GREAT PORTLAND ESTATES

Unlocking potential

Great Portland Estates Annual Report 2007

Annual review

Governance

Financials

www.gpe.co.uk

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

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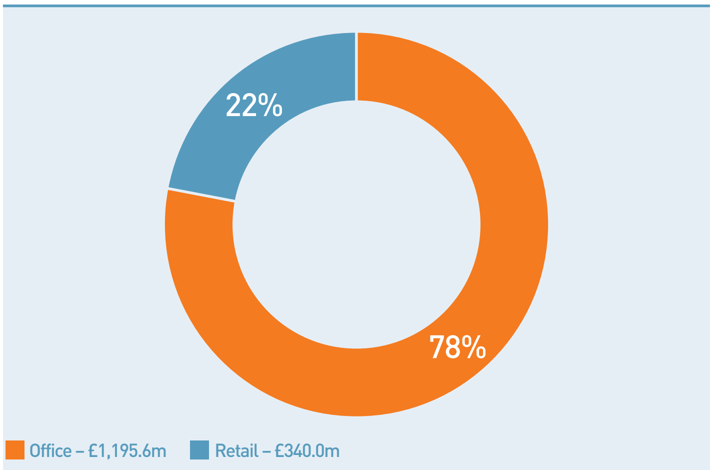
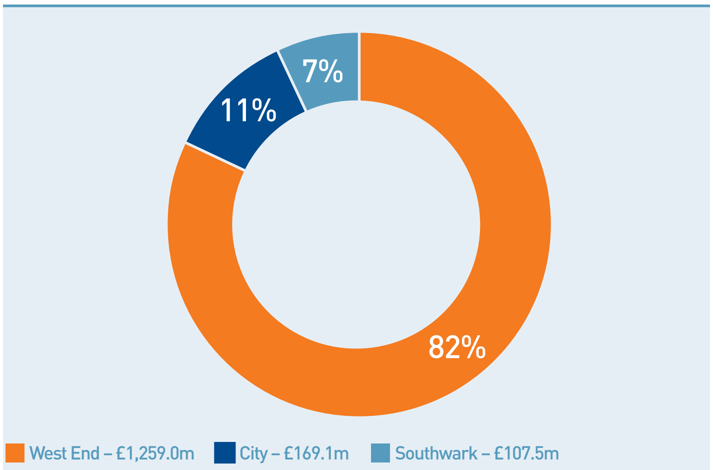
Great Portland Estates is a central London property investment and development company owning over £1.5 billion of real estate. We aim to deliver superior returns to shareholders through active asset management, the application of our development skills to create value and the maximising of equity returns through efficient structuring and flexible financing.

Our business mix



Our locations



Financial highlights – year to 31 March 2007

Portfolio value including share of JVs
£1,535.6m
+24.8%[1]

Adjusted net assets per share[2]
594p
+35.9%

Profit before taxation
£326.0m
+73.4%

Adjusted earnings per share[2]
10.2p
+0%

Notes

1. On a like-for-like basis.
2. EPRA adjustments on a diluted basis – see note 7 on pages 60 and 61.

Our strategy

Great Portland Estates has a clear and straightforward strategy – we have made excellent progress against our specific objectives.

1) Develop

Strategic priority

- Deliver near-term programme on time and budget.
- Bring forward existing medium-term projects.
- Add to medium and long-term pipeline.

Progress in 2007

- Bond Street House and Sackville Street, W1 completed, generating an average profit on cost of 103.7%.
- Practical completion achieved at 180 Great Portland Street and Margaret Street totalling 125,000 sq ft.
- Two further near-term schemes of 197,000 sq ft started at 60 Great Portland Street and Wells & More.
- Planning permission for a total of 1.1 million sq ft achieved since March 2006.
- Future pipeline grown significantly post year end through the creation of our new £460 million joint venture, Great Capital Partnership.

See Development on pages 20 to 21.

2) Recycle capital

Strategic priority

Buy properties
- With low relative rents.
- With angles to exploit.
- To grow medium-term development programme.

Sell properties
- With historically high capital values.
- With limited further angles.
- Where capturing rental growth will be difficult.

Progress in 2007

- Purchases totalling £240.5 million (£66.0 million in joint ventures).
- Another joint venture established post year end giving the Group £298 million of new "raw material" to manage.
- £57.8 million of net value created by acquisitions on a total outlay of £240.5 million over an average hold period of only six months.
- Seven properties sold for £203.1 million generating a £15.0 million net profit, 12.4% ahead of March 2006 values.

See Investment management on pages 22 to 24 and Joint ventures on page 25.

3) Asset Manage

Strategic priority

- Execute individual property strategies.
- Create value through asset repositioning.

Progress in 2007

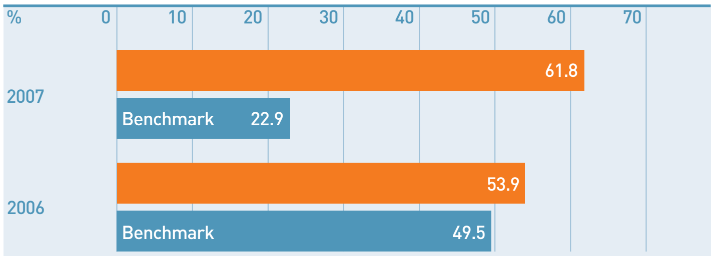
- 181,400 sq ft of space let generating new rents of £8.4 million per annum, 12.1% ahead of March 2006 rental values.
- Numerous refurbishments helped push Group rental values up by 17.1% on a like-for-like basis.
- Portfolio 26.8% reversionary at the year end.

See Asset management on pages 24 to 25.

Our performance

The success of the Group in meeting its strategic objectives is judged by its performance against independent benchmarks using four key performance indicators; Total Shareholder Return; NAV per share growth; Total Property Return and Return on Capital Employed.

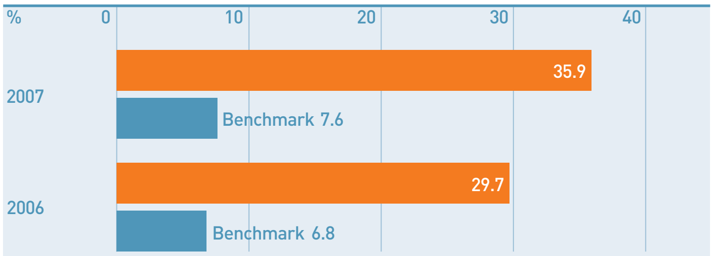
Total Shareholder Return (TSR)*



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

Benchmark and commentary
TSR of the Group of 61.8% is benchmarked against the TSR of the FTSE 350 Real Estate Index of 22.9% as this is the most relevant group of comparable companies. The Group's TSR also outperformed the wider stock market index of FTSE 250 companies by 40.3 percentage points.

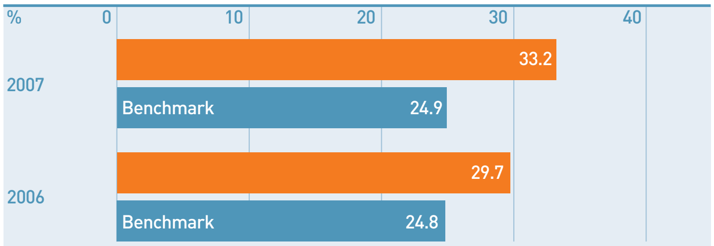
Adjusted NAV per share growth*



The measure
Growth in equity shareholders' funds divided by the number of diluted ordinary shares at the balance sheet date adjusted to exclude deferred tax on capital allowances and property revaluations. This 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.

Benchmark and commentary
We compare the growth in NAV per share with the increase in the retail price index (RPI) plus a hurdle of up to 12% over a three year period. On an annualised basis this translates into a benchmark of 7.6% for 2007 and 6.8% for 2006. The Group's NAV per share growth has exceeded this benchmark by a very significant amount although the target is long term in its nature and it will be more difficult to attain at low points of the property cycle.

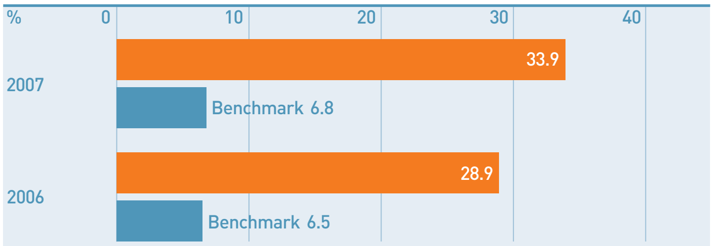
Portfolio Total Property Return (TPR)*



The measure
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.

Benchmark and commentary
The Group's portfolio TPR is compared to a universe of over £25 billion of similar assets included in the IPD Central London index. This is an independent index and is the most appropriate way of benchmarking asset level returns against comparable buildings in our market. Since 2004 the Group's portfolio TPR has consistently exceeded this benchmark and in the year to March the outperformance was 8.3 percentage points putting the Group's performance in the top decile of portfolios in the IPD universe.

Return on Capital Employed (ROCE)*



The measure
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.

Benchmark and commentary
The ROCE is best compared against the Group's weighted average cost of capital which we calculate at 6.8% at March 2007. The excess returns over the cost of capital are a result of the success of our activities in our chosen markets and efforts to minimise the cost of capital.

