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GREAT
PORTLAND
ESTATES

Half Year Report 2007

Great Portland Estates Unlocking potential



Great Portland Estates is a central London property investment and development company owning over £1.7 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.

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www.gpe.co.uk

Front cover image:
New reception at the redeveloped 180 Great Portland Street, W1

The CO₂ emissions produced from the production and distribution of our Half Year Report have been neutralised through renewable energy projects.

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CarbonNeutral[®] publication

Financial summary

Balance sheet

At 30 September	Percentage change		
	2007	6 months	12 months
Portfolio value	£1,754.8m ¹	8.9% ²	24.6% ²
Net assets	£1,195.0m	11.1%	57.5%
Basic net assets per share	660p	11.1%	42.2%
Adjusted net assets per share ³	660p	11.1%	28.7%

Income statement

Six months ended 30 September	2007	2006	Percentage change
Rental and joint venture fee income	£24.3m	£21.6m	12.5%
Profit before tax	£130.7m	£148.1m	(11.7)%
Basic EPS	72.2p	70.2p	2.8%
Adjusted EPS ³	5.4p	5.0p	8.0%
Interim dividend per share	3.9p	3.75p	4.0%

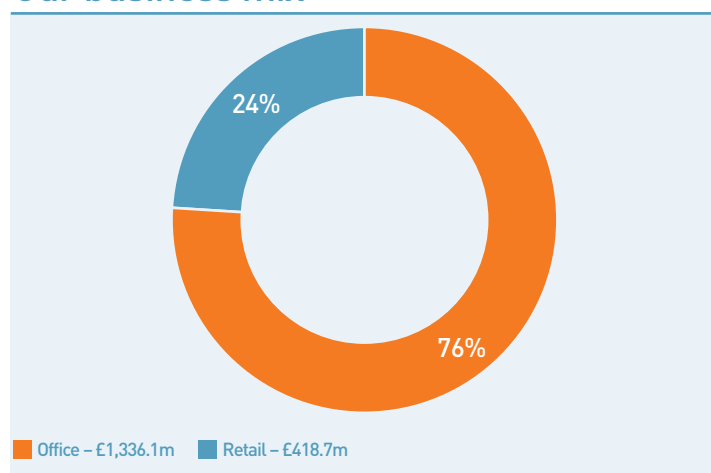
Notes

1. Includes Group's share of joint ventures.

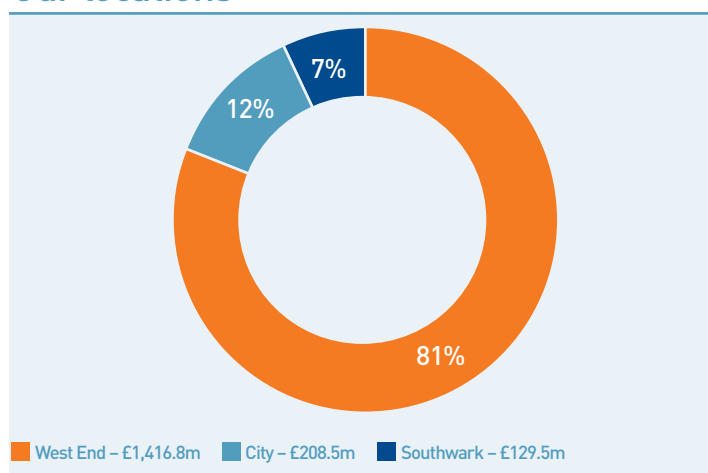
2. Growth on a like-for-like basis.

3. EPRA adjustments on a diluted basis – see note 6 on page 20.

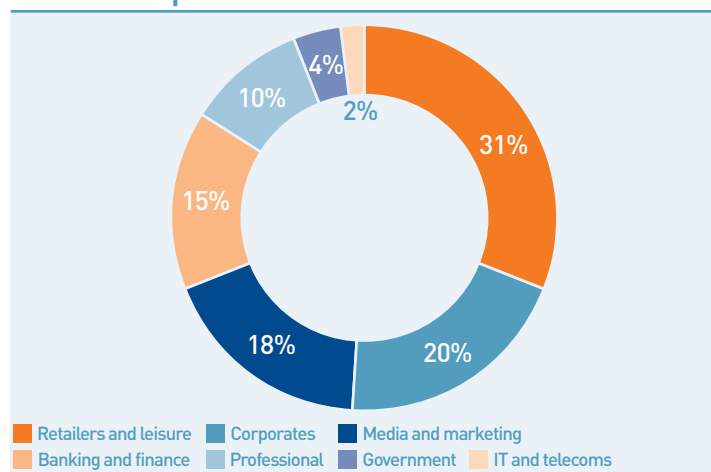
Our business mix¹



Our locations¹



GPE occupiers¹



Strategy and operational highlights

Progress in the six months to 30 September 2007

Develop

- Total programme increased to **2.9 million sq ft** in 25 schemes¹
- Near-term projects **1.3 million sq ft**, a 73% increase in pre-development area¹
- **60,000 sq ft** development at 60 Great Portland Street, W1 pre-let

Recycle

- Met Building, W1 sold for **£107.0 million**, post-redevelopment providing 156% return on capital employed
- **£661.6 million** Great Capital joint venture formed
- **£329.2 million** of acquisitions²

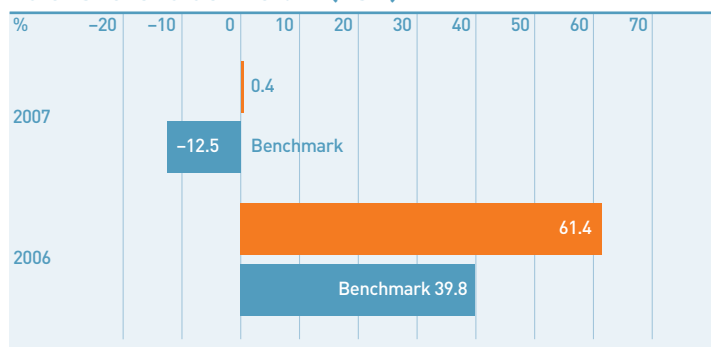
Asset manage

- Total property return² of **9.5%**, outperforming the IPD Central London benchmark of 6.6%
- **9.0%** ERV growth in six months²
- **£13.5 million** rent roll secured through 43 new lettings and pre-lets²
- Investment portfolio void rate remains low at **4.6%** (pro forma 3.2%)³

Notes

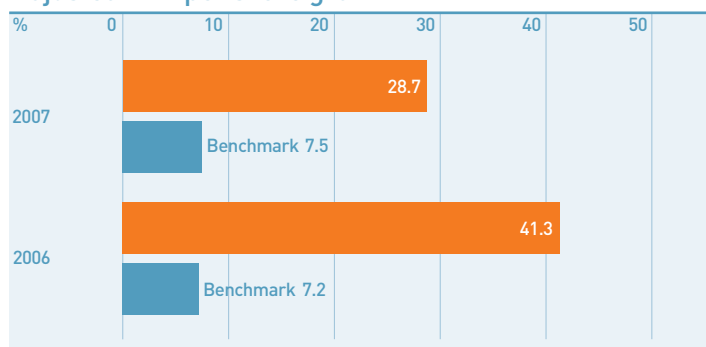
1. Includes joint ventures.
2. Includes share of joint ventures.
3. As at 31 October 2007.

Total Shareholder Return (TSR)*



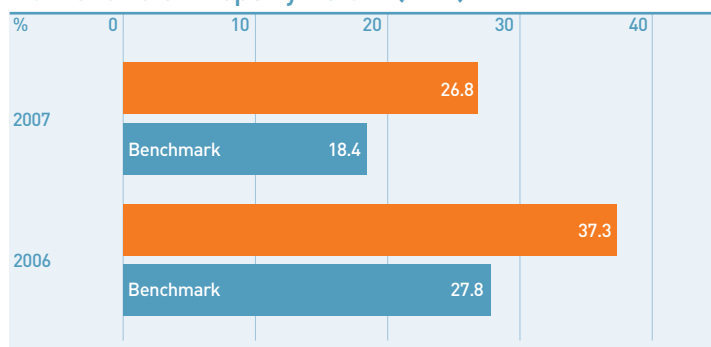
Benchmark: TSR of the FTSE 350 Real Estate Index

Adjusted NAV per share growth*



Benchmark: Increase in the Retail Price Index plus a hurdle of 12% over a three year period

