convention

The Company financial statements are prepared under UK GAAP and the historical cost convention as modified by the revaluation of investments in subsidiary undertakings.

Subsidiary undertakings and joint ventures

Shares in subsidiary undertakings are valued at amounts equal to their original cost and any subsequent movement in the revaluation reserve of those subsidiaries, thus reflecting in the Company's balance sheet the surplus arising from the revaluation and the sale of investments and investment properties of those subsidiaries.

Accounting policies for share-based payments, deferred tax, financial instruments and convertible bonds are the same as those of the Group and are set out on pages 60 to 62.

ii Loss attributable to members of the parent undertaking

As permitted by section 230(1)(b) Companies Act 1985, the Company has not presented its own profit and loss account. The loss dealt with in the accounts of the Company was £19.9 million (2007: profit of £9.5 million). The employees of the Company include the directors, full disclosure of their remuneration can be found on pages 49 to 54.

iii Fixed asset investments

	Investment in joint ventures £m	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
At 1 April 2007	0.1	1,043.3	330.1	1,373.5
Additions	–	265.1	–	265.1
Deficit on revaluation	–	(2.4)	–	(2.4)
Issue of loans	–	–	0.6	0.6
At 31 March 2008	0.1	1,306.0	330.7	1,636.8

Shares in subsidiary undertakings and joint ventures are carried at valuation. The historical cost of the shares in subsidiary undertakings and joint ventures at 31 March 2008 was £531.7 million (2007: £266.6 million).

The Company owns, directly or through subsidiary undertakings, all of the issued share capital of the following principal subsidiary undertakings, all of which are incorporated in England and operate in the United Kingdom:

	Principal activity		Principal activity
B & H S Management Limited	Property management	G.P.E. (Sackville Street) Limited	Property investment
Collin Estates Limited	Property investment	G.P.E. (New Bond Street) LLP†	Property investment
Courtana Investments Limited	Property investment	G.P.E. (61 St. Mary Axe) Limited	Property investment
G.P.E. (Bermondsey Street) Limited	Property investment	G.P.E. (St. Thomas Street) Limited	Property investment
G.P.E. (80 Bishopsgate) Limited	Property investment	Hartstand Limited*	Property investment
G.P.E. (88/104 Bishopsgate) Limited	Property investment	Ilex Limited	Property investment
G.P.E. (Blackfriars) Limited	Property investment	J.L.P. Investment Company Limited	Property investment
G.P.E. Construction Limited	Development management	Knighton Estates Limited	Property investment
G.P.E. (Hanover Square) Limited*	Property investment	Pontsarn Investments Limited	Property investment

* Held by a subsidiary undertaking.

† The Company owns, through a subsidiary undertaking, 99.8% of the partnership capital of G.P.E. (New Bond Street) LLP which is registered in England and operates in the United Kingdom.

iv Debtors

	2008 £m	2007 £m
Amounts owed by subsidiary undertakings	119.3	109.7
Amounts owed by joint ventures	0.7	–
Corporation tax	0.4	0.4
Other debtors	0.1	–
Prepayments and accrued income	0.8	0.6
Derivatives	–	0.9
	121.3	111.6

v Creditors: amounts falling due within one year

	2008 £m	2007 £m
Unsecured loan notes 2008	263.8	2.9
Amounts owed to subsidiary undertakings	–	67.3
Amounts owed to joint ventures	85.9	–
Other taxes and social security costs	–	0.1
Other creditors	0.3	0.1
Accruals	4.8	4.9
	354.8	75.3

vi Deferred tax

	1 April 2007 £m	Reversal to income £m	Reversal directly to equity £m	31 March 2008 £m
Deferred tax liabilities				
Derivatives	(0.2)	–	0.2	–
Deferred tax assets				
Long-Term Incentive Plan and Share Matching Plan	0.9	(0.9)	–	–
Net deferred tax asset/(provision)	0.7	(0.9)	0.2	–

Were the Company to sell its investments in subsidiary undertakings, an estimated charge of £216.8 million (2007: £233.0 million) would arise. However, the Company has no intention of selling any of its investments in the foreseeable future.

vii Reserves

	Other reserves					
	Capital redemption reserve £m	Acquisition reserve £m	Total £m	Hedging reserve £m	Revaluation reserve £m	Profit and loss account £m
1 April 2007	16.4	8.6	25.0	0.5	758.5	150.2
Deficit on revaluation of subsidiaries	–	–	–	–	(2.3)	–
Retained loss for the year	–	–	–	–	–	(40.5)
Conversion of convertible bonds	–	–	–	–	–	–
Fair value of derivatives	–	–	–	(4.5)	–	–
Deferred tax on fair value movement of derivatives	–	–	–	0.2	–	–
At 31 March 2008	16.4	8.6	25.0	(3.8)	756.2	109.7