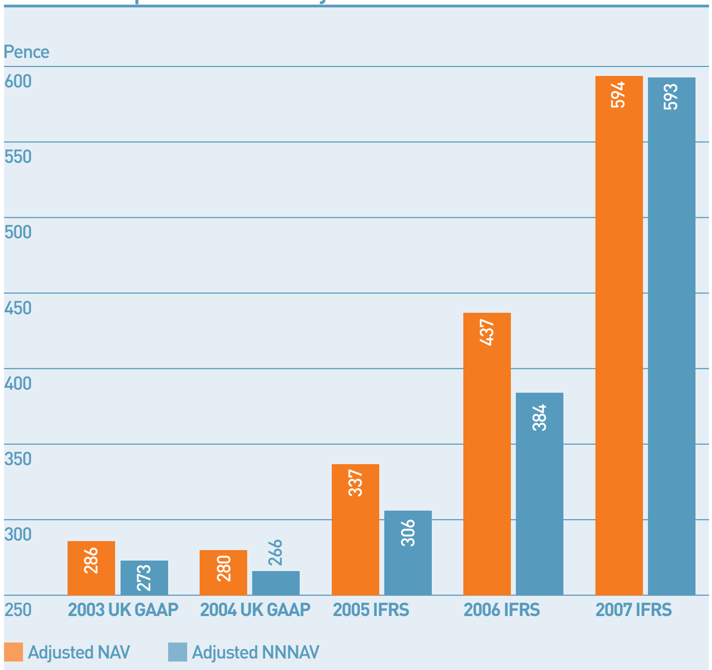
*Year to 31 March

Financial highlights

TSR performance over the year

Source: Datastream

Net assets per share – five years



Balance sheet

	March 2007	March 2006	% change
Portfolio value (% change like-for-like)	**£1,535.6m**	£1,128.3m	+24.8%[1]
Net assets	**£1,076.0m**	£654.7m	+64.3%
Basic net assets per share	**594p**	401p	+48.1%
Adjusted net assets per share[2]	**594p**	437p	+35.9%

Income statement

	March 2007	March 2006	% change
Gross rental income	**£44.9m**	£42.2m	+6.4%
Profit before tax	**£326.0m**	£188.0m	+73.4%
Adjusted profit before tax	**£17.4m**	£16.5m	+5.5%
Basic EPS	**235.7p**	91.7p	+157.0%
Adjusted EPS[2]	**10.2p**	10.2p	–
Dividends per share	**11.3p**	11.0p	+2.7%

Notes

1. Includes Group's share of JVs, growth on a like-for-like basis – see page 19.
2. EPRA adjustments on a diluted basis – see note 7 on pages 60 and 61.

Chairman's statement

It has been an active year in every aspect of our business. With the investment market remaining strong, sensible rationalisation has continued at excellent prices, and at the same time we found some attractive purchases.

The year under review proved to be another exceptional one for your Company, helped by the central London property market, in which we set out our strategic stall at the beginning of the decade, continuing to flourish. I feel that I can do no better than let the statistics speak for themselves; adjusted profit before tax of £17.4 million was up 5.5% and net asset value per share, even after taking into account the one-off charge of £28.3 million when we converted into a Real Estate Investment Trust in January 2007, was up by over 35% at 594 pence. Total property returns were 33.2% and a stunning total shareholder return of over 60% was delivered. So, despite my caveat 12 months ago, the unrepeatable was, in fact, repeated…and, in the event, bettered!

It has been an active year in every aspect of our business. With the investment market remaining strong, sensible rationalisation has continued at excellent prices, and at the same time we found some attractive purchases. Probably the highlight for me was the acquisition, in five separate transactions, of 160,000 sq ft in Hanover Square, W1 extending our ownership in that area to 1.3 acres and providing enticing development potential. The West End, comprising 82%, is the most significant element of our portfolio but we have also continued to unearth interesting opportunities in sub-markets such as Blackfriars and Bermondsey, where we believe that our entrepreneurial skills will be able to create added value.

Following the existing successful joint ventures which we had already set up with Liverpool Victoria, we entered into two more during the year, the first with Scottish Widows in July, the second with Liberty International subsidiary, Capital & Counties, which completed in April 2007. Such joint ventures have proved to be a productive avenue for access to properties which might not otherwise have been available in the market and provide a new source of revenue through management and ancillary fees. Whilst this is an expansionary route we shall be continuing to explore, currently it is our development activity which will be the key to our performance in the near to medium term. So, I am happy to report that, as anticipated, our programme is firing on all cylinders with what appears to be appropriate timing. Active asset management of the portfolio continued and has, inter alia, ensured that voids have been kept to a low level.

Occasionally, there is a deal which is not consummated and shareholders will recall that in early October last year, it was announced that we were in preliminary talks with London Merchant Securities regarding a potential merger of our two companies. This looked like an interesting opportunity on the right terms; after conducting significant due diligence, we formed a clear opinion as to the maximum price we would have been prepared to pay. When it became clear that we would not be able to agree a transaction on acceptable terms, we withdrew from discussions.

Property and the financing thereof are inextricably intertwined and we have been equally active on the latter front. It has been a busy period of capital structure management, in which the 2027 7.25% Debenture was redeemed and the remaining 2008 5.25% Convertible Bonds were converted into equity. Sensible medium- and long-term arrangements have been put in place, with the result that we have reduced the average cost of debt compared to the prior year and strengthened the platform to fund our future business plans.

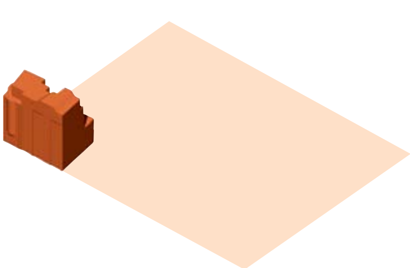
During the year Neil Thompson was appointed to the Board as Development Director, reflecting the importance of our development business to the Group and, on 2 April 2007, Jonathan Short, whose skills and experience are well known in the property industry, accepted an invitation to become a Non-Executive Director. John Edgcumbe, who has been on the Board for eight years and was a valued adviser for many years before that, will be retiring at the Annual General Meeting in July, and I would like to take this opportunity of thanking him, both corporately and personally, for the professionalism and wisdom he has brought to us over a long period.

In conclusion, I hope not to offend the football aficionados amongst shareholders when I, a life long Arsenal supporter, compliment our talented management team on their Chelsea-like achievement in delivering a total shareholder return that puts them in one of the top two positions over a one, two and three year perspective against their peer group. Our goal is to continue this run of success and, with the general consensus being that benign economic conditions will persist and with London playing an even more important role on the world financial stage, there is every reason to believe that your Company should provide above average total property returns in the coming year.

Richard Peskin
Chairman

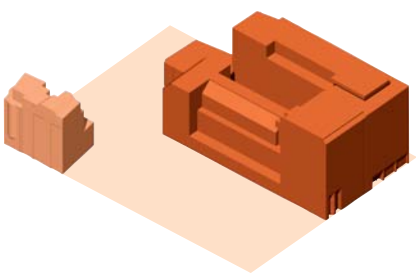
1
Original asset
64 New Bond Street
14/18 Brook Street

→ 8,000 sq ft



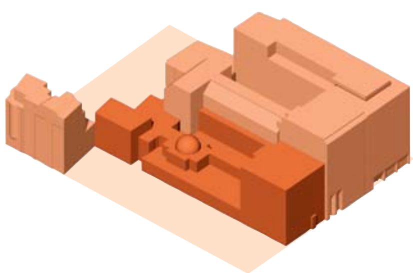
2
Acquired August 2006
18/19 Hanover Square

→ 79,000 sq ft



3
Acquired September 2006
20 Hanover Square

→ 102,000 sq ft



Generating value through site assembly

Hanover Square W1

Careful site assembly creates an opportunity to regenerate 1.3 acres of prime West End real estate.

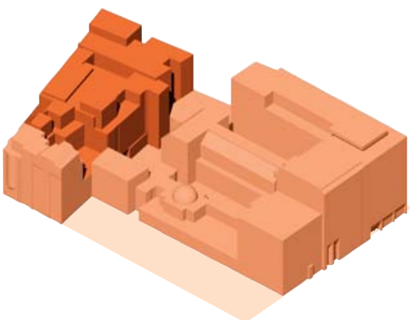
Specialist local knowledge has allowed the Group to assemble a very special group of assets in a premium Mayfair location. The sequence of five separate acquisitions from five different vendors took only six months, two of which involved complex swap arrangements.

Taken together, these properties represent one of the best medium-term redevelopment opportunities in Mayfair with the added benefit of an attractive income return today. Our acquisition cost represents good value when compared to other recent transactions in the area and the current office rents are low for this location at an average of £37 per sq ft. In addition, the north east corner of the site is on top of the proposed Crossrail West End station, which should ensure superb communication links for the redeveloped buildings.

In the few months since acquisition, these assets have performed strongly rising in value by £34.6 million, or 23.4% and we expect them to continue to offer good returns as our asset management and redevelopment plans are executed.

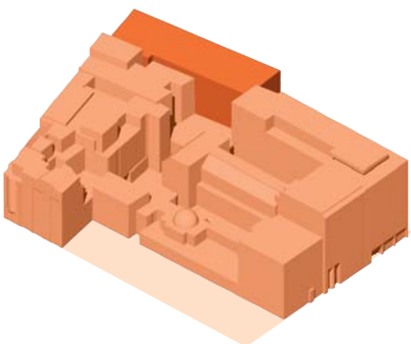
4
Acquired October 2006
65/71 New Bond Street

→ 149,000 sq ft



5/6
Acquired February 2007
1 Tenterden Street
72 New Bond Street

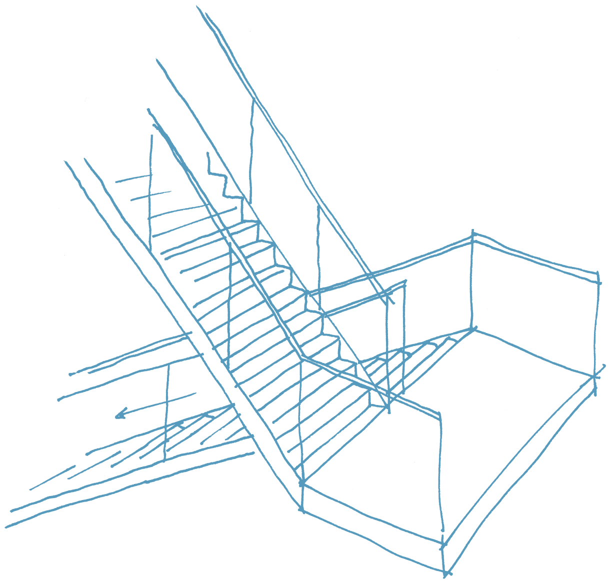
→ 171,000 sq ft



Location: Mayfair, W1
Stage: Site assembly
Sq ft: 171,000
Timescale: August 06 – February 07

Location: Mayfair, W1
Stage: Completed and let
Sq ft: 17,500
ERV: £1,330,000

Designing with flair



Bond Street House, New Bond Street W1

Clever design reinvigorates a building by opening up a dated and cramped entrance hall.