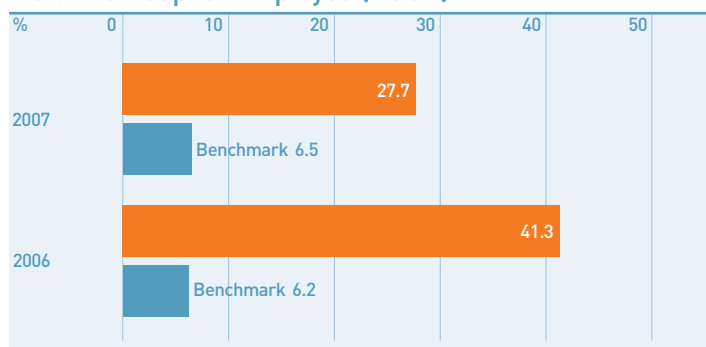
Portfolio Total Property Return (TPR)*



Benchmark: TPR of the IPD Central London Benchmark

*Year to 30 September

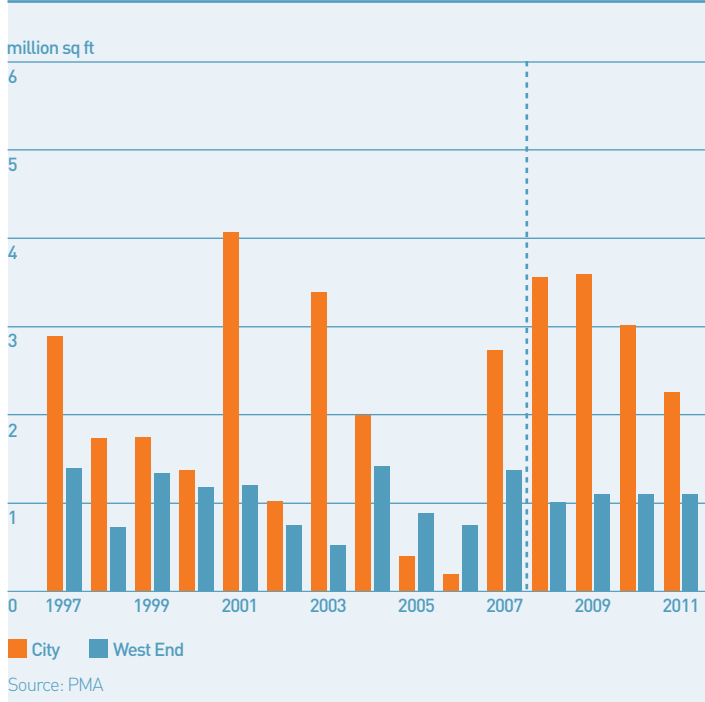
Return on Capital Employed (ROCE)*



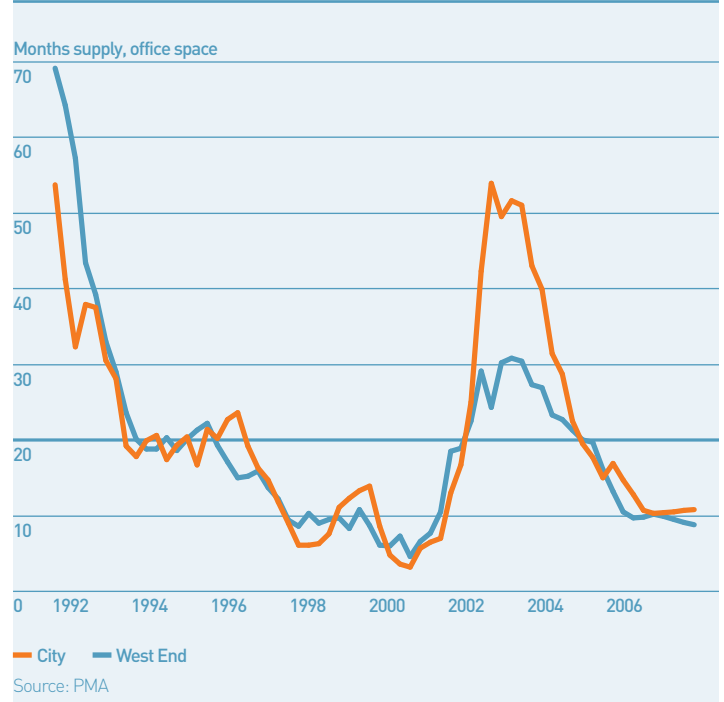
Benchmark: The Group's weighted average cost of capital

Our market

Development completions – City and West End



Market balance in key sub-markets



Our market

As a global financial centre, London has not evaded the recent turbulence in the world financial markets with investors' reappraisal of risk putting upward pressure on property yields. In the Capital's occupational markets, however, the main themes remain much the same as those we described in our annual report earlier this year:

- > occupational demand for office space remains robust;
- > the availability of new office space continues to reduce with Grade A vacancy rates at or near record lows; and
- > the market's balance has continued to favour the landlord, resulting in rising rents across central London.

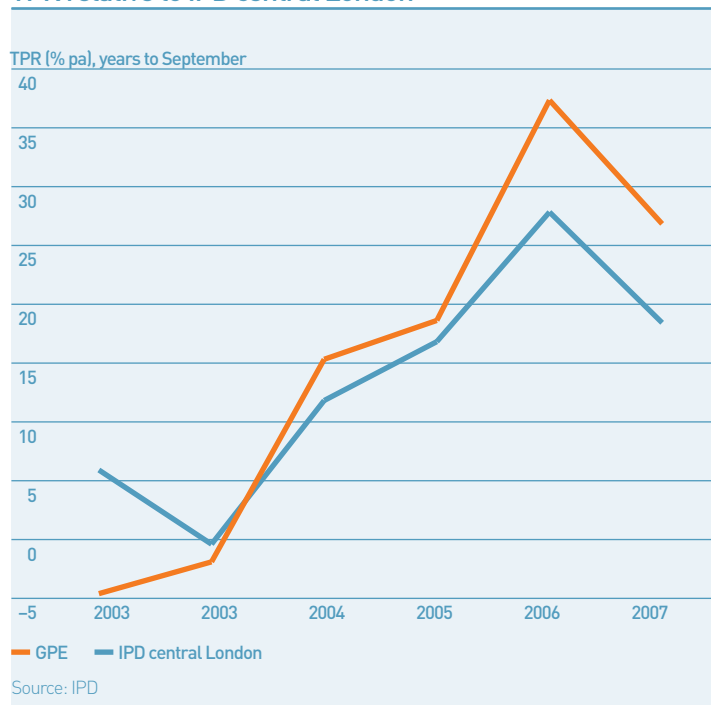
In the West End, take-up totalling 4.7 million sq ft so far this calendar year is above the long-run average, with September alone accounting for 0.9 million sq ft. As a result, vacancy rates have fallen by 17% since January to 3.9%, or 1.2%, in the Grade A category. With such constrained supply of new stock, take-up levels can afford to reduce by a sizeable margin before the market's balance returns to equilibrium. The current level of occupational enquiries points to take-up trending at around the long-run average, suggesting that prospects in the West End remain sound.

In the City, strong letting activity (totalling 7.2 million sq ft so far this year) has materially reduced the amount of space available to let and pushed prime rents higher by 15% since January. We remain concerned about the significant development pipeline, estimated at 12 million sq ft for the period to December 2011, despite the likely dampening effect on development starts of higher construction costs and financial market uncertainties.

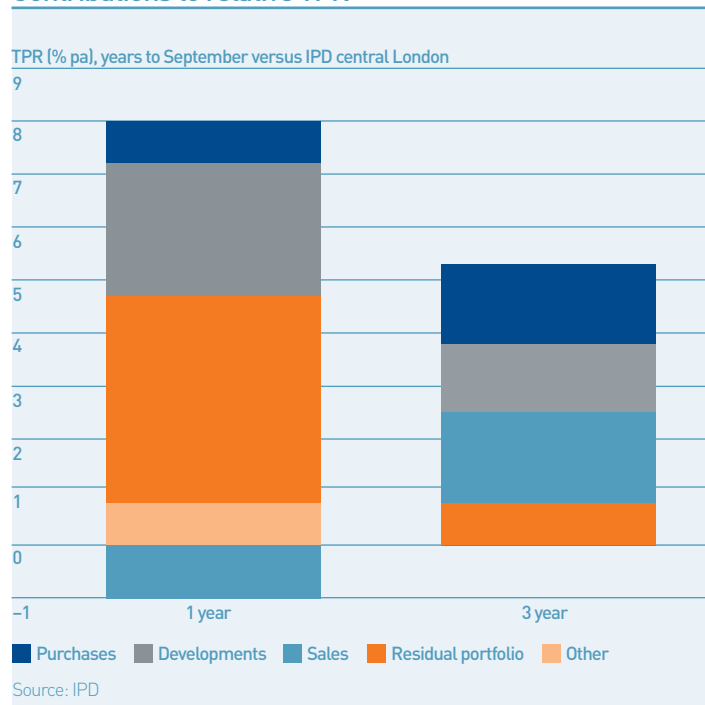
Whilst 2007 is set to produce another record level of turnover in London's investment markets, activity has slowed markedly since the end of September as investors take stock of market conditions. Prime benchmark yields have expanded by between 25 and 50 basis points from their lows and, whilst there may be further increases to come, there remains a significant amount of money looking to invest in central London, much of it from overseas.

Our business

TPR relative to IPD central London



Contributions to relative TPR



Valuation

The valuation of the Group's properties as at 30 September 2007, including acquisitions made during the year and our share of gross assets in joint ventures, was £1,754.8 million, up 7.9% or £128.9 million, net of capital expenditure and acquisition costs, since 31 March 2007. Wholly owned properties were valued at £1,197.2 million and the Group had four 50:50 joint ventures, which owned properties valued in aggregate at £1,115.3 million.

The valuation of the portfolio held throughout the first half (excluding acquisitions), including our share of joint ventures, was £1,409.4 million which, net of capital expenditure, increased in value by 8.9% or £114.7 million.

Growth in rental values, asset management activity and development gains were the main constituents of the valuation uplift in the first half:

- > **Growth in rental values** – First half growth of 9.0% across the portfolio was driven by the performance of the development properties, which grew by 15.0%. In the Rest of the West End, office rental values grew by 9.2% and in the North of Oxford Street, office rental values grew by 10.3%.
- > **Asset management activity** – Significant letting and lease re-gearing activity during the first half, such as at 160 Great Portland Street, repositioned a number of assets, creating good valuation growth.
- > **Development gains** – The development portfolio increased in value by 17.9% over the first half with strong gains at the Group's largest West End schemes at 60 Great Portland Street, W1 (following its office pre-letting) and at Wells & More, Mortimer Street, W1.

Valuations were up across most segments with the investment portfolio growing by 7.1% or £76.2 million. Our share of acquisitions, the majority of which was in joint venture, was valued at £345.4 million at September 2007, up 4.3%, or £14.2 million net of acquisition costs.

The second quarter's overall like-for-like valuation growth of 2.0% was lower than that seen in the first, due to a deterioration in real estate investor sentiment following the turbulence in the capital markets over the summer, pushing capitalisation rates higher. Rental value growth of 4.0% in the second quarter remained healthy and, although slightly lower than the 4.6% increase seen in the first quarter, was more than sufficient to offset the negative effects of rising capitalisation yields.

In aggregate, the portfolio equivalent yield increased by 10 basis points over the first half to 5.0%. The overall portfolio valuation uplift was due to asset management and growth in rental values outweighing the outward yield movement. Stripping out development properties and cases of major asset repositioning that have driven yields lower and asset values sharply higher, the portfolio equivalent yield was around 20 basis points higher on a like-for-like basis over the period.

The Group delivered a total property return for the period of 9.5%, significantly outperforming the IPD Central London benchmark of 6.6%. Our outperformance has continued to come from successful development, accretive acquisitions and our focused approach to asset management.