Independent auditors' report

Independent auditors' report to the members of Great Portland Estates plc

We have audited the parent company financial statements of Great Portland Estates plc for the year ended 31 March 2008 which comprise the balance sheet and the related notes i to vii. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Great Portland Estates plc for the year ended 31 March 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

21 May 2008

Analysis of ordinary shareholdings

By shareholder

	Shareholders		Shares	
	Number	%	Number	%
Banks and nominee companies	1,058	32.93	171,963,985	95.00
Individuals	2,042	63.56	6,260,514	3.46
Investment trusts	10	0.31	39,642	0.02
Insurance companies	3	0.09	44,186	0.02
Other limited companies	68	2.12	1,441,810	0.80
Pension funds	4	0.12	105,840	0.06
Other institutions	28	0.87	1,167,057	0.64
	3,213	100.00	181,023,034	100.00

By size of holding

1 – 500	939	29.23	238,797	0.13
501 – 1,000	609	18.95	467,513	0.26
1,001 – 5,000	1,032	32.12	2,332,051	1.29
5,001 – 10,000	177	5.51	1,286,608	0.71
10,001 – 50,000	220	6.85	5,213,743	2.88
50,001 – 100,000	71	2.21	5,005,310	2.76
100,001 – and above	165	5.13	166,479,012	91.97
	3,213	100.00	181,023,034	100.00

Glossary

Adjusted earnings per share
Earnings per share adjusted to exclude non-recurring items, profits or losses on sales of investment properties' property revaluations and deferred tax on capital allowances and property revaluations on a diluted basis.

Adjusted net assets per share
NAV adjusted to exclude deferred tax on capital allowances and property revaluations on a diluted basis.

Diluted figures
Reported amounts adjusted to include the effects of potential shares issuable under the convertible bond.

Earnings per share (EPS)
Profit after tax divided by the weighted average number of ordinary shares in issue.

EPRA adjustments
Standard calculation methods for adjusted EPS and adjusted NAV as set out by the European Public Real Estate Association (EPRA) in their January 2006 Best Practice and Policy Recommendations.

Estimated rental value (ERV)
The market rental value of lettable space as estimated by the Company's valuers at each balance sheet date.

F&BS
Finance and business services sector.

IPD
The Investment Property Databank Limited (IPD) is a company that produces an independent benchmark of property returns.

IPD central London
An index, compiled by IPD, of the central and inner London properties in their monthly and quarterly valued universes.

Like-for-like portfolio
Properties that have been held for the whole of the period of account.

Market value
The amount as estimated by the Company's valuers for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In line with market practice, values are stated net of purchasers' costs.

Net assets per share or net asset value (NAV)
Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net gearing
Total borrowings less short-term deposits and cash as a percentage of adjusted equity shareholders' funds.

Net initial yield
Annual net rents on investment properties as a percentage of the investment property valuation having added notional purchaser's costs.

Non-PIDs
Dividends from profits of the Group's taxable residual business.

Property Income Distributions (PIDs)
Dividends from profits of the Group's tax-exempt property rental business.

Portfolio internal rate of return (IRR)
The rate of return that if used as a discount rate and applied to the projected cash flows from the portfolio would result in a net present value of zero.

REIT
UK Real Estate Investment Trust.

Rent roll
The annual contracted rental income.

Return on capital employed (ROCE)
Return on capital employed is measured as profit before financing costs plus revaluation surplus on development property divided by the opening gross capital.

Return on shareholders' equity
The growth in the adjusted diluted net assets per share plus dividends per share for the period expressed as a percentage of the adjusted net assets per share at the beginning of the period.

Reversionary or under-rented
The percentage by which ERV exceeds rents passing, together with the estimated rental value of vacant space.

Reversionary yield
The anticipated yield, which the initial yield will rise to once the rent reaches the ERV.

Total property return (TPR)
Capital growth in the portfolio plus net rental income derived from holding these properties plus profit on sale of disposals expressed as a percentage return on the period's opening value.

Total shareholder return (TSR)
The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the period expressed as a percentage of the share price at the beginning of the period.

Triple net asset value (NNNAV)
NAV adjusted to include the fair value of the Group's financial liabilities on a diluted basis.