By restructuring various leases, the Group was able to carry out a comprehensive refurbishment of this prime Mayfair office and retail property.

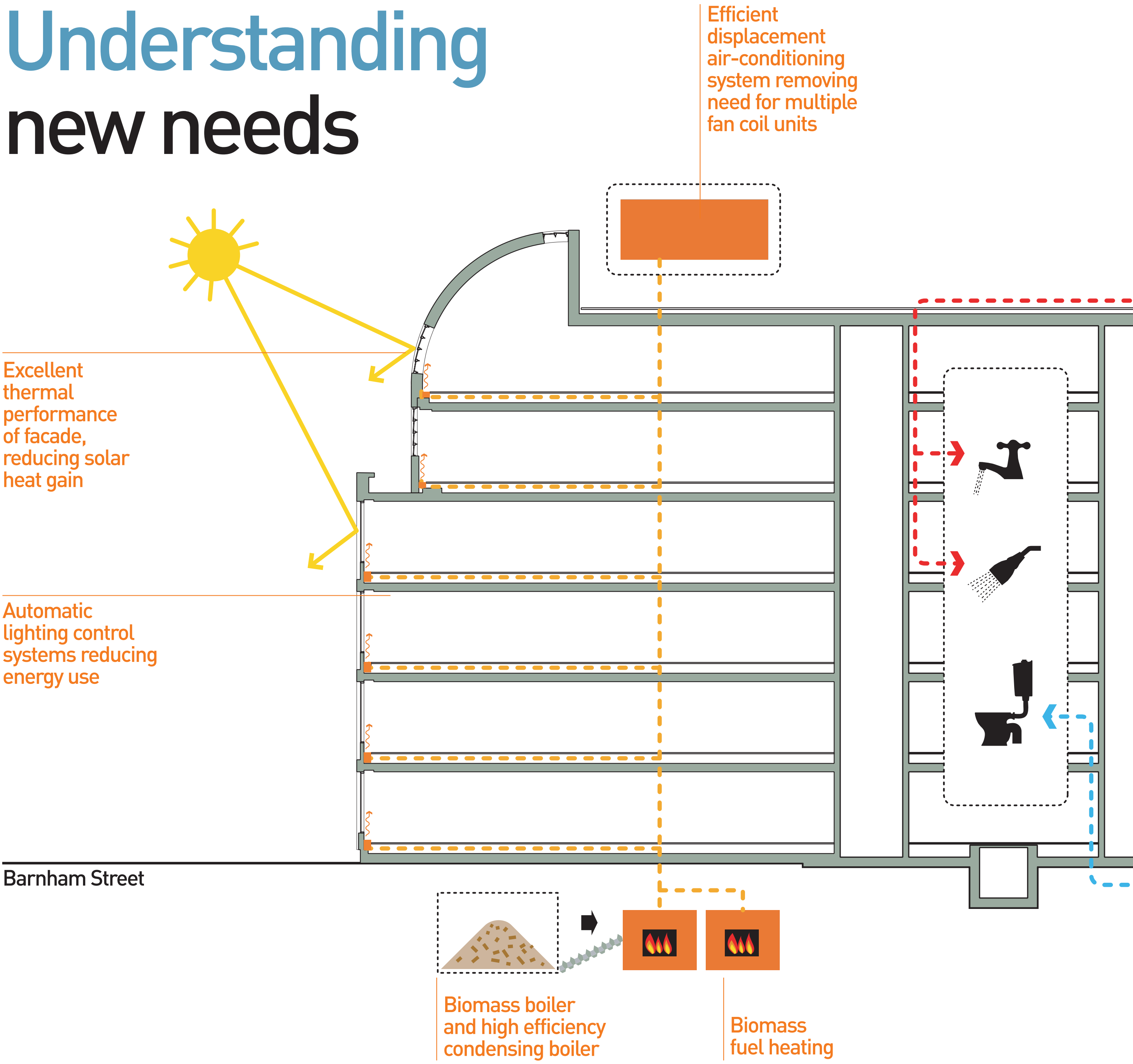
By including an old gallery unit into the design, we were able to build a striking double height entrance hall for the office space above.

We completed the works in September, and let all of the office floors by March at rents ranging between £80 and £83.50 per sq ft, delivering a profit on cost for the Group of 148.3%.

160 Tooley Street SE1

Environmental issues are increasingly important to occupiers, reflected throughout the design of this ground-breaking building.

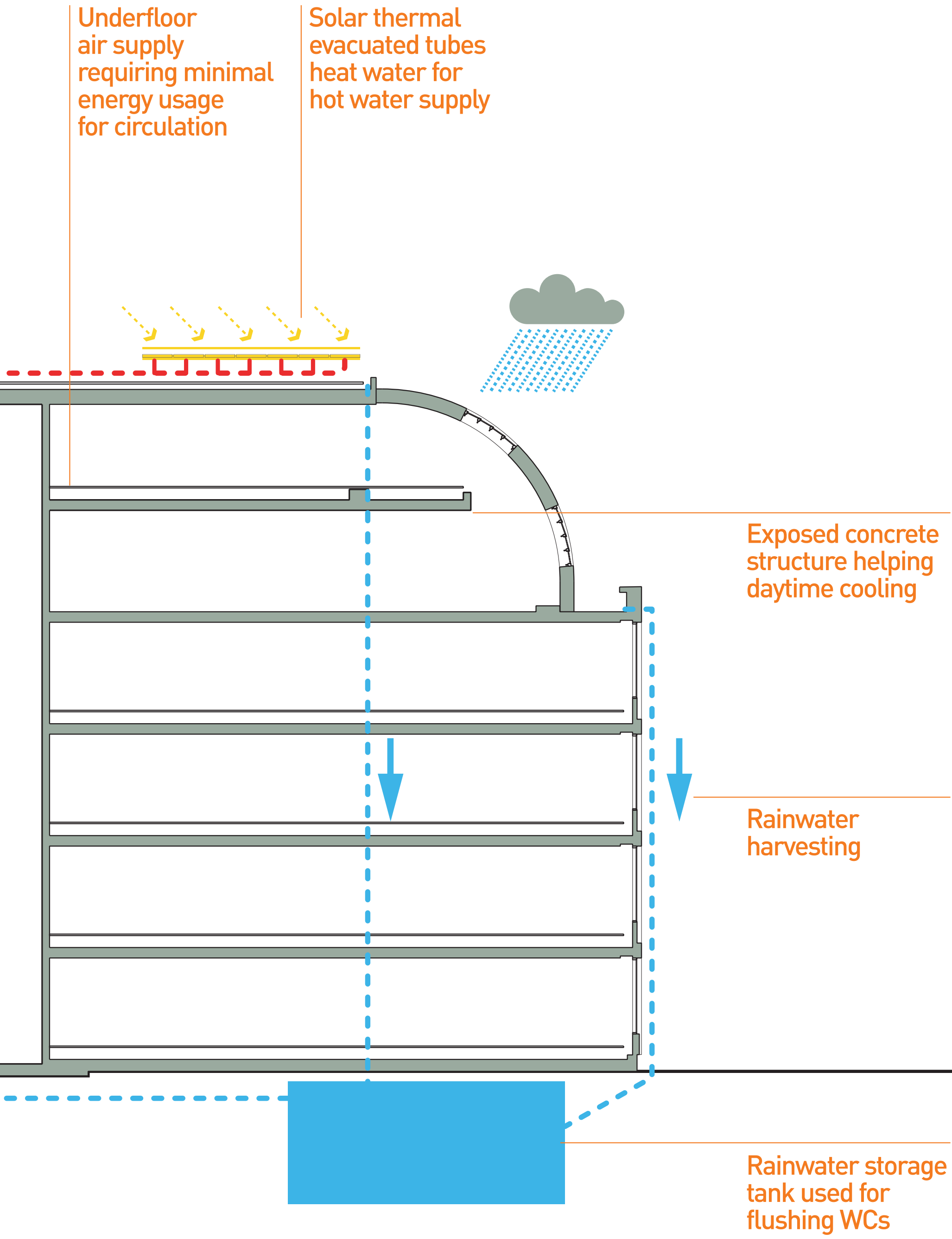
Understanding new needs



At the Group's 200,000 sq ft Tooley Street development, we are using various techniques to improve the resulting building's environmental performance.

Both energy production and consumption within office buildings are the subject of increasing interest from Government bodies, planning authorities and occupiers alike. The Group's development at Tooley Street is a good example of how we are responding to the new environmental needs of today's office users.

The building will utilise a series of efficiency measures, from harvesting rainwater through to a displacement air-conditioning system and using exposed concrete soffits to help cool the space naturally, all combining to keep energy consumption to a minimum.