Portfolio performance

		At 30 September 2007					
		Valuation			Proportion of portfolio %	Valuation movement %	ERV movement %
		Wholly owned £m	Share of joint venture £m	Total £m			
North of Oxford Street	Office	310.9	30.3	341.2	19.4	11.8	10.3
	Retail	68.5	78.6	147.1	8.4	2.6	3.7
Rest of West End	Office	236.0	37.9	273.9	15.7	13.4	9.2
	Retail	110.0	32.6	142.6	8.1	(2.5)	–
Total West End		725.4	179.4	904.8	51.6	8.2	7.1
City and Southwark	Office	241.3	–	241.3	13.7	7.6	9.9
	Retail	8.8	–	8.8	0.5	0.2	3.1
Total City and Southwark		250.1	–	250.1	14.2	7.8	9.5
Investment property portfolio		975.5	179.4	1,154.9	65.8	7.1	7.7
Development properties		206.1	48.4	254.5	14.5	17.9	15.0
Total properties held throughout the period		1,181.6	227.8	1,409.4	80.3	8.9	9.0
Acquisitions		15.6	329.8	345.4	19.7	4.3	
Total property portfolio		1,197.2	557.6	1,754.8	100.0	7.9	

Property portfolio – wholly owned

		At 30 September 2007					
		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m
North of Oxford Street		379.4	167.7	547.1	462.9	84.2	547.1
Rest of West End		352.6	–	352.6	242.6	110.0	352.6
Total West End		732.0	167.7	899.7	705.5	194.2	899.7
City and Southwark		259.1	38.4	297.5	286.1	11.4	297.5
Total		991.1	206.1	1,197.2	991.6	205.6	1,197.2
By use	Office	803.8	187.8	991.6			
	Retail	187.3	18.3	205.6			
Total		991.1	206.1	1,197.2			

Property portfolio – joint ventures under management

		At 30 September 2007					
		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m
North of Oxford Street		344.7	96.9	441.6	251.9	189.7	441.6
Rest of West End		592.6	–	592.6	361.4	231.2	592.6
Total West End		937.3	96.9	1,034.2	613.3	420.9	1,034.2
City and Southwark		68.7	12.4	81.1	75.9	5.2	81.1
Total		1,006.0	109.3	1,115.3	689.2	426.1	1,115.3
By use	Office	590.6	98.6	689.2			
	Retail	415.4	10.7	426.1			
Total – 100% of joint ventures		1,006.0	109.3	1,115.3			
Total – 50% share of joint ventures		503.0	54.6	557.6			

Total including share of joint ventures

		At 30 September 2007					
		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m
North of Oxford Street		551.8	216.1	767.9	588.8	179.1	767.9
Rest of West End		648.9	–	648.9	423.3	225.6	648.9
Total West End		1,200.7	216.1	1,416.8	1,012.1	404.7	1,416.8
City and Southwark		293.4	44.6	338.0	324.0	14.0	338.0
Grand total		1,494.1	260.7	1,754.8	1,336.1	418.7	1,754.8

Development pipeline

Total programme ¹	
25 projects	
2.9 million sq ft	
1.2 million sq ft increase	
3.0 million sq ft existing GPE portfolio	

Near-term developments ²	
Site value	£235.6m
Project cost (excluding site)	£337.6m
Spent to date	£48.5m
ERV	£36.8m
Development yield on cost	6.4%
Approximate profit on cost	33.6%

1. Includes joint ventures.

2. Includes share of joint ventures.

Segments	Near-term	Medium-term	Long-term
Start dates	2006–2009	2009–2011	2011 & beyond
100% Owned	8	5	2
In joint venture	4	1	4
Management agreement	1	–	–
Total	13	6	6
Lettable area on completion (sq ft) ¹	1,250,000	1,000,000	650,000
Increase over pre-development area ¹	73%	145%	12%

Development

The Group's development business has shown strong progress in the first half with major milestones achieved at several schemes. The development programme is now up to 25 projects; taken together, they represent a potential total area of 2.9 million sq ft, a 70% increase over the buildings' pre-development area. The near-term programme alone has an estimated completed value of £766.0 million, equivalent to 44% of the Group's existing portfolio.

We divide the total development pipeline into three time segments (near-term, medium-term and longer-term) depending on the start dates. Of the near-term group of 13 schemes, those not currently on site will all have started by the end of 2009. The medium-term projects are scheduled to commence between 2009–2011, whilst the longer term programme represents prospects beyond 2011.

In September, we announced the pre-let of the entire office element at 60 Great Portland Street, W1 to The Engine Group, who will take a 20 year lease over the basement and ground to fifth floors totalling 60,000 sq ft and pay £3.6 million per annum after a 17 month rent free period. The above ground floor office rents range from £65 per sq ft for the fifth floor to £60 per sq ft on the first floor. Building work commenced in January 2006 and we expect to finish by the end of 2007. At 180 Great Portland Street, W1 we let 16,000 sq ft at £58 per sq ft, establishing a new rental level and, subsequent to the half year end, a further 8,000 sq ft of space at this building was let for £62.50 per sq ft. Further space is under offer at £65 per sq ft.

We have seven schemes on site at Wells & More, Mortimer Street, W1 (115,000 sq ft), 60 Great Portland Street, W1 (90,000 sq ft), 79/83 Great Portland Street, W1 (16,000 sq ft), Foley Street, W1 (20,000 sq ft), Tooley Street, (200,000 sq ft) and Bermondsey Street, (48,000 sq ft) both in SE1 and Met Wharf (110,000 sq ft), E1. The Tooley Street scheme, pre-sold last year, has been entirely pre-let to Southwark Borough Council at an average rent of £38.50 per sq ft, crystallising an additional bonus payment due to the Group on practical completion in the spring of 2008.

In the Group's new 50:50 joint venture, the Great Capital Partnership (GCP), we have assembled an interesting development prospect at New Fetter Lane, EC4 by acquiring a building adjacent to an existing holding. Preliminary design work is ongoing and we expect to submit a planning application for an office building of more than 100,000 sq ft during the next 12 months. In addition, we submitted a planning application for a 131,000 sq ft office scheme at Wigmore Street, W1 where we anticipate starting on site in early 2009. At 240 Blackfriars Road, SE1, we are preparing to start our 190,000 sq ft office building in early 2008. At the Hanover Square Estate, W1 discussions continue with both the planning authorities and Crossrail on a masterplan for the site.

We continue to see significant construction cost inflation across central London as a consequence of heightened activity, particularly on major infrastructure projects, and raw material price increases. So as to mitigate the effect on our development programme, we are engaging with key suppliers at an earlier stage than usual to create more certainty on contract values.

Acquisitions

Description	Cost £m	NIY %	Area sq ft	Cost £ per sq ft
19/25 Argyll Street, W1*	26.6	4.1	63,600	835
65/71 Bermondsey Street, SE1	9.4	2.7	16,600	566
24/25 Britton Street, EC1*	8.4	4.9	50,400	332
26/30 Broadwick Street, W1*	30.5	5.1	70,000	872
18 Dering Street, W1	6.6	2.7	5,200	1,264
43 Fetter Lane, EC4*	10.7	0	28,000	768
29/35 Great Portland Street, W1*	4.7	5.3	15,600	605
54/56 Jermyn Street, W1*	10.2	5.3	28,400	725
26/40 Kensington High Street, W8*	25.2	4.9	116,900	431
201/207 Kensington High Street, W8*	7.5	4.4	17,600	857
65/75 Kingsway, WC2*	8.8	5.0	29,300	604
Metropolitan Wharf, Wapping Wall, E1*	5.3	5.3	110,000	97

*Properties held in joint venture.

Description	Cost £m	NIY %	Area sq ft	Cost £ per sq ft
12/14 New Fetter Lane, EC4*	4.8	7.0	25,600	376
10/14 Old Court Place, W8*	1.3	4.7	5,600	456
Park Crescent Estate, W1*	31.4	5.1	144,800	433
166/175 Piccadilly and 52 Jermyn Street, W1*	40.5	4.8	104,000	779
91/101 Regent Street, W1*	6.7	5.2	22,300	600
100 Regent Street, W1*	26.6	5.5	53,000	1,003
126/130 Regent Street, W1*	13.2	4.7	30,700	862
203 Regent Street, W1*	4.8	4.8	10,300	928
266/270 Regent Street, W1*	5.7	9.1	14,800	769
288/300 Regent Street, W1*	14.6	5.1	46,700	624
21 Sackville Street, W1*	16.3	4.1	20,900	1,557
183/190 Tottenham Court Road, W1*	2.7	5.6	12,000	448
59/63 Wells Street, W1*	6.7	5.2	25,300	527
	329.2		1,067,600	

Investment management

We have continued to recycle capital from mature properties into projects to which we can apply our asset management and development skills.

Sales during the first half amounted to £268.6 million. Four sales were made in April for £161.6 million in line with their March 2007 valuations being the Group's contribution to GCP. In September we sold Met Building, 22 Percy Street, W1, the Group's successful development completed in 2005, for £107.0 million, slightly below the 31 March 2007 valuation. This development was sold off a net initial yield of 4.1% and crystallised a return on total capital employed of 156% since purchase in June 2003.

The investment team has had a very active first half with £329.2 million (our share) of property acquired. The majority of this activity was in GCP. Created in April 2007 for a cost of £233.3 million (our share), the joint venture brought 17 new properties under our management totalling 610,000 sq ft, centred around Regent Street with an average office rent of only £28 per sq ft. Since then, GCP has agreed to acquire six properties in four transactions at a cost of £80.0 million (our share) in Jermyn Street, SW1, Fetter Lane, EC4 and Regent Street, W1, all adjacent or near to existing holdings.

In our wholly owned portfolio, we made two acquisitions at a cost of £16.0 million during the period, all adjacent to existing holdings. 18 Dering Street, W1 was purchased to augment our holding on the western side of Hanover Square whilst 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.