True equivalent yield
The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value having taken into account notional purchaser's costs. Assumes rent is received quarterly in advance.

Voids
The element of a property which is unoccupied but available for letting, usually expressed as the ERV of the void space divided by the existing rent roll plus the ERV of the void space.

Weighted average cost of capital (WACC)
The weighted average pre-tax cost of the Group's debt and the notional cost of the Group's equity used as a benchmark to assess investment returns.

Weighted average unexpired lease term (WAULT)
The weighted average unexpired lease term expressed in years.

Notice of meeting

Notice is hereby given that the fifty-first Annual General Meeting of Great Portland Estates plc will be held at 50 Stratton Street, London W1, on Thursday 3 July 2008 at 11.30am, for the purposes set out below, with the Board available from 11.00am to meet shareholders and answer questions:

1. To receive and adopt the audited financial statements together with the directors' and auditors' reports for the year ended 31 March 2008.
2. To authorise the payment of a final dividend for the year ended 31 March 2008.
3. To approve the Directors' remuneration report.
4. To reappoint Richard Peskin as a director of the Company.
5. To reappoint Timon Drakesmith as a director of the Company.
6. To reappoint Phillip Rose as a director of the Company.
7. To reappoint Deloitte & Touche LLP as auditors.
8. To authorise the directors to agree the remuneration of the auditors.

As special business, to consider and, if thought fit, to pass the following resolutions which will be proposed as to that numbered 9 as an ordinary resolution, and those numbered 10 to 12 inclusive as special resolutions.

Ordinary resolution

9. That the directors be and are hereby authorised pursuant to and in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £7,535,084 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 2 October 2009, which ever is the earlier, and all previous unutilised authorities under section 80 of the Act shall cease to have effect, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

10. That (i) subject to Resolution 8 being passed, the directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash; and (ii) allot equity securities (as defined in section 94(3A) of the Act), in either case as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
    (a) to the allotment of equity securities in connection with a rights issue or other pre-emptive issue in favour of shareholders (notwithstanding that by reason of such exclusions as the directors may deem necessary to deal with problems arising in any overseas territory, in connection with fractional entitlements or otherwise howsoever the equity securities to be issued are not offered to all of such persons in proportion to the number of shares held by each of them); and
    (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £1,131,394,

    and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 2 October 2009, whichever is the earlier and all previous authorities under section 95 of the Act shall cease to have effect, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
11. That in accordance with Article 11 of the Company's Articles of Association the Company be and it is hereby authorised to make market purchases (within the meaning of section 163(3) of the Act) of its shares on such terms and in such manner as the directors may determine or subject to the following conditions:
    (a) the maximum number of shares which may be purchased is 27,135,353;
    (b) the maximum price at which shares may be purchased shall not be more than the higher of an amount equal to 5% above the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase and the amount stipulated by Article 5(1) of the Buy-back and Stabilisaton Regulation 2003 and the minimum price shall be 12½ pence, being the nominal value of the shares, in each case exclusive of expenses; and
    (c) the authority to purchase conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 2 October 2009 whichever is the earlier save that the Company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

12. That, with effect on and from 1 October 2008, the Articles of Association produced to the meeting and for the purpose of identification marked "A" and signed by the Chairman of the meeting, be adopted in substitution for, and to the exclusion of, the current Articles of Association of the Company.

Registered office:
33 Cavendish Square
London W1G 0PW

By order of the Board

Desna Martin
Company Secretary

30 May 2008

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
   - in hard copy form by post, by courier or by hand to the Company's Registrar at the address shown on the form of proxy; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;

   and in each case must be received by the Company not less than 48 hours before the time of the meeting.
2. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 7 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. The statement of rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
5. As at 29 May 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 181,023,034 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 May 2009 are 181,023,034.
6. Copies of all directors' contracts will be available for inspection at 33 Cavendish Square, London W1G 0PW during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
7. Copies of the proposed new articles of association will be available for inspection: (a) at 33 Cavendish Square, London W1G 0PW and at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AO during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of the Annual General Meeting; and (b) at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
8. (a) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   (b) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   (d) CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the Register of Members of the Company as at 6.00pm on Tuesday 1 July 2008 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time and changes to the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
10. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