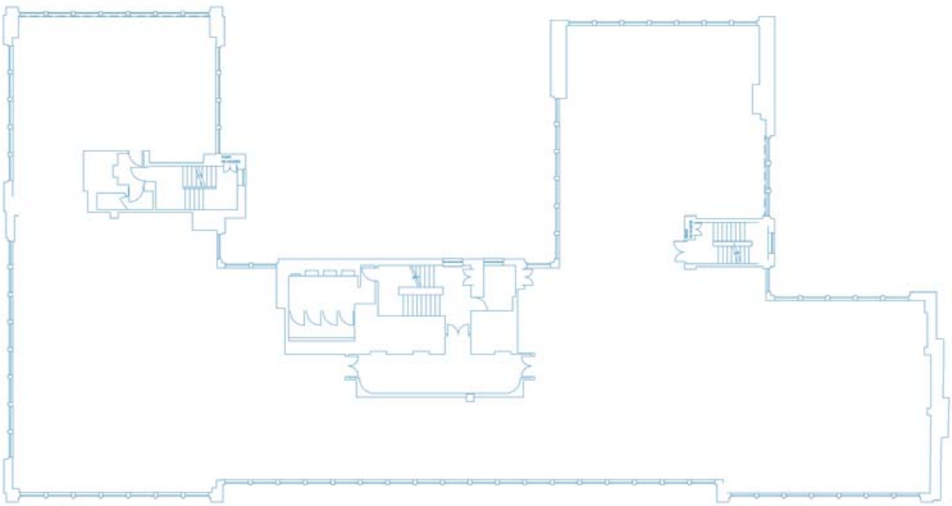


Location: Southwark, SE1
Stage: On site, forward sold
Sq ft: 200,000
Timescale: September 06 – March 08

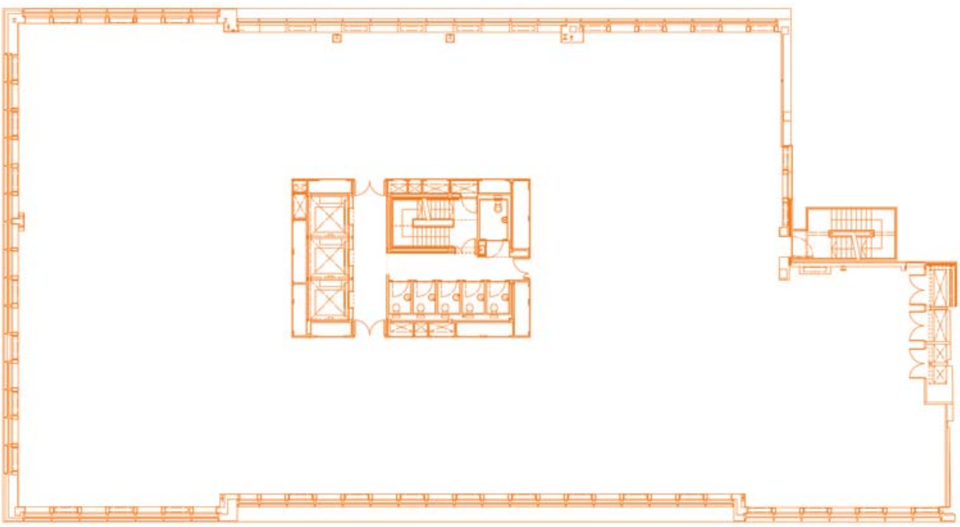
Creating desirable space

Location: North of Oxford Street, W1
Stage: On site
Sq ft: 88,000
Timescale: February 06 – December 07
Anticipated ERV: £3,580,000

Before



After



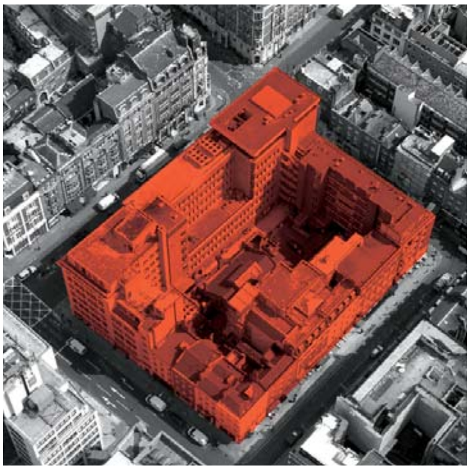
60 Great Portland Street W1
Creating a premium building from obsolete space.

Originally developed in 1959, the old Knighton House was in need of a wholesale makeover to bring it up to the standards required by today's West End occupier.

Rather than completely demolish the building, we decided to work with the existing structure, both radically improving and extending it. This solution comes at a significantly cheaper cost per square foot than new build, with a shorter construction period, to achieve a similar rent.

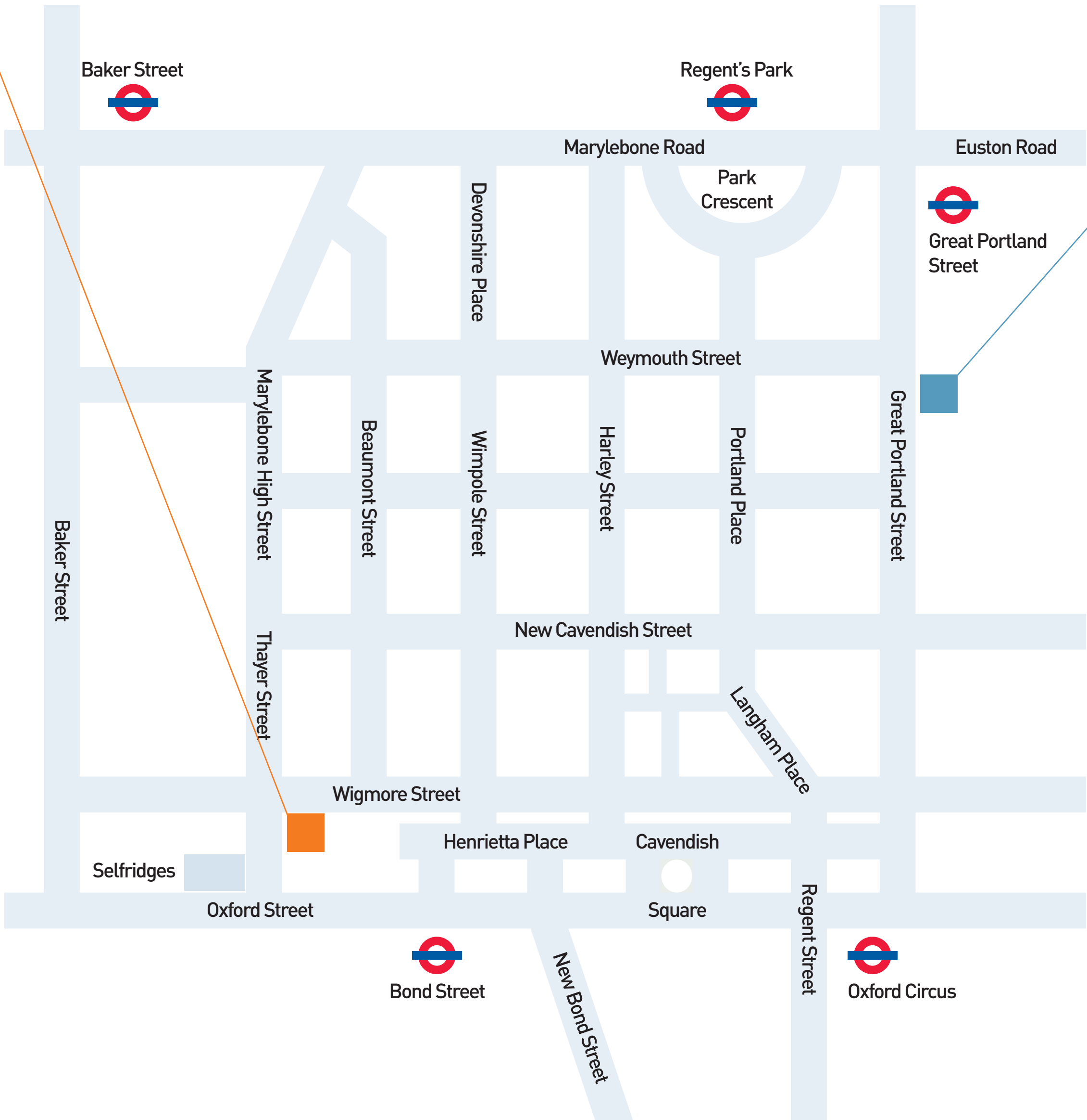
Partial demolition commenced in May 2006 and completion of the 88,000 sq ft building (up from the original 58,000 sq ft) is scheduled for December this year.

60 Great Portland Street will feel like a new building and will offer the market high quality floor plates of 12,000 sq ft close to Oxford Circus at a time of acute shortage of such supply.



We bought into half of this...

which could look like this....



by selling half of this...

which we converted from this.

Finding new ways to invest

Location: North of Oxford Street, W1
Stage: Design (Wigmore Street)
Sq ft: 132,000
Timescale: July 06 – May 07
Anticipated ERV: £7,740,000

Great Wigmore Partnership W1

The partnership route offered us a way into real estate that would probably never have come to the market.

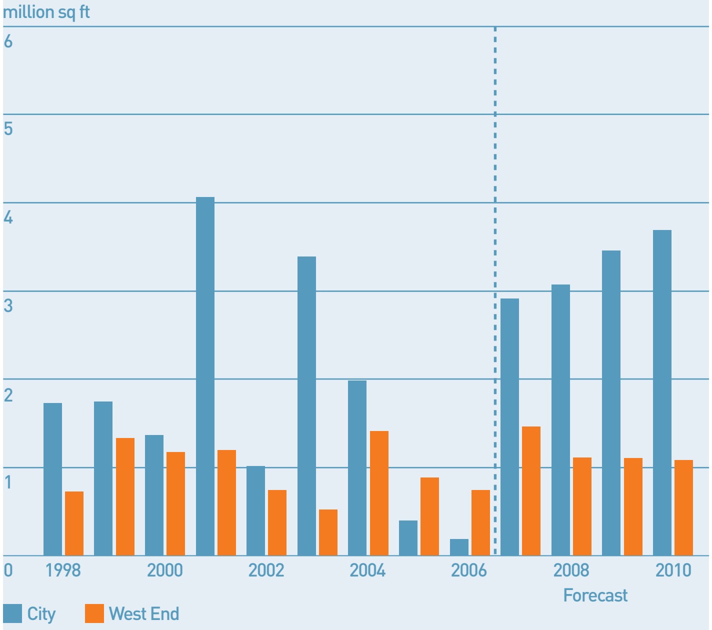
The creation of the Great Wigmore Partnership, a 50:50 joint venture with UK institution Scottish Widows, represents a continuation of a successful strategy for Great Portland Estates. Such ventures allow us to supplement our portfolio with new raw material for our development pipeline.

We transferred our completed development at 180 Great Portland Street into the venture, crystallising a profit on our total development costs of 64%, whilst Scottish Widows contributed an island site next to Selfridges on Wigmore Street. Like our other partnerships, we will manage the joint venture for a fee.