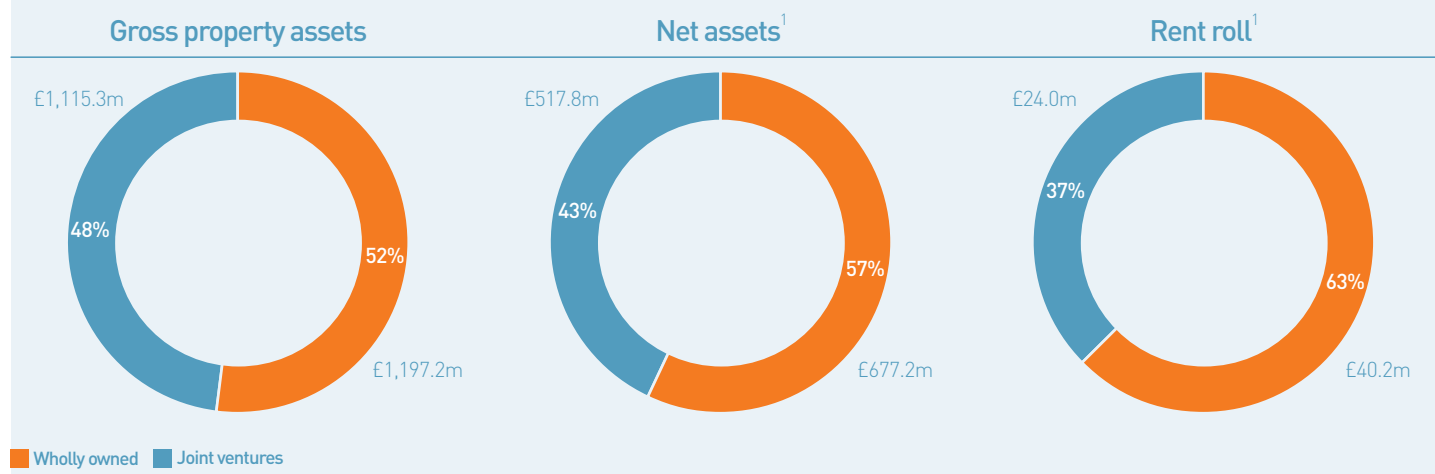
Asset management

Our asset management team remains focused on the execution of each property's clearly defined asset strategy. The first six months of the year have been busy with a good amount of leasing activity, driving rental values higher and numerous lease regearings, rent reviews and lease renewals also strengthened the quality of our income. During the period, we have announced new leases covering more area and at a higher value than the total for the year to March 2007.

Lease renewals and new lettings, including those in joint ventures, signed between 1 April and 30 September, will add £13.5 million to the rent roll and were 4.5% ahead of March 2007 rental values. These include the regearing of the office occupational leases at 160 Great Portland Street, W1 totalling 86,000 sq ft, due to expire next year, to new 11 year leases and, at the same time, marking the rent up by some 23.5%.

Joint venture business – contribution to the Group

Values at 30 September 2007



1. Includes Group's share of joint ventures.

Other operational achievements during the half year have included:

- > lettings at Kent House, Market Place, W1 and Elsley House, Great Titchfield Street, W1 following completion of comprehensive refurbishments;
- > new retail and office rental evidence being set in Regent Street, W1 and Oxford Street, W1 following judicious lease surrenders; and
- > successful refurbishment projects at Pollen House, Cork Street, W1 and at 67/75 Kingsway, WC2.

Voids in the investment portfolio (including share of joint ventures) at 30 September were low at 4.6% and the efficient letting of empty space remains a key objective for the team, including those properties being worked up for development.

Joint ventures

Our joint ventures have performed well in the first half and we are pleased to have the continuing endorsement of our partners, Liverpool Victoria Friendly Society, Scottish Widows Investment Partnership and Capital & Counties Limited. These joint ventures, with gross property assets of £1,115.3 million, now represent 48% of our gross property assets, up from 24% at the beginning of the financial year.

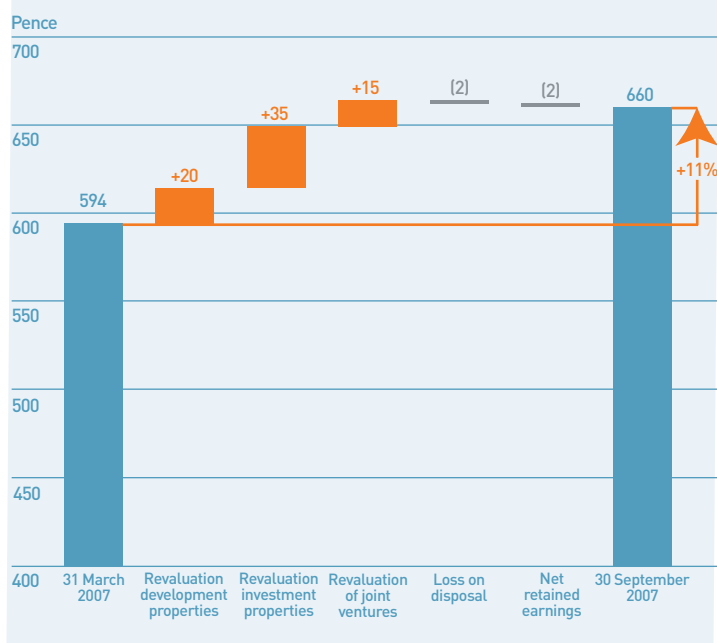
GCP has started well with the 30 September property valuation of £329.9 million (our share) showing a surplus of 4.6% or £29.1 million net of all acquisition costs and subsequent capital expenditure, during an average ownership period of just over 4 months. During this short time, we have been encouraged by the opportunities our management of the assets is unearthing, augmented by the subsequent acquisitions. We have welcomed four new employees from Capital & Counties to support GCP's business plan of growing rents from low current levels and to implement asset management, refurbishment and development initiatives.

Good progress has been made in the Great Victoria Partnerships (GVP and GVP2). Asset management activity at the Mount Royal retail block in Oxford Street, W1 has moved the rents forward significantly and the final phase of development of the former Liberty Store at 208/222 Regent Street, W1 pre-let to Gap, was completed on time and on budget and handed over to the tenant. Great Wigmore Partnership (GWP) has submitted a planning application for the comprehensive redevelopment of 79/97 Wigmore Street, W1 and good letting progress has been made at 180 Great Portland Street, W1 with rents achieved significantly ahead of the valuer's March estimates.

Our financial position

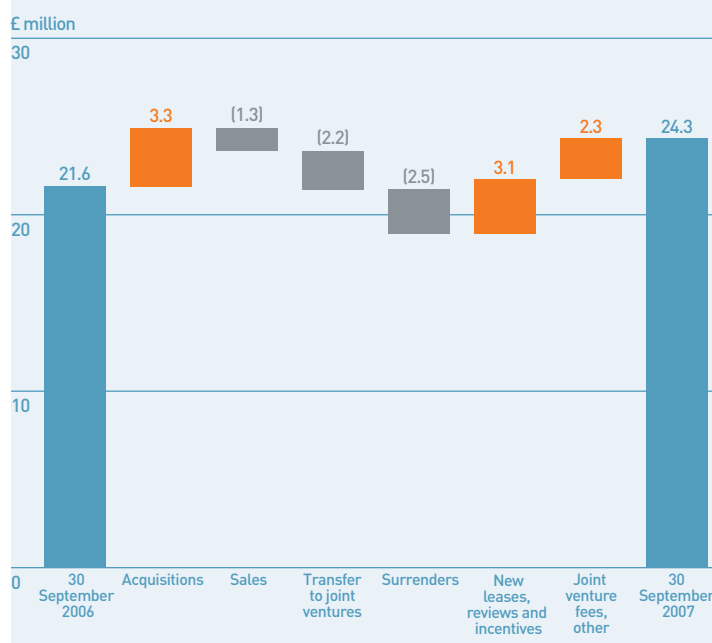
Adjusted NAV per share

Movement since 31 March 2007



Rental and joint venture fee income

Six months to 30 September 2007



Financial results

The Group's financial performance for the period was sound with good portfolio valuation and NAV per share results. The second quarter's NAV per share growth rate of 2.8% was below that of the first quarter of 8.1%, as market yield expansion impacted many of the Group's assets. The general market valuation 'headwind' was mitigated by solid asset management, helping to grow rental values and significant returns from the development business.

Net asset value growth

Adjusted NAV per share, increased 11.1% in the half year to 660 pence. At September 2007, the Group's net assets were £1,195.0 million up from £1,076.0 million at March 2007.

The main drivers behind the 66 pence per share increase in adjusted NAV per share from March to September 2007, illustrated on the chart above, were:

- > significant valuation rises of 20 pence per share from properties under development;
- > investment portfolio valuation growth of 35 pence per share;
- > increases in valuation in the joint ventures including recent acquisitions of 15 pence per share;
- > the sale of Met Building which crystallised a loss of 2 pence per share; and
- > the payment of the final 2007 dividend of 7.55 pence in excess of adjusted earnings for the period of 5.4 pence reduced NAV by a net 2 pence per share.

The valuation of the near-term development schemes incorporated in the NAV per share at September 2007 includes around 45% of the expected surplus on the schemes when complete. Triple net asset value (NNNAV) grew to 663 pence per share, up 11.8% from March 2007, principally due to the factors described above.

Income statement and earnings per share

Total rental and joint venture fee income increased by 12.5% to £24.3 million compared to the first half of last year.