Five year record

Based on the Group financial statements for the years ended 31 March

Balance sheet

	UK GAAP	IFRS			
	2004 £m	2005 as restated £m	2006 £m	2007 £m	2008 £m
Property portfolio	744.6	813.5	1,023.7	1,333.0	1,095.8
Joint ventures	–	42.6	72.4	176.0	390.6
Loans	(307.6)	(297.6)	(335.7)	(393.3)	(425.3)
Other net (liabilities)/assets	124.2	(42.5)	(105.7)	(39.7)	(11.7)
Net assets	561.2	516.0	654.7	1,076.0	1,049.4
Financed by					
Issued share capital	101.5	20.3	20.4	22.6	22.6
Reserves	459.7	495.7	634.3	1,053.4	1,026.8
Ordinary shareholders' interest	561.2	516.0	654.7	1,076.0	1,049.4
Net assets per share	276p	317p	401p	594p	580p
Diluted adjusted net assets per share	280p	337p	437p	594p	582p

Income statement

	£m	£m	£m	£m	£m
Rental income	62.4	51.6	44.5	46.9	44.4
Joint venture fee income	–	–	1.3	1.6	5.8
Rental and joint venture fee income	62.4	51.6	45.8	48.5	50.2
Property and administration expenses	(9.6)	(13.2)	(15.4)	(18.2)	(19.9)
Profit from development management agreements	–	–	–	5.3	7.1
	52.8	38.4	30.4	35.6	37.4
(Loss)/profit on disposal of investment property	–	10.1	14.8	11.3	(5.8)
Net valuation (deficit)/gain on property portfolio	–	48.4	171.3	266.8	(2.9)
Share of profit/(loss) of joint ventures	–	9.3	16.4	45.2	(1.6)
Operating profit (UK GAAP)	52.8				
Loss on sale of investment properties	(2.8)				
Profit before financing costs	50.0	106.2	232.9	358.9	27.1
Finance income	5.0	2.2	0.8	0.3	0.6
Finance costs	(19.4)	(18.9)	(18.2)	(22.0)	(30.7)
Non-recurring items	–	(6.9)	(27.5)	(11.2)	–
(Loss)/profit before taxation	35.6	82.6	188.0	326.0	(3.0)
Taxation	(4.9)	(14.0)	(39.7)	56.8	(1.1)
(Loss)/profit after taxation	30.7	68.6	148.3	382.8	(4.1)
Earnings per share – basic	15.1p	39.3p	91.7p	235.7p	(2.2)p
Earnings per share – adjusted	12.8p	11.6p	10.2p	10.2p	12.6p
Dividend per share	10.5p	10.75p	11.0p	11.3p	12.0p

The information presented for the year to 31 March 2005 has been restated for the introduction of IFRS. Prior to 2005 the information shown above is presented in accordance with UK GAAP and as such is not directly comparable with information presented under IFRS.

Financial calendar and shareholders' information

	2008
Ex-dividend date for 2007/2008 final dividend	11 June
Registration qualifying date for 2007/2008 final dividend	13 June
Annual General Meeting	3 July
2007/2008 final dividend payable	8 July
Announcement of 2008/2009 interim results (provisional)	11 November
Ex-dividend date for 2008/2009 interim dividend (provisional)	19 November
Registration qualifying date for 2008/2009 interim dividend (provisional)	21 November
	2009
2008/2009 interim dividend payable (provisional)	6 January
Announcement of 2008/2009 full year results (provisional)	20 May

Note: provisional dates will be confirmed in the Half Year Report 2008.

Shareholder enquiries
All enquiries relating to holdings of shares, bonds or debentures in Great Portland Estates, including notification of change of address, queries regarding dividend/interest payments or the loss of a certificate, should be addressed to the Company's registrars:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras.) If you are calling from overseas please dial +44 208 639 3399

Payment of dividends
If you would like your dividends/interest paid directly into your bank or building society account you should write to Capita Registrars including details of your nominated account. Although this will enable your dividend/interest to be paid directly into your account, your tax voucher will still be sent to your registered address.

Low cost dealing service
This service provides both existing and prospective shareholders with a simple, postal, low-cost method of buying and selling Great Portland Estates shares. For further information, or a dealing form, contact:
JP Morgan Cazenove
20 Moorgate
London EC2R 6DA
Tel: 020 7155 5155

Website
The Company has a corporate website, which holds, amongst other information, a copy of our latest annual report and accounts, a list of properties held by the Group and copies of all press announcements released over the last 12 months. The site can be found at www.gpe.co.uk

Tax consequences of REIT status
As a REIT, dividend payments must be split between PIDs and non-PIDs. Information in respect of the tax consequences for shareholders of receiving dividends can be found on the Company's website at www.gpe.co.uk/investors/reits

Company Secretary
Desna Martin, BCom CA(Aust) ACIS
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Registered number: 596137

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