The Wigmore island site presents us with a first class development opportunity; with leases expiring over the next few years, the existing 106,000 sq ft has the potential to be redeveloped into a new 132,000 sq ft office building and we expect to submit a planning application during this financial year.

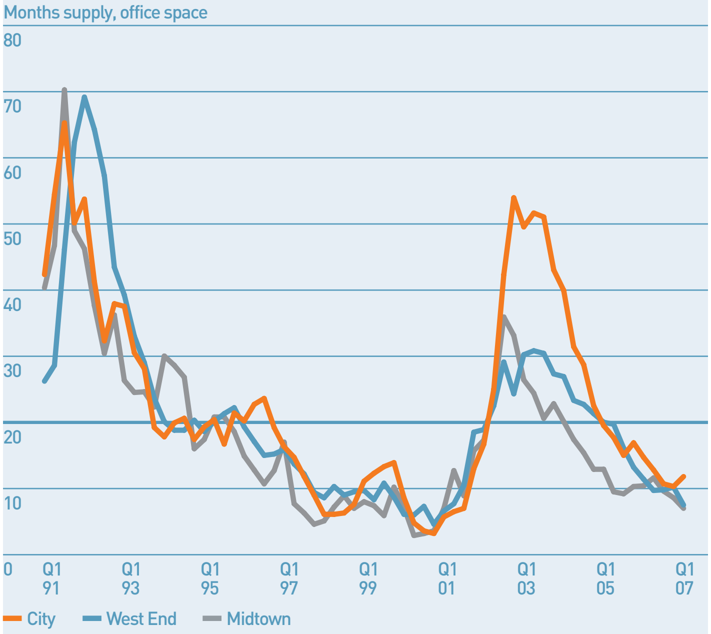
Our market

Development completions – City and West End



Source: PMA

Market balance in key sub-markets



Source: PMA

London

London is our market and for good reason. It fulfils a unique role as Europe's only true global city and financial centre. London's GDP is estimated to have grown by 3.6% in 2006 and is forecast to grow at a faster rate than the rest of the UK due in large part to its appeal to international businesses and the growth of the finance and business services sector (F&BS) with around 100,000 F&BS jobs forecast to be created over the next five years.

We analyse the central London markets along two principal dimensions:

> Occupational demand versus supply of new and second hand space; and

> investment activity in commercial real estate.

Research from a variety of sources and information from the Group's operations is used to evaluate the direction of these trends in the West End, City, Southwark and other sub-markets. Leading indicators such as forecasts for changes in business head count, new space requirements and expected development completions are constantly tracked. We use this detailed market insight to inform our portfolio management, development and financing decisions.

One such indicator is market balance, or the amount of space to let given current rates of take-up expressed in terms of months. Typically, when office supply falls to less than 20 months, rents start to rise.

Occupational markets

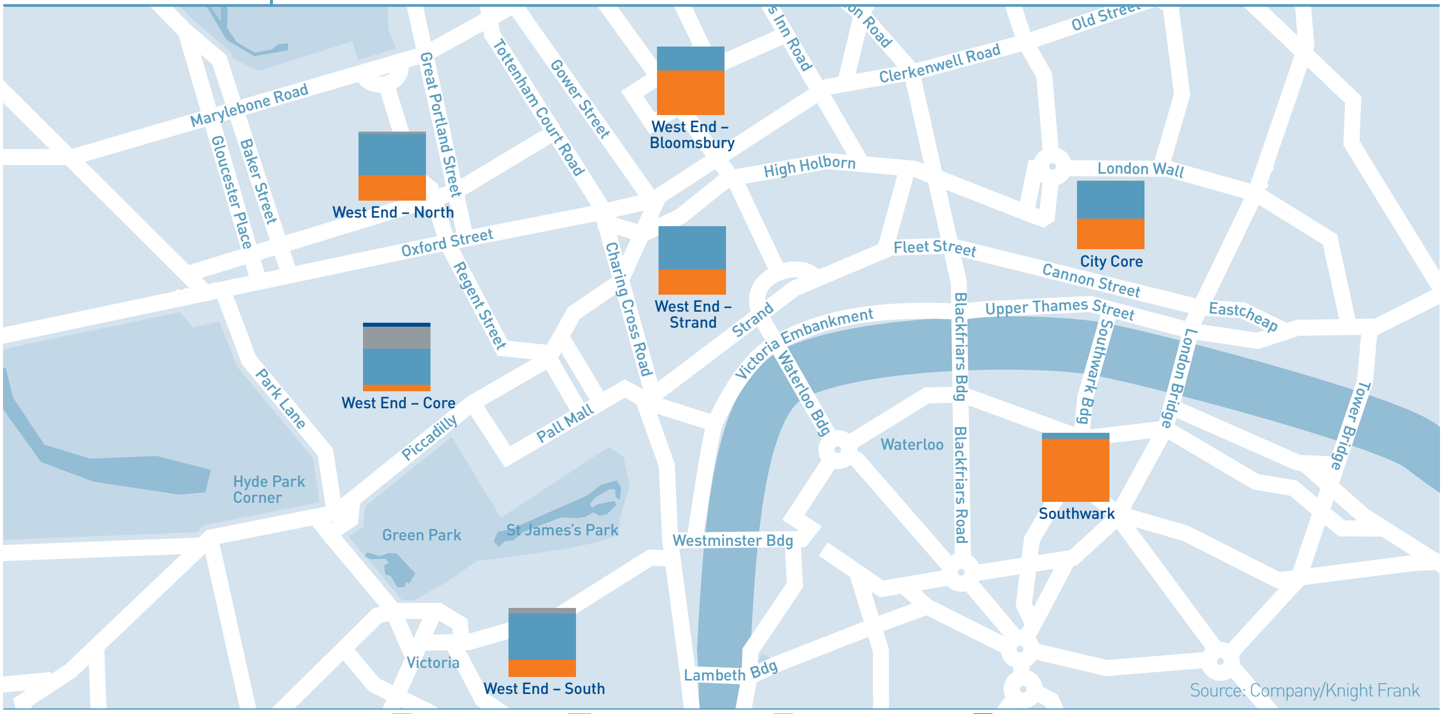
West End

In the West End, where 82% of our portfolio by value is located (including our share of joint venture properties) we have seen robust interest from existing and potential tenants across a wide spectrum of industries, reducing available supply to less than ten months.

Across the West End take up for the year to March 2007 was 5.8 million sq ft (2006: 5.5 million sq ft) and vacancy rates have fallen to 4.3% (2006: 6.7%) or 3.9 million sq ft, equivalent to just eight months supply. This restricted supply, due largely to the challenging planning environment, combined with healthy levels of demand, has led to increases in prime West End rental values of around 15% in the year to March 2007. There has been a modest increase in development starts although we estimate there are only 6.0 million sq ft due to be completed by December 2010.

Although strong rental growth has led to a handful of lettings at more than £100 per sq ft, the average quoting rent in the West End is still relatively undemanding. Indeed, only 6.3% of lettings in the core West End are over £90 per sq ft, as illustrated on the central London rent profile. The West End market comprises a series of sub-markets, and there is significant variation in spot rents for "grade A" quality office space between, and within, various villages. All sub-markets have seen rental value growth during the year but the north of Oxford Street market, in which a high proportion of the Group's near-term development schemes are located, continues to offer good value for tenants looking for an attractive office environment close to the West End's transport and shopping hubs.

Central London rent profile



Proportion of office lettings by rent band: <£30 per sq ft, £30–60 per sq ft, £60–90 per sq ft, >£90 per sq ft

The Group's valuers estimate the rental value of our West End office portfolio at an average of £44 per sq ft, from which we see good opportunity for growth.

The West End retail market (comprising 26% of our West End portfolio) has also performed well in the year to March 2007. Footfall in the three main retail thoroughfares of Oxford Street, Regent Street and Bond Street was up and retail sales, in central London in March, were up 10.8% compared to the same month last year. Demand from international retailers remains strong. They seek large, well formatted stores, particularly in Oxford Street and Regent Street where the majority of our retail property is located.

City and Southwark

The growth of the F&BS sector has driven appetite for new offices in the City and its neighbouring markets. With this increase in demand has come the spectre of new supply in the shape of potential development schemes on a large scale in a less restrictive planning framework than that of the West End. Some of these schemes have been pre-let, whilst others are relying on major occupational requirements over the next five years.

Take up in the City and Southwark markets for the year to March 2007 was 8.7 million sq ft (2006: 5.9 million sq ft) and vacancy rates have fallen to 7.5% (2006: 10.5%). We estimate prime office rental values increased by 22% over the same period and, in the short term, will grow further. Continued performance will depend on the amount of speculative space produced in these markets, and we remain cautious about the effects of new development supply on rental levels in the medium term in the City market.

Investment markets in central London

Transaction values and inward investment into central London real estate have remained at historically high levels with £15.8 billion traded in the year to March 2007 (2006: £14.5 billion). International buyers of direct real estate have remained particularly active being responsible for over 35% of transactions.

High quality real estate in good locations has maintained its appeal to a broad group of potential investors and investment yields have continued to fall although at a reducing rate as the year progressed. As the extraordinary run of yield compression comes to an end, we expect outperformance to be generated by those buildings with the best rental growth prospects rather than further market yield shift. With 13% of our portfolio in the course of development and good occupational demand across London, we remain well positioned.

Our business

TPR relative to IPD central London

Contributions to relative TPR

Valuation

The valuation of the Group's properties as at 31 March 2007, including acquisitions made during the year and our share of gross assets in joint ventures, was £1,535.6 million. The valuation of the portfolio held throughout the year was £1,233.1 million, an increase of 24.8% on a like-for-like basis net of capital expenditure. Acquisitions during the year were valued at 31 March 2007 at £302.5 million and grew in value by 23.6% over an average ownership period of under six months.

The principal factors which have combined to drive this strong performance are:

> **Growth in rental values** – First half growth of 6.3% increased to 10.8% in the second half, combining to produce 17.1% for the year across the portfolio. The best performance came from our office properties in the Rest of the West End which grew by 21.4%. In the West End, rental values grew by 17.2%. In the City and Southwark, rental values grew by 18.1%.