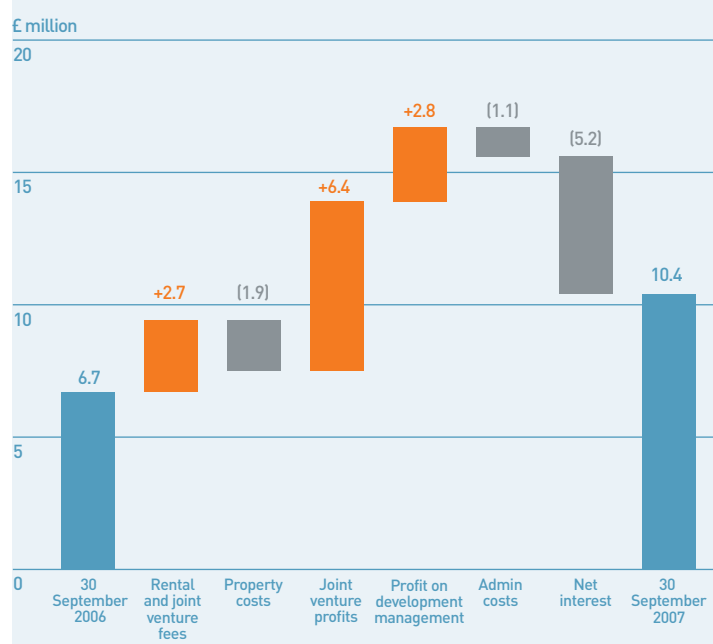
Gross rental income for the period was £19.6 million, a fall of £1.8 million or 8.4% compared to the first half of last year. The level of rental income has been influenced by good underlying organic growth but impacted by surrenders linked to buildings such as the Wells & More development scheme and an injection of assets into the GCP and GWP joint ventures, which reduced rental income but increased joint venture profits. These factors are illustrated in the chart above.

In total, rent reviews, lease renewals and new lettings (including the amortisation of lease incentives) added £3.1 million to rental income over the same period last year. The estimated rental value of the portfolio grew by some 9.0% in the first half due to the various improvements we are bringing to our properties and a supportive occupational market. The Group's joint ventures generated management fees of £2.7 million, up 440% from September 2006, which were boosted by transaction and development activity at GVP2 and GCP.

Adjusted profit before tax at £10.4 million was £3.7 million or 55% higher than last year. This increase was driven by the rise in joint venture management fees, profits from development management operations as well as higher underlying profits from joint ventures, partly offset by increased interest and administration charges.

Adjusted profit before tax

Six months to 30 September 2007



Development management profits were up by £2.8 million year on year as a result of the level of income from the Tooley Street, SE1 scheme. Underlying profits from joint ventures were £7.3 million, up £6.4 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. Administration costs increased to £7.2 million (2006: £6.1 million) primarily due to higher non-cash accounting charges for the Group's share based incentive schemes, which increased by £0.8 million year on year. Underlying finance costs (before derivative mark to market adjustments) increased by £5.2 million to £15.1 million as the result of higher net debt due to investment in our development schemes, acquisitions made during the half year and higher rates on the floating segment of the Group's credit facilities.

Trends in adjusted PBT are set out in the chart above.

The Group's underlying tax charge for the period was £0.7 million, giving an effective rate of 7%, lower than the year to 31 March 2007 due to the property rental business being tax exempt as a result of REIT conversion in January 2007. The Group earns sizeable profits from development management and joint venture management which are outside of the REIT tax exempt segment.

Adjusted earnings per share for the period were 5.4 pence, 8% greater than last year driven by higher adjusted PBT, although the comparative period benefited from some pre-REIT tax reliefs which were not available this year.

Reported profit before tax of £130.7 million was 11.7% lower than the previous year as a result of reduced portfolio revaluation gains and higher interest charges. Basic EPS for the year was 72.2 pence, up 2.8% on the first half of last year as a result of a reduced deferred tax charge this year.

Adjusted profit before tax

	September 2007 £m	September 2006 £m
Reported profit before tax	130.7	148.1
Gains from investment properties	(93.8)	(117.8)
Gains from joint venture properties	(26.4)	(24.2)
Fair value movement on derivatives	(0.1)	0.4
Premium on redemption of derivatives	-	0.2
Adjusted profit before tax	10.4	6.7

Results of joint ventures

	September 2007 £m	September 2006 £m	Change %
Fees	2.7	0.5	440
Net rental income	8.9	2.9	207
Adjusted profit before tax	7.3	0.9	711

Financial effects of near-term development schemes

The near-term development and refurbishment schemes have progressed according to plan during the period, with £25.6 million (2006: £15.0 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 17.9% due to growth in estimated rental value in the period and the elimination of some of the construction risk.

By 2011, the near-term schemes are forecast to generate incremental rental income for the Group of £31.5 million. Some of this additional revenue will be captured through higher profits from joint ventures, as several schemes are in the GVP, GWP and GCP ownerships. This increase in rental income from the near-term schemes is the equivalent of over 49.0% of the Group's current rent roll. Around £289 million of project costs are planned for the near-term schemes in the period to March 2011.

Results of joint ventures

The scale of the joint venture business has increased dramatically compared to last year following the creation and expansion of the Great Capital Partnership. At March 2007 13.2% of Group rent roll and 16.4% of net assets were in 50:50 joint ventures, by September 2007 the comparable figures were 37.4% and 43.3% respectively.

Our share of joint venture revenue increased to £8.9 million compared to £2.9 million for the first half of last year 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 underlying profits (excluding revaluation gains and profit on sales) grew to £7.3 million as a result of the addition of GCP assets. These profits are after charging £2.7 million of management fees to the individual joint ventures.

Debt financing position

	September 2007 £m	March 2007 £m
Net debt	617	389
Net gearing	51.6%	36.2%
Interest cover	1.7x	1.8x
Weighted average interest rate	6.11%	5.55%
Weighted average debt maturity (years)	9.3 ¹	11.2
Percentage of debt fixed or hedged	75% ¹	77%

1. Pro forma after sale of Met Building.

Financial resources and capital management

The cash consumed by operations fell to £17.2 million compared to £23.4 million last year as a result of fewer on balance sheet property acquisitions during the period. Net debt increased to £617 million, up from £389 million at March 2007, due to the initial investment of £68 million in GCP, the REIT conversion charge and subsequent acquisitions at Fetter Lane, EC4, Regent Street, W1 and Jermyn Street, SW1. Gearing increased to around 52% at September 2007 from 36% in March 2007 and interest cover fell slightly to 1.7 times.

In July 2007 the Group's debt facilities were enhanced to support recent acquisitions and the growing development pipeline. A new £200 million five year revolving credit facility was arranged on more advantageous terms than the smaller, shorter-term facility that it replaced. Following the sale of Met Building the Group has undrawn committed credit facilities in excess of £170 million.

The Group's weighted average interest rate for the half year was 6.11%, an increase of 56 basis points compared to the year to 31 March 2007. The summer and autumn of 2007 has seen the credit markets suffer from reduced liquidity and confidence, combined with higher short-term rates. These market factors have increased the Group's floating interest cost to 6.23% in the first half of the year compared to 5.60% in the year to 31 March 2007. To further protect the Group from future interest rate volatility we executed £90.0 million of five year interest rate swaps and collars in September. Taking into account the sale of Met Building the proportion of our period end debt which was fixed or hedged was 75%.

Dividend

The Board has declared an interim dividend of 3.9 pence per share an increase of 4% over the first half of last year which will be paid on 3 January 2008. Of this interim dividend 0.8 pence per share is a REIT Property Income Distribution (PID) in respect of the Group's tax exempt property rental business. Further information on the tax treatment of dividends can be found in "Shareholders' information" and on the Group's website.

Outlook

With property markets engulfed in negative sentiment and a challenging credit environment, both absolute and relative returns will be produced by those best able to reposition their assets to drive rental growth. We believe this changing property environment plays to our relative strengths:

- > our properties are well located. 81% are in the West End, the majority of which is on or near Oxford Circus;
- > our office rents remain low at £32.60 per sq ft providing significant potential for growth;
- > our development programme appears well timed and should materially enhance Group returns;
- > our disciplined buying and selling is boosting our relative performance; and
- > our chosen occupational markets remain supportive, particularly the West End where structural under-supply remains the dominant feature.

We will continue to monitor market conditions carefully and use the Group's flexible financial resources to respond to emerging opportunities and challenges. We believe that our focused operating approach and sector specialism will underpin the long-term prospects of the Group.

Portfolio statistics

Rental income

			At 30 September 2007						
			Wholly owned			Share of joint ventures			Total rental values £m
			Rent roll £m	Reversionary potential £m	Rental values £m	Rent roll £m	Reversionary potential £m	Rental values £m	
London	North of Oxford Street	Office	11.4	8.6	20.0	4.9	1.3	6.2	26.2
		Retail	3.0	0.4	3.4	4.0	1.1	5.1	8.5
	Rest of West End	Office	7.9	4.9	12.8	8.2	2.8	11.0	23.8
		Retail	4.9	0.7	5.6	5.7	0.8	6.5	12.1
Total West End			27.2	14.6	41.8	22.8	6.0	28.8	70.6
	City and Southwark	Office	12.4	4.0	16.4	1.1	0.5	1.6	18.0
		Retail	0.6	0.7	1.3	0.1	–	0.1	1.4
Total City and Southwark			13.0	4.7	17.7	1.2	0.5	1.7	19.4
Total let portfolio			40.2	19.3	59.5	24.0	6.5	30.5	90.0
Voids					1.6			2.3	3.9
Premises under refurbishment					10.1			1.7	11.8
Total portfolio					71.2			34.5	105.7

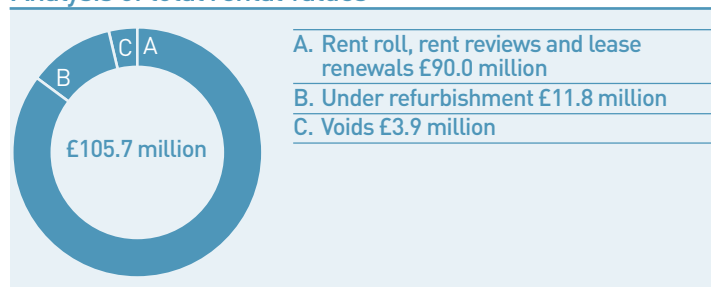
Rent roll security, lease lengths and voids

			At 30 September 2007						
			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	61.9	5.9	2.4	42.4	3.9	25.2	
		Retail	76.0	8.2	13.7	71.8	9.9	7.1	
	Rest of West End	Office	28.6	3.1	1.3	66.6	5.7	2.7	
		Retail	69.7	10.6	5.1	86.5	12.8	0.3	
Total West End			55.2	6.2	4.0	67.6	7.9	8.4	
	City and Southwark	Office	21.4	2.8	0.1	12.0	1.6	–	
		Retail	14.2	6.5	–	100.0	14.6	–	
Total City and Southwark			21.1	3.0	0.1	20.3	2.6	–	
Total let portfolio			44.2	5.2	2.9	65.2	7.6	7.5	