> **Development activity** – The strongest valuation performance came from our development properties, which increased in value by 44.9% over the year. This does not include 21 Sackville Street or Bond Street House, both in W1, which were transferred to the investment portfolio during the year following the completion of major refurbishment works and which increased in value by more than 47.5% net of capital expenditure.

> **Investment management** – A significant contribution was made this year by our acquisitions which increased in value by £57.8 million or 23.6% during the weighted average period of ownership of 5.6 months to 31 March 2007.

Of particular note is the assembly of our 1.3 acre holding to the west of Hanover Square, W1, where five separate purchases, combined with two existing Group properties, have already produced a 23.4% valuation uplift of £34.6 million, largely as a result of the merging of the various interests to create a major development opportunity.

> **Yield shift** – Equivalent yields continued to contribute to performance, falling by 55 basis points over the 12 month period (2006: 100 basis points) from 5.41% to 4.86% on a like-for-like basis. By comparison, the IPD central London equivalent yield fell by less (46 basis points to 4.98%) as many of our properties were positively re-rated during the year following asset management or development activity.

The Rest of the West End portfolio was the best performing sub-market with 26.6% valuation growth on a like-for-like basis. The like-for-like valuation growth was 26.1% for the wholly-owned portfolio compared to 14.8% for the joint ventures. This greater return for the wholly-owned portfolio reflected the heavier weighting towards office space which delivered greater returns over the year.

The Group delivered a total property return for the year of 33.2%, significantly outperforming the central London IPD benchmark of 24.9% for the fourth year running. As the bar chart above illustrates, measured over both a one and three year period, our outperformance has come from active management. The held portfolio, or those assets in the pipeline for future capital expenditure, performed in-line with the benchmark. By contrast, our sales, acquisitions and development activity all contributed strongly to relative performance.

Portfolio performance

At 31 March 2007

		Valuation						
		Wholly owned £m	Share of joint venture £m	Total £m	Proportion of portfolio %	Valuation movement %	ERV movement %	12 month total return %
North of Oxford Street	Office	427.5	–	427.5	27.9	26.9	20.8	31.8
	Retail	78.8	64.1	142.9	9.3	9.3	5.8	12.4
Rest of West End	Office	155.7	27.0	182.7	11.9	24.7	21.4	28.0
	Retail	78.7	33.3	112.0	7.3	29.7	13.8	33.1
Total West End		740.7	124.4	865.1	56.4	23.5	17.2	27.5
City and Southwark	Office	219.0	–	219.0	14.3	19.7	19.2	26.2
	Retail	8.5	–	8.5	0.5	15.3	4.6	20.7
Total City and Southwark		227.5	–	227.5	14.8	19.5	18.1	26.0
Investment property portfolio		968.2	124.4	1,092.6	71.2	22.6	17.4	27.2
Development properties		140.5	–	140.5	9.1	44.9	15.7	42.6
Total properties held throughout the year		1,108.7	124.4	1,233.1	80.3	24.8	17.1	28.9
Acquisitions		214.3	88.2	302.5	19.7	23.6		
Total property portfolio		1,323.0	212.6	1,535.6	100.0	24.6		

Property portfolio – wholly owned

At 31 March 2007

		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m
North of Oxford Street		521.8	115.4	637.2	538.1	99.1	637.2
Rest of West End		409.2	–	409.2	291.1	118.1	409.2
Total West End		931.0	115.4	1,046.4	829.2	217.2	1,046.4
City and Southwark		241.6	35.0	276.6	265.4	11.2	276.6
Total		1,172.6	150.4	1,323.0	1,094.6	228.4	1,323.0
By use	Office	955.0	139.6	1,094.6			
	Retail	217.6	10.8	228.4			
Total		1,172.6	150.4	1,323.0			

Property portfolio – joint ventures under management

At 31 March 2007

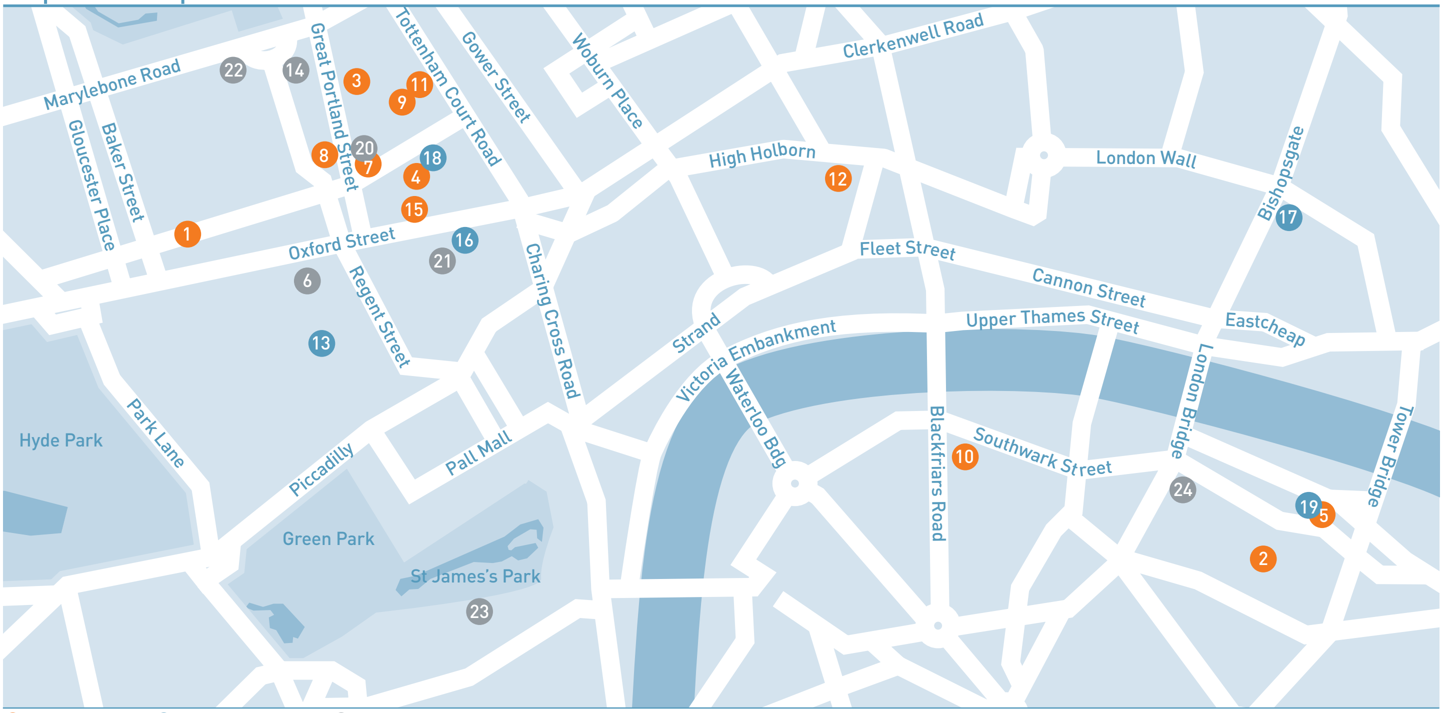
		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m
North of Oxford Street		206.8	90.5	297.3	140.9	156.4	297.3
Rest of West End		128.0	–	128.0	61.4	66.6	128.0
Total West End		334.8	90.5	425.3	202.3	223.0	425.3
By use	Office	120.7	81.6	202.3			
	Retail	214.1	8.9	223.0			
Total – 100% of joint ventures		334.8	90.5	425.3			
Total – 50% share of joint ventures		167.4	45.2	212.6			

Total including share of joint ventures

At 31 March 2007

	Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m
North of Oxford Street	625.2	160.6	785.8	608.5	177.3	785.8
Rest of West End	473.2	–	473.2	321.8	151.4	473.2
Total West End	1,098.4	160.6	1,259.0	930.3	328.7	1,259.0
City and Southwark	241.6	35.0	276.6	265.4	11.2	276.6
Grand total	1,340.0	195.6	1,535.6	1,195.7	339.9	1,535.6

Map of development schemes



Near-term Medium-term Long-term

Development

Improving the appeal of a property through innovative design, high quality construction processes and creative marketing, is a core competence of the Group and the development business has continued its run of excellent returns. The geographic focus of our schemes is in the West End where planning restrictions provide a major barrier to entry to developers. Overall, the Group was responsible for around 9% of new office development in the West End of London in the first quarter of 2007, compared to office ownership market share of approximately 2%. Although office development carries a greater risk than vanilla investment activity, the Board believes that the potential rewards to shareholders are correspondingly higher.

The Group's development business has had another very encouraging year with many individual successes. The development pipeline of 24 projects represents a potential total area of 2.7 million sq ft, an 84.0% increase over the current area of the existing buildings. The 12 schemes in the near-term programme alone have an estimated completed value of £660.0 million, equivalent to 43.0% of the existing portfolio.

We divide the total development pipeline into three segments depending on the start dates. The near-term group of 12 schemes will all be on site by March 2009, the medium-term projects will commence between April 2009–March 2011 and the longer term group represent prospects beyond 2011. Across all three segments of the programme there have been major project achievements during the last year.

We took practical completion and leased space at Sackville Street, Bond Street House, 180 Great Portland Street and 208/222 Regent Street (all W1). The Sackville Street and Bond Street House developments delivered an exceptional combined surplus of £30.0 million or 103.7% on their total cost, partly because the floors were leased at levels significantly higher than that expected by the Group's valuers. The Bond Street House development is described in more detail in the case study on pages 8 to 9. We launched 180 Great Portland Street to the occupational market in February and have already let one floor at £55 per sq ft, over 10% higher than the target rents. At Margaret Street, W1, works were completed just prior to the year end and this has now been delivered to our forward funding partner, Arlington Securities.

We are on site at schemes on Mortimer Street (117,000 sq ft), 60 Great Portland Street (88,000 sq ft), Foley Street (20,000 sq ft), all in W1 and at Tooley Street, SE1 (200,000 sq ft). The Titchmor scheme has been rebranded as Wells & More and the Group's old headquarters at Knighton House as 60 Great Portland Street, in both cases, in order to appeal to a wider group of potential occupiers. The Tooley Street project was sold in July and is now being built under a development management agreement on behalf of the purchaser.

Key

1 79/97 Wigmore Street
2 46/58 Bermondsey Street
3 180 Great Portland Street
4 Wells & More, 45 Mortimer Street
5 160 Tooley Street
6 Hanover Square Estate
7 60 Great Portland Street
8 79/83 Great Portland Street
9 46/48 Foley Street
10 240 Blackfriars Road
11 45/51 Whitfield Street
12 Buchanan House, 24/31 Holborn
13 28/29 Savile Row
14 13/14 Park Crescent and 92 Portland Place
15 184/190 Oxford Street
16 79/89 Oxford Street
17 100 Bishopsgate
18 Mortimer House, 37/41 Mortimer Street
19 14/28 Shand Street
20 78/92 Great Portland Street
21 26 Broadwick Street
22 26 Park Crescent
23 40/48 Broadway
24 New City Court, 14/20 St Thomas Street

Development pipeline

Total programme[1]

24 projects
2.7 million sq ft
1.2 million sq ft increase
2.3 million sq ft existing GPE portfolio

Timing	Near-term	Mid-term	Long-term
100% owned	9	5	6
In joint venture	2	–	1
Management agreement	1	–	–
Total	**12**	**5**	**7**

Start dates	2006–2009	2009–2011	2011 & beyond
Lettable area on completion (sq ft)[1]	1,050,000	950,000	690,000
Increase over existing area[1]	81%	165%	31%

Near-term developments[2]	
Site value	£232m
Project cost (excluding site)	£270m
Spent to date	£40m
ERV	£31m
Development yield on cost	6.3%
Approximate profit on cost	32%

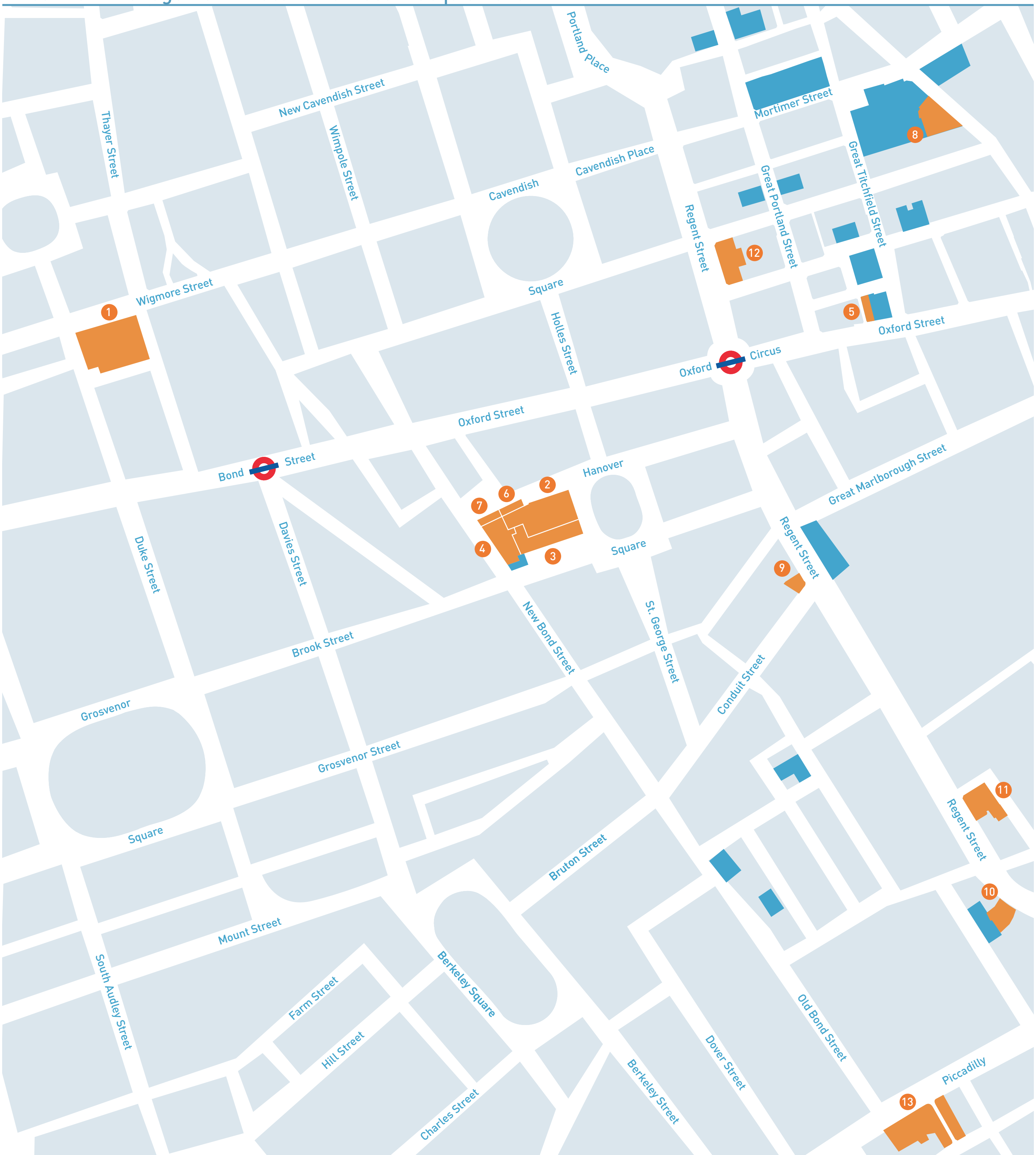
1. Includes joint ventures.
2. Includes share of joint ventures.

Resolution to grant planning permission was obtained during March at Bermondsey Street and Blackfriars Road, both SE1, for a total of 237,000 sq ft of commercial space, up from the existing area of 64,000 sq ft. In April 2007, we received resolution to grant planning permission from City of London for our proposals at 100 Bishopsgate, EC3. Designed by leading British architects Allies and Morrison, the proposed scheme is a comprehensive masterplanning of the site to provide three new buildings totalling 815,000 sq ft net, which will include a 40 storey office tower, a public library, retail and a new Livery Hall for The Leathersellers' Company. The existing buildings on the site comprise 310,000 sq ft with the majority let until 2011.

Further design and asset management work has been completed on several other schemes in advance of submitting planning applications. At Wigmore Street, W1 we anticipate making a planning application later this year for an office scheme of 132,000 sq ft representing an increase over the existing area of 24%. At the Hanover Square Estate site, we are currently masterplanning a major mixed use scheme and will be consulting with key stakeholders during this year. A special feature of this project is the relationship with the proposed Crossrail transport initiative where there is the potential to site a new rail station beneath the Group's scheme, providing exceptional communication links.

The economic success of any development programme is partly dependent on appropriate acquisition costs and controlled building costs. Carefully executed site assembly has proved to be a valuable mechanism for minimising the overall land acquisition cost for major schemes like Tooley Street. The same techniques were repeated in the composition of the Hanover Square Estate site and are described in the valuation section and in the case study on pages 6 to 7. On building costs, we are seeing increasing cost inflation across the construction market within central London as a consequence of many competing major transport, commercial and leisure projects. We have adopted a variety of procurement techniques to control costs across the programme, including arranging guaranteed maximum price contracts on all schemes currently on site. We will continue to monitor market conditions closely during 2007.

Investment management – location of recent acquisitions



Recent acquisitions Existing Group assets

Acquisitions

Key		Cost £m	NIY %	Sq ft	Cost per sq ft
	12 months to 31 March 2007				
	13/15 Carteret Street, SW1*	3.5	5.7	12,200	574
	22 Shand Street, SE1	5.4	7.0	19,500	276
	46/58 Bermondsey Street, SE1	8.5	5.5	34,700	245
	180 Great Portland Street, W1*	30.0	0.5	105,800	567
1	Wigmore Street Island Site, W1*	32.5	5.3	97,900	665
2	18/19 Hanover Square, W1	58.4	5.5	70,300	830
3	20 Hanover Square, W1	15.8	2.9	23,100	684
4	65/71 New Bond Street, W1	37.7	4.8	47,500	794
5	192/194 Oxford Street, W1	14.3	4.6	9,800	1,459
6	1 Tenterden Street, W1	15.7	2.8	12,900	1,217
7	72 New Bond Street, W1	12.7	3.8	7,900	1,608
	75 Bermondsey Street, SE1	6.0	5.4	11,100	541
		240.5		452,700	

Sales

	Price £m	NIY %	Book value 31 March 2006 adjusted for Capex £m
12 months to 31 March 2007			
38/44 Gillingham Street, SW1	21.4	4.7	21.4
79 New Cavendish Street, W1	25.6	4.9	24.5
154/172 Tooley Street and 9/21 Shand Street, SE1	36.4	0.2	29.2
180 Great Portland Street, W1	58.1	0.1	49.7
14 Hanover Square, W1	35.3	4.4	34.7
70 Gray's Inn Road, WC1*	12.1	2.9	8.3
95 New Cavendish Street, W1	14.2	4.3	12.9
	203.1		180.7