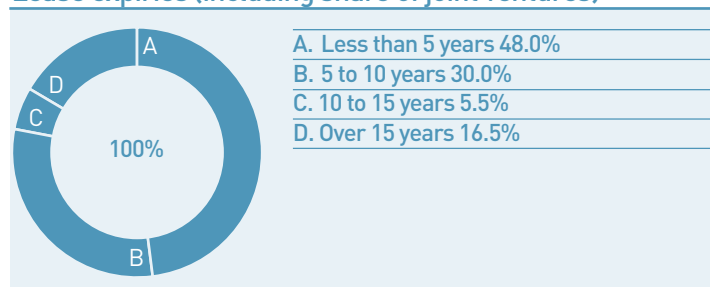
Rental values and yields

			At 30 September 2007							
			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	36	53	31	41	2.0	5.1	4.4	5.4
		Retail	35	37	54	65	3.2	4.9	4.1	4.6
	Rest of West End	Office	40	64	36	48	2.7	4.3	3.7	5.0
		Retail	64	73	52	59	3.8	4.5	3.5	4.9
Total West End			40	53	40	50	2.6	4.8	3.8	5.0
	City and Southwark	Office	27	35	24	29	4.7	5.4	2.7	6.1
		Retail	13	28	42	15	2.4	5.9	3.9	6.0
Total City and Southwark			26	35	25	28	4.7	5.4	2.8	6.1
Total let portfolio			34	47	39	47	3.1	4.9	3.7	5.1

Analysis of total rental values



Lease expiries (including share of joint ventures)



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 for the remaining six months of the financial year and the controls and processes in place by which the Company aims to manage those risks are:

Risk	Mitigation
<p>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.</p>	<p>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.</p>
<p>The impact of changes in legislation particularly in respect of environmental legislation and planning regulations.</p>	<p>Environmental Policy Committee established to set policies that match the Group's operations within this changing environment.</p> <p>Through the use of experienced advisers and direct contact, senior Group representatives spend considerable time ensuring that buildings are refurbished or redeveloped in line with current regulations including, for example, changing environmental legislation requirements in the most cost effective manner.</p>
<p>Development Failure to obtain or delays in gaining planning consents.</p>	<p>Planning applications are proactively managed. The Company monitors changes in planning legislation and has good working relationships with planning authorities and consultants.</p>
<p>Construction cost inflation.</p>	<p>Specialist advisers are used to forecast both labour and construction costs.</p> <p>Procurement strategies are employed to mitigate this risk as far as possible.</p> <p>Detailed appraisals are produced at key stages of the development process to ensure that decisions are based on up-to-date forecasts.</p>
<p>Letting risk.</p>	<p>Market analysis and sensitivities are included within the development appraisals.</p> <p>The Company has resource dedicated to the letting of the developments supported by a strong network of specialist leasing agents.</p>
<p>Investment Difficulty in sourcing investment opportunities at attractive prices.</p>	<p>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.</p>
<p>Portfolio returns impaired by inappropriate recycling of capital.</p>	<p>Business plans are produced on an individual asset basis to ensure the appropriate churn of those buildings with limited relative potential performance.</p>
<p>Attracting and retaining the right people Achieving the Company's aims requires people of the highest calibre.</p>	<p>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.</p>
<p>Financial risks Liquidity risk.</p>	<p>Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place.</p> <p>Funding maturities are managed across the short-, medium- and long-term.</p> <p>The Group's funding sources are diversified across a range of bank and bond markets.</p> <p>Strict counterparty limits are operated on deposits.</p>
<p>Adverse interest rate movements.</p>	<p>The proportion of floating rate interest exposure is maintained between 20–40% of forecast total interest cost.</p>
<p>Breach of borrowing covenants.</p>	<p>Financial ratios are monitored and regularly reported to the Board.</p>
<p>Non compliance with REIT regulations.</p>	<p>The Group's current and forecast financial measures are regularly compared to REIT limits and reported to the Board.</p>

Group income statement

For the six months ended 30 September 2007

Year to 31 March 2007 Audited £m		Notes	Six months to 30 September 2007 Unaudited £m	Six months to 30 September 2006 Unaudited £m
46.9	Rental income	2	21.6	21.1
1.6	Joint venture fee income		2.7	0.5
48.5	Rental and joint venture fee income		24.3	21.6
6.2	Service charge income		3.5	3.2
(7.9)	Service charge expenses		(4.2)	(4.2)
(1.7)			(0.7)	(1.0)
(2.3)	Other property expenses		(2.6)	(0.4)
44.5	Net rental and related income		21.0	20.2
(14.2)	Administrative expenses		(7.2)	(6.1)
20.4	Development management revenue		17.7	9.7
(15.1)	Development management costs		(13.4)	(8.2)
5.3			4.3	1.5
35.6	Operating profit before gains on investment property and results of joint ventures		18.1	15.6
278.1	Gains from investment property	7	93.8	117.8
45.2	Share of results of joint ventures	9	33.7	25.1
358.9	Operating profit before financing costs		145.6	158.5
0.3	Finance income	3	0.1	0.1
(22.0)	Finance costs	4	(15.0)	(10.3)
(11.2)	Premium on redemption of interest-bearing loans and borrowings		—	(0.2)
326.0	Profit before tax		130.7	148.1
56.8	Tax	5	(0.7)	(34.4)
382.8	Profit for the period		130.0	113.7
235.7p	Basic earnings per share	6	72.2p	70.2p
214.3p	Diluted earnings per share	6	72.2p	64.1p
10.2p	Adjusted earnings per share	6	5.4p	5.0p

All results are derived from continuing operations.

Year to 31 March 2007 Audited £m		Notes	Six months to 30 September 2007 Unaudited £m	Six months to 30 September 2006 Unaudited £m
	Total operating profit before gains on investment property			
35.6	Operating profit before gains on investment property and results of joint ventures		18.1	15.6
3.1	Share of profit of joint ventures	9	7.3	0.9
38.7	Total operating profit before gains on investment property		25.4	16.5

Group balance sheet

At 30 September 2007

31 March 2007 Audited £m		Notes	30 September 2007 Unaudited £m	30 September 2006 Unaudited £m
Non-current assets				
1,314.3	Investment property	7	1,183.8	1,098.8
20.9	Development property, plant and equipment	8	24.0	18.7
176.0	Investment in joint ventures	9	517.8	156.2
–	Pension asset		1.0	–
1,511.2			1,726.6	1,273.7
Current assets				
22.2	Trade and other receivables	10	129.8	18.3
–	Income tax receivable		0.1	–
0.8	Deferred tax	13	–	–
4.2	Cash and cash equivalents		10.6	6.9
27.2			140.5	25.2
1,538.4	Total assets		1,867.1	1,298.9
Current liabilities				
30.7	Trade and other payables	11	36.2	27.1
28.2	Income tax payable		–	–
2.9	Interest-bearing loans and borrowings	12	–	3.0
61.8			36.2	30.1
Non-current liabilities				
390.4	Interest-bearing loans and borrowings	12	627.4	382.7
10.0	Obligations under finance leases		8.5	10.0
–	Deferred tax		–	116.9
0.2	Pension liability		–	0.6
400.6			635.9	510.2
462.4	Total liabilities		672.1	540.3
1,076.0	Net assets		1,195.0	758.6
Equity				
22.6	Share capital	14	22.6	20.4
68.2	Share premium	15	68.2	15.9
–	Equity reserve		–	8.8
0.5	Hedging reserve	16	0.2	(0.1)
16.4	Capital redemption reserve	16	16.4	16.4
1.5	Revaluation reserve	16	2.8	0.2
967.7	Retained earnings	16	1,084.7	698.4
(1.0)	Investment in own shares	17	–	(1.4)
1,075.9	Equity shareholders' funds		1,194.9	758.6
0.1	Minority interest		0.1	–
1,076.0	Total equity		1,195.0	758.6
594p	Net assets per share	6	660p	464p
594p	Adjusted net assets per share	6	660p	513p

Group statement of cash flows

For the six months ended 30 September 2007

Year to 31 March 2007 Audited £m		Notes	Six months to 30 September 2007 Unaudited £m	Six months to 30 September 2006 Unaudited £m
Operating activities				
358.9	Operating profit before financing costs		145.6	158.5
(319.4)	Adjustments for non-cash items	18	(122.0)	(140.4)
(16.8)	Increase in receivables		(1.0)	(11.5)
5.6	Increase/(decrease) in payables		3.2	(1.5)
(216.3)	Purchase and development of property		(42.9)	(108.5)
(0.2)	Purchase of fixed assets		(0.1)	–
132.1	Sale of properties		–	80.0
(56.1)	Cash consumed by operations		(17.2)	(23.4)
0.3	Interest received		0.1	0.1
(23.9)	Interest paid		(15.7)	(10.4)
(0.7)	Tax paid		–	(0.2)
–	REIT conversion charge		(28.3)	–
(80.4)	Cash flows from operating activities		(61.1)	(33.9)
Investing activities				
(6.9)	Purchase of interests in joint ventures		(138.8)	(6.9)
(6.9)	Cash flows from investing activities		(138.8)	(6.9)
Financing activities				
(43.1)	Redemption of loans		(2.9)	(1.4)
90.0	Borrowings drawn		237.0	51.0
–	Loans to joint venture		(14.2)	–
52.5	Issue of debenture		–	–
(0.3)	Purchase of derivatives		–	(0.3)
0.1	Issue of minority interest		–	–
(18.0)	Equity dividends paid		(13.6)	(11.9)
81.2	Cash flows from financing activities		206.3	37.4
(6.1)	Net increase/(decrease) in cash and cash equivalents		6.4	(3.4)
10.3	Cash and cash equivalents at 1 April		4.2	10.3
4.2	Cash and cash equivalents at balance sheet date		10.6	6.9

Group statement of recognised income and expense

For the six months ended 30 September 2007

Year ended 31 March 2007 Audited £m		Six months to 30 September 2007 Unaudited £m	Six months to 30 September 2006 Unaudited £m
1.5	Revaluation of development properties	1.3	0.2
0.1	Deferred tax on development properties recognised directly in equity	—	—
—	Reversal of deferred tax provision on disposal of development property	—	1.4
0.5	Fair value movement on derivatives net of deferred tax	(0.3)	(0.1)
—	Actuarial gains/(losses) on defined benefit scheme net of deferred tax	0.6	(0.2)
2.1	Net gain recognised directly in equity	1.6	1.3
382.8	Profit for the period	130.0	113.7
384.9	Total recognised income and expense for the period	131.6	115.0

Group reconciliation of other movements in equity

For the six months ended 30 September 2007

Year ended 31 March 2007 Audited £m		Six months to 30 September 2007 Unaudited £m	Six months to 30 September 2006 Unaudited £m
654.7	Opening total equity	1,076.0	654.7
384.9	Total recognised income and expense for the period	131.6	115.0
53.7	Conversion of convertible bonds	—	0.6
0.1	Minority interest	—	—
(0.6)	Deferred tax on convertible bonds	—	(0.2)
1.2	Employee Long-Term Incentive Plan and Share Matching Plan charge	1.0	0.4
(18.0)	Dividends	(13.6)	(11.9)
1,076.0	Closing total equity	1,195.0	758.6

Notes forming part of the half year report

1 Basis of preparation

The unaudited financial information contained in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The full financial statements for the year ended 31 March 2007 were prepared under IFRS and did not contain a statement under section 237(2) or (3) of the Companies Act 1985 and, together with an unqualified audit report in accordance with section 235 of the Companies Act 1985, have been delivered to the Registrar of Companies. The half year financial report has been prepared using accounting policies set out in the full financial statements for the year ended 31 March 2007, which are consistent with IFRS.

2 Rental income

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
44.9	Gross rental income	19.6	21.4
2.1	Amortisation of capitalised lease incentives	2.0	(0.2)
(0.1)	Ground rents payable	—	(0.1)
46.9		21.6	21.1

3 Finance income

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
0.2	Interest on short-term deposits	0.1	0.1
0.1	Other	—	—
0.3		0.1	0.1

4 Finance costs

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
11.5	Interest on bank overdrafts and loans	11.8	4.4
7.4	Interest on debentures	4.1	3.8
3.6	Interest on convertible bonds	—	2.0
0.1	Interest on loan notes	—	0.1
0.6	Interest on obligations under finance leases	0.4	0.3
0.2	Other interest	—	0.2
23.4	Gross finance costs	16.3	10.8
(1.5)	Less: capitalised interest	(1.2)	(0.9)
21.9		15.1	9.9
0.1	Fair value movement on derivatives	(0.1)	0.4
22.0		15.0	10.3

5 Tax

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
	Current tax		
0.3	UK corporation tax	—	—
28.3	REIT conversion charge	—	—
(0.1)	Tax over provided in previous years	—	(0.1)
28.5	Total current tax	—	(0.1)
(85.3)	Deferred tax	0.7	34.5
(56.8)	Tax charge/(credit) for the period	0.7	34.4

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

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
326.0	Profit before tax	130.7	148.1
97.8	Tax on profit at standard rate of 30%	39.2	44.4
0.3	Expenses not deductible for tax purposes	0.1	0.2
(0.8)	Accelerated capital allowances	—	(1.3)
(5.2)	Sale of investment properties	—	(3.6)
(0.1)	Previous years' corporation tax	—	(0.1)
28.3	REIT conversion charge	—	—
(135.4)	Deferred tax released on conversion to REIT status	—	—
(0.9)	Ring-fenced rental income and gains	(38.8)	—
(0.4)	Receipts taxed as chargeable gains or taxed in prior year	—	—
1.9	Accounting losses arising in the period not relievable against current tax	0.4	—
(41.5)	Property revaluations	—	(4.7)
(0.3)	Accounting profits arising in the period not taxable	—	(0.1)
(0.5)	Other	(0.2)	(0.4)
(56.8)	Tax charge for the period	0.7	34.4

During the period £0.1 million (2006: £1.5 million) of tax was charged directly to equity. This charge related to deferred tax in respect of derivatives and pension liabilities.

The Group became a REIT on 1 January 2007, and as such is broadly exempt from corporation tax in respect of its rental profits and chargeable gains relating to its property rental business. The Group is otherwise subject to corporation tax.

6 Earnings and net assets per share

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

Year to 31 March 2007 No. of shares		Six months to 30 September 2007 No. of shares	Six months to 30 September 2006 No. of shares
163,181,906	Issued ordinary share capital at 1 April	181,019,809	163,181,906
346,843	Conversion of convertible bonds	1,621	53,354
(1,115,628)	Investment in own shares	(865,147)	(1,115,628)
162,413,121	Weighted average number of ordinary shares	180,156,283	162,119,632
17,534,658	Effect of conversion of convertible bonds	–	17,868,140
179,947,779	Diluted weighted average number of ordinary shares	180,156,283	179,987,772

Basic, diluted and adjusted earnings per share

Year to 31 March 2007 Earnings per share pence		Six months to 30 September 2007 Profit after tax £m	Six months to 30 September 2007 Earnings per share pence	Six months to 30 September 2006 Profit after tax £m	Six months to 30 September 2006 Earnings per share pence
235.7	Basic	130.0	72.2	113.7	70.2
(21.4)	Effect of convertible bonds	–	–	1.6	(6.1)
214.3	Diluted	130.0	72.2	115.3	64.1
(155.0)	Gains from investment property	(93.8)	(52.1)	(91.9)	(51.0)
(23.4)	Gains from joint venture investment property	(26.4)	(14.6)	(15.8)	(8.8)
15.8	REIT conversion charge and associated costs	–	–	–	–
(42.3)	Reversal of deferred tax on REIT conversion	–	–	–	–
–	Movement in fair value of derivatives	(0.1)	(0.1)	0.4	0.3
5.1	Premium on redemption of loans	–	–	0.1	–
(4.3)	Deferred tax on accelerated capital allowances	–	–	0.8	0.4
10.2	Adjusted	9.7	5.4	8.9	5.0

Net assets per share

31 March 2007 Net assets per share pence		30 September 2007 Net assets £m	30 September 2007 No. of shares million	30 September 2007 Net assets per share pence	30 September 2006 Net assets £m	30 September 2006 No. of shares million	30 September 2006 Net assets per share pence
594	Basic	1,195.0	181.0	660	758.6	163.4	464
–	Convertible bonds	–	–	–	52.7	17.6	(16)
594	Diluted	1,195.0	181.0	660	811.3	181.0	448
(1)	Fair value of financial liabilities net of tax	4.9		3	(12.5)		(7)
593	Diluted triple net assets	1,199.9		663	798.8		441
1	Fair value of financial liabilities net of tax	(4.9)		(3)	12.5		7
–	Fair value of derivatives	(0.5)		–	0.2		–
–	Deferred tax on capital allowances	–		–	8.5		5
–	Deferred tax on revaluation gains	–		–	108.1		60
594	Adjusted net assets	1,194.5		660	928.1		513

7 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2007	906.9	275.6	1,182.5
Acquisitions	16.0	–	16.0
Costs capitalised	9.1	–	9.1
Disposals	(209.4)	(61.2)	(270.6)
Net valuation gain on investment property	52.1	10.5	62.6
Book value at 30 September 2007	774.7	224.9	999.6

Investment property – development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2007	131.8	–	131.8
Costs capitalised	17.8	–	17.8
Interest capitalised	0.5	–	0.5
Net valuation gain on investment property	34.1	–	34.1
Book value at 30 September 2007	184.2	–	184.2
Book value of total investment property at 30 September 2007	958.9	224.9	1,183.8

	30 September 2007 £m	30 September 2006 £m
Net valuation gain on investment property	96.7	105.9
(Loss)/profit on sale of investment properties	(2.9)	11.9
Gains from investment property	93.8	117.8

The investment and development properties (note 8) were valued on the basis of Market Value by CB Richard Ellis, as at 30 September 2007 in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The book value of investment properties includes £8.5 million (2006: £10.0 million) in respect of the present value of future ground rents.

At 30 September 2007, properties with a carrying value of £292.9 million (2006: £239.0 million) were secured under first mortgage debenture stock (see note 12).

8 Development property, plant and equipment

	Leasehold improvements £m	Fixtures and fittings £m	Development property £m	Total £m
Cost or valuation				
At 1 April 2007	2.0	0.7	18.7	21.4
Costs capitalised	–	0.1	1.4	1.5
Interest capitalised	–	–	0.5	0.5
Net valuation gain taken to equity	–	–	1.3	1.3
At 30 September 2007	2.0	0.8	21.9	24.7
Depreciation				
At 1 April 2007	0.3	0.2	–	0.5
Charge for the period	0.1	0.1	–	0.2
At 30 September 2007	0.4	0.3	–	0.7
Carrying amount at 31 March 2007	1.7	0.5	18.7	20.9
Carrying amount at 30 September 2007	1.6	0.5	21.9	24.0

The historical cost of development properties at 30 September 2007 was £19.1 million (2006: £16.3 million). The cumulative interest capitalised in development properties was £1.1 million (2006: £0.2 million).

9 Investment in joint ventures

	Equity £m	Loans £m	Total £m
At 1 April 2007	166.5	9.5	176.0
Acquisitions	300.4	14.2	314.6
Share of profits of joint ventures	7.3	–	7.3
Revaluation of joint ventures	26.4	–	26.4
Distributions	(6.5)	–	(6.5)
At 30 September 2007	494.1	23.7	517.8

The investments in joint ventures comprise the following:

31 March 2007		Country	30 September 2007	30 September 2006
–	The Great Capital Partnership	United Kingdom	50%	–
50%	The Great Victoria Partnership	United Kingdom	50%	50%
50%	The Great Victoria Partnership (No. 2)	United Kingdom	50%	50%
50%	The Great Wigmore Partnership	United Kingdom	50%	50%

On 25 April 2007 the Group entered into a new joint venture with Capital & Counties Limited managed on a similar basis to the existing joint ventures.

Included in the financial statements are the following items that represent the Group's share in the assets and liabilities, revenues and expenses for the joint ventures.

31 March 2007 Total £m		Great Capital Partnership	Great Victoria Partnerships	Great Wigmore Partnership	30 September 2007 Total £m	30 September 2006 Total £m
212.6	Investment property	345.2	139.3	88.4	572.9	201.1
14.3	Current assets	6.7	9.9	0.9	17.5	10.8
(46.0)	Bank loans	–	(46.0)	–	(46.0)	(49.4)
(14.4)	Current liabilities	(20.0)	(14.3)	(0.7)	(35.0)	(15.8)
–	Finance leases	(15.3)	–	–	(15.3)	–
166.5	Net assets	316.6	88.9	88.6	494.1	146.7
5.6	Net rental income	4.9	2.8	1.2	8.9	2.9
(2.5)	Expenses	(0.4)	(0.9)	(0.3)	(1.6)	(2.0)
3.1	Share of profit of joint ventures	4.5	1.9	0.9	7.3	0.9
38.4	Revaluation of investment property	13.1	9.9	3.4	26.4	24.2
3.7	Profit on sale of investment property	–	–	–	–	–
45.2	Net profit	17.6	11.8	4.3	33.7	25.1

The investment properties include £15.3 million (2006: £nil) in respect of the present value of future ground rents.

During the period the Group received a management fee of £2.7 million (2006: £0.5 million).

10 Trade and other receivables

31 March 2007 £m		30 September 2007 £m	30 September 2006 £m
3.9	Trade receivables	6.6	2.3
1.1	Prepayments and accrued income	1.4	1.1
11.4	Amounts receivable on development management agreements	10.5	10.0
4.9	Other trade receivables	110.8	4.9
0.9	Derivatives	0.5	–
22.2		129.8	18.3

Included in other trade receivables is £107.0 million receivable in respect of the sale of Met Building, W1.

11 Trade and other payables

31 March 2007 £m		30 September 2007 £m	30 September 2006 £m
12.7	Trade payables	20.5	10.1
18.0	Non-trade payables and accrued expenses	15.7	17.0
30.7		36.2	27.1

12 Interest-bearing loans and borrowings

31 March 2007 £m		30 September 2007 £m	30 September 2006 £m
	Non-current liabilities		
	Secured		
—	£32.1 million 7 ¹ / ₄ % debenture stock 2027	—	30.9
144.4	£142.9 million 5 ⁵ / ₈ % debenture stock 2029	144.4	91.9
	Unsecured		
—	5 ¹ / ₄ % convertible bonds 2008	—	52.7
246.0	Bank loans	483.0	207.0
—	Fair value of derivatives	—	0.2
390.4		627.4	382.7
	Current liabilities		
2.9	Unsecured loan notes	—	3.0
393.3		627.4	385.7

The Group has two floating rate revolving credit facilities of £300 million and £200 million each. 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 floating rate bank facilities are hedged using the following interest rate swaps, caps and collars:

	Interest rate	Maturity date
Interest rate swaps		
£40 million	5.115%	2011
£20 million	5.648%	2012
£20 million	5.655%	2012
£20 million	5.650%	2012
£20 million	5.580%	2012
£20 million	5.505%	2012
£15 million	5.538%	2012
£10 million	5.668%	2012
£10 million	5.660%	2012
£10 million	5.590%	2012
Interest rate caps		
£40 million	6.000%	2011
Interest rate collars		
£25 million	4.68%–6.5%	2012

All interest-bearing loans and borrowings are in Sterling. At 30 September 2007 the Group had available £22 million (2006: £208 million) of undrawn committed bank facilities. Following completion of the sale of Met Building, W1 and the agreement of a new bank facility the Group had undrawn committed bank facilities of £178 million.

12 Interest-bearing loans and borrowings (continued)

Maturity of financial liabilities

The maturity profile of the financial liabilities of the Group at 30 September 2007 was as follows:

31 March 2007 £m		30 September 2007 £m	30 September 2006 £m
2.9	In one year or less, or on demand	–	3.0
–	In more than one year but not more than two years	–	52.7
246.0	In more than four years but not more than five years	483.0	207.2
144.4	In more than five years	144.4	122.8
393.3		627.4	385.7

Fair value of financial liabilities

31 March 2007 Book value £m	31 March 2007 Fair value £m	30 September 2007 Book value £m	30 September 2007 Fair value £m	30 September 2006 Book value £m	30 September 2006 Fair value £m
2.9	2.9	–	–	3.0	3.0
390.4	392.1	627.4	622.5	382.5	454.0
(0.9)	(0.9)	(0.5)	(0.5)	0.2	0.2
392.4	394.1	626.9	622.0	385.7	457.2

The fair values of the Group's cash and short-term deposits are not materially different from those at which they are carried in the financial statements. Market values have been used to determine the fair value of listed long-term borrowings and interest rate swaps 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 prevailing interest rates.

13 Deferred tax

	At 1 April 2007 £m	Recognised in income £m	Recognised directly in equity £m	At 30 September 2007 £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)	(0.2)	0.3	–
Net deferred tax (asset)/provision	(0.8)	0.7	0.1	–

A deferred tax asset of £2.5 million, mainly relating to tax losses carried forward at 30 September 2007, was not recognised because it is uncertain whether future taxable profits against which these losses can be offset will arise.

14 Share capital

Year to 31 March 2007 Number	Year to 31 March 2007 £m	Six months to 30 September 2007 Number	Six months to 30 September 2007 £m	Six months to 30 September 2006 Number	Six months to 30 September 2006 £m
550,100,752	68.8				
		Ordinary shares of 12½ pence each			
		Authorised	550,100,752	550,100,752	68.8
		Allotted, called up and fully paid			
163,181,906	20.4	At the beginning of the period	181,019,809	163,181,906	20.4
17,837,903	2.2	Conversion of convertible bonds	3,225	250,966	–
181,019,809	22.6	At the end of the period	181,023,034	163,432,872	20.4

15 Share premium

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
15.1	At the beginning of the period	68.2	15.1
53.1	Conversion of convertible bonds	—	0.8
68.2	At the end of the period	68.2	15.9

16 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
Profit for the period	—	—	—	130.0
Actuarial gains on defined benefit schemes	—	—	—	0.9
Deferred tax on actuarial gains on defined benefit scheme	—	—	—	(0.3)
Net valuation gain taken to equity	—	—	1.3	—
Fair value movement on derivatives	(0.5)	—	—	—
Deferred tax on fair value movement on derivatives	0.2	—	—	—
Dividends to shareholders	—	—	—	(13.6)
At 30 September 2007	0.2	16.4	2.8	1,084.7

17 Investment in own shares

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
1.8	At the beginning of the period	1.0	1.8
(1.2)	Employee Long-Term Incentive Plan and Share Matching Plan charge	(1.0)	(0.4)
0.4	Transfer to retained earnings	—	—
1.0	At the end of the period	—	1.4

The investment in the Company's own shares is held at cost and comprises 573,871 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.

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

Year to 31 March 2007 £m		Six months to 30 September 2007 £m	Six months to 30 September 2006 £m
(278.1)	Gains from investment properties	(93.8)	(117.8)
1.2	Employee Long-Term Incentive Plan charge	1.0	0.4
0.2	Capitalisation of lease incentives	(2.0)	0.2
(42.7)	Share of profit on joint ventures	(27.2)	(23.2)
(319.4)	Adjustments for non-cash items	(122.0)	(140.4)

19 Dividends

The proposed interim dividend of 3.9 pence per share (2006: 3.75 pence per share) was approved by the Board on 13 November 2007 and is payable on 3 January 2008 to shareholders on the register on 23 November 2007. The dividend is not recognised as a liability in the half year report. The 2007 final dividend of £13.6 million was paid on 11 July 2007 and is included within the Group Reconciliation of Other Movements in Equity.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By the order of the Board



Toby Courtauld
Chief Executive

13 November 2007



Timon Drakesmith
Finance Director

13 November 2007

Independent review report to Great Portland Estates plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the Group income statement, the Group balance sheet, the Group statement of cash flows, the Group statement of recognised income and expense, the Group reconciliation of other movements in equity and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
London, UK

13 November 2007

Directors and shareholders' information

Directors

Richard Peskin MA, LL.M
Chairman, Non-Executive

Toby Courtauld MA, MRICS
Chief Executive

Timon Drakesmith BSc, FCA
Finance Director

Robert Noel BSc, MRICS
Property Director

Neil Thompson BSc, MRICS
Development Director

Kathleen O'Donovan BSc (Econ), FCA
Senior Independent Director

Charles Irby FCA
Non-Executive Director

Phillip Rose MA, FFin, FSI
Non-Executive Director

Jonathan Short BSc, ACIB
Non-Executive Director

Shareholders' information

Financial calendar

Ex-dividend date for interim dividend

Registration qualifying date for interim dividend

Interim dividend payable

Announcement of full year results

Circulation of Annual Report and Accounts 2008

Annual General Meeting

Final dividend payable

2007

21 November

23 November

2008

3 January

21 May*

30 May*

3 July*

8 July*

*Provisional.

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: 020 8639 2000

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 press announcements released over the last 12 months. The site can be found on www.gpe.co.uk

Company Secretary

Desna Martin BCom, CA (Aust), ACIS

Registered office

33 Cavendish Square
London W1G 0PW
Tel: 020 7647 3000
Fax: 020 7016 5500
Registered Number 596137

Dividend payments

As a REIT, the Group is required to distribute by way of a dividend at least 90% of the income profits (broadly, calculated using normal tax rules) of its property rental business each year – this distribution is known as a "Property Income Distribution" ("PID"). The Group's future dividend payments will comprise a mixture of both PID and non-PID dividends.

An explanation of the tax consequences of PIDs is given on our website at www.gpe.co.uk/investors/reits. PIDs must be paid subject to a 22% withholding tax unless exemptions apply (principally UK Companies, Charities, Local Authorities, UK Pension Schemes and Managers of PEPs, ISAs and Child Trust Funds). Shareholders who wish to claim exemption from deduction of withholding tax on PID dividend payments should follow the guidance on our website.

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

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 purchasers' costs.

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 (NNAV)

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 purchasers' 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.

Great Portland Estates

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