Acquisitions

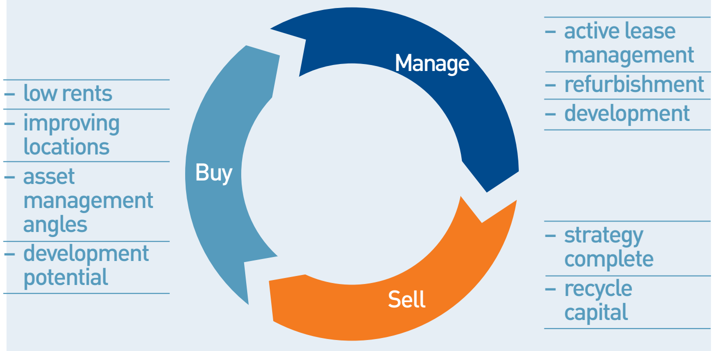
Key		Price £m	NIY %	Sq ft	Capital value per sq ft
	Since 31 March 2007				
	18 Dering Street, W1	6.3	2.7	5,200	1,202
	Park Crescent Estate, W1*	30.6	5.1	144,800	423
	29/35 Great Portland Street, W1*	4.6	5.3	15,600	590
	21 Sackville Street, W1*	15.9	4.1	20,900	1,518
	26/30 Broadwick Street, W1*	29.8	4.2	70,000	850
8	59/63 Wells Street, W1*	6.6	5.2	25,300	524
	183/190 Tottenham Court Road, W1*	2.7	5.6	12,000	446
	65/75 Kingsway, WC2*	8.8	5.0	29,300	601
	24/25 Britton Street, EC1*	8.3	4.9	50,400	330
	26/40 Kensington High Street, W8*	25.0	4.9	116,900	428
	10/14 Old Court Place, W8*	1.3	4.7	5,600	454
	201/207 Kensington High Street, W8*	7.5	4.4	17,600	852
9	203 Regent Street, W1*	4.8	4.8	10,300	922
10	91/101 Regent Street, W1*	6.7	5.2	22,300	596
11	126/130 Regent Street, W1*	13.2	4.7	30,700	857
12	288/300 Regent Street, W1*	14.5	5.1	46,700	621
13	166/175 Piccadilly and 52 Jermyn Street, W1*	40.3	4.8	104,000	775
	12/14 Fetter Lane, EC4*	4.8	7.0	25,600	374
	Metropolitan Wharf, Wapping Wall, E1*	5.3	0.0	110,000	96
		237.0		863,200	

*Properties held in joint venture.

Sales

	Price £m	NIY %	Book value 31 March 2007 adjusted for Capex £m
Since 31 March 2007			
Park Crescent Estate, W1	61.2	5.1	61.2
29/35 Great Portland Street, W1	9.2	5.3	9.2
21 Sackville Street, W1	31.7	4.1	31.7
26/30 Broadwick Street, W1	59.5	4.2	59.5
	161.6		161.6

Investment strategy



Asset management activity

	Events	Sq ft	Total rent £m	Premium to March 2006 ERV %
Lettings and renewals				
Completed	47	158,100	7.2	8.6
Agreed	2	23,300	1.2	38.0
	49	181,400	8.4	12.1
Rent reviews				
Completed	15	91,800	3.0	23.1
Agreed	–	–	–	–
	15	91,800	3.0	23.1
Total including JVs	64	273,200	11.4	14.8

Void rate

	% of rent		Sq ft	
	March 2007	March 2006	**March 2007**	March 2006
Void	**5.0**	1.9	**126,400**	48,500
Refurbishment and Development	**15.7**	20.2	**266,600**	346,500
Total including JVs	**20.7**	22.1	**393,000**	395,000

Investment management

Buying real estate with interesting opportunities for future growth at sensible prices has continued to be a real challenge. Despite this, we have unearthed many good opportunities for value creation. In the 12 months to March 2007 we spent £240.5 million in 12 separate transactions across the West End and Southwark. Since March, we have invested a further £233.6 million to create a new joint venture with Capital & Counties called the Great Capital Partnership, which owns a portfolio of 18 holdings across the capital.

Many of these acquisitions will feed the Group's development pipeline with new raw material. Apart from the Hanover Square Estate site assembly described within the Development section and set out in more detail on pages 6 and 7 and the Wigmore Island site described on pages 14 to 15, three further examples of acquisitions augmenting the pipeline are:

> 46/58 Bermondsey Street, SE1 – a 0.6 acre site comprising 35,000 sq ft of studio and warehouse space. Since acquisition in May we have obtained planning consent for a 48,350 sq ft office and retail development and demolition work and site preparation are now underway.

> 13/15 Carteret Street, SW1 – this 12,200 sq ft office holding was acquired in May 2006 within the Great Victoria Partnership. It adjoins an existing partnership holding at 40 Broadway and 5/11 Carteret Street, SW1 and provides us with a significantly enhanced future redevelopment canvas.

> 12/14 New Fetter Lane, EC4 – acquired since March as part of the Great Capital Partnership, this is a well located office building forming part of a potentially larger development site in due course.

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 interim stage, we reported sales of Gillingham House, SW1, 79 New Cavendish Street, W1, Tooley Street, SE1, and 180 Great Portland Street, W1. During the second half, we sold 95 New Cavendish Street, W1 and 14 Hanover Square, W1 in separate swap transactions with institutional counterparties as part of our Hanover Square site assembly. We also sold Verulam Gardens, 70 Gray's Inn Road, WC1 for £12.1 million (our share) generating a surplus of £3.7 million or 44.7% to the March 2006 valuation following refurbishment and letting.

In all, the Group sold £203.1 million of property (including our share of joint venture properties) during the year generating a premium to the 31 March 2006 book value of £22.4 million or 12.4%. Since the year-end, four further properties have been sold for £161.6 million, in line with their 31 March 2007 valuation, comprising the Group's property contribution to the Great Capital Partnership.

Asset management

Another busy year has seen 64 lease events executed by our asset management team and the success of this activity is a major contributor to our outperformance.

A total of 181,400 sq ft was let during the year at an aggregate rent roll of £8.4 million (our share), an increase of 12.1% over its rental value at 31 March 2006. The void level remains low at 5.0% at 31 March 2007.

Overview of joint ventures

Name	Great Victoria Partnership	Great Wigmore Partnership	Great Capital Partnership
Partner	Liverpool Victoria	Scottish Widows	Liberty International
Ownership	50:50	50:50	50:50
Manager	GPE	GPE	GPE
Date commenced	January 2005	July 2006	April 2007
Property assets (£m)	256	169	460
Location in London	Regent Street, Oxford Street, Victoria, W1, SW1	Great Portland Street, Wigmore Street, W1	W1, SW1, EC1, EC4, E1, W8

Financial overview at 31 March 2007

	GPE balance sheet excluding JVs		Joint ventures		GPE total	
	£m	%	£m	%	£m	%
Gross property assets	1,323.0	76	425.3[1]	24	1,748.3[1]	100
Net assets	900.0	84	176.0	16	1,076.0	100
Rent roll	51.5	87	7.8	13	59.3	100

1. 100% of value.

Following rent review negotiations completed during the year, new rents were agreed at 23.1% ahead of their March 2006 value on aggregate. Much of the letting activity was at space within the investment portfolio which has been refurbished and re-branded. For example, Kent House, Market Place and Elsley House, Great Titchfield Street, both in W1, were repositioned within their local market, with over 43.0% of the office space within them refurbished and let at rents 38.0%, on aggregate, ahead of the March 2006 rental values.

Joint ventures

Joint ventures have proved to be an excellent route for the Group to build the portfolio at a relatively low entry cost. All the JVs are structured as 50:50 Limited Partnerships with the Group managing all the assets for an appropriate fee. Our JV partners are well known, long-term, major owners of UK real estate who have selected Great Portland Estates because of our strong track record of value creation as a central London specialist.

The JVs are now significant in Group terms, and with the Great Capital Partnership (GCP) which completed in April 2007, now make up 43% of our gross property assets, up from 24% at the year end. Further details are set out in the table above. Our first JVs, those with Liverpool Victoria (GVP), have performed extremely well, with equity returns of 34.5% for the year to March 2007. Overall, our joint venture business has generated annualised equity returns of 45.2%.

In the summer of 2006, we established a new JV with Scottish Widows Investment Partnership to own a 50% share of 180 Great Portland Street, W1 and an island site south of Wigmore Street, W1 which has an exciting variety of development opportunities. Further details of this JV, the Great Wigmore Partnership (GWP) are set out in the case study on pages 14 and 15.

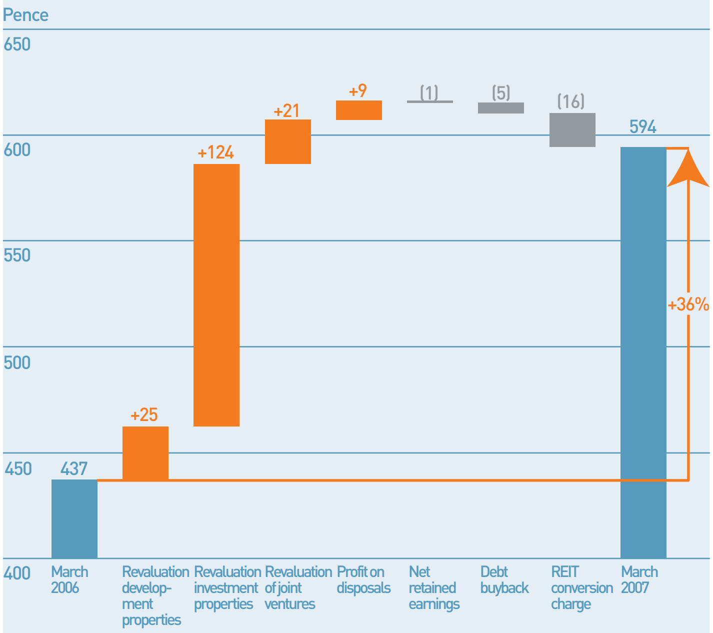
The GCP JV has extended the Group's portfolio across the West End and introduced sub-markets at Kensington High Street in the West and Wapping in the East. Overall, the portfolio offers substantial possibilities for value-enhancing refurbishment and lease management. This JV has starting assets of £460 million (based on December 2006 values) with Capital & Counties contributing 14 holdings with a starting value of £298 million, the majority of which are in the West End, while GPE has put in four properties worth £162 million and paid a balancing sum of £68 million in cash. Around 92% of the GCP joint venture assets are in the West End and their rent roll was £22 million as at December 2006.

Excellent progress has been made across the joint ventures during the year. At 208/222 Regent Street, W1, acquired last financial year, we pre-let all three newly refurbished retail units ahead of schedule. The first two units have been delivered to tenants and the third is due to be handed over next month. At 180 Great Portland Street, W1, launched in February, the first letting was achieved in March and we have strong interest in the four remaining floors.

Our financial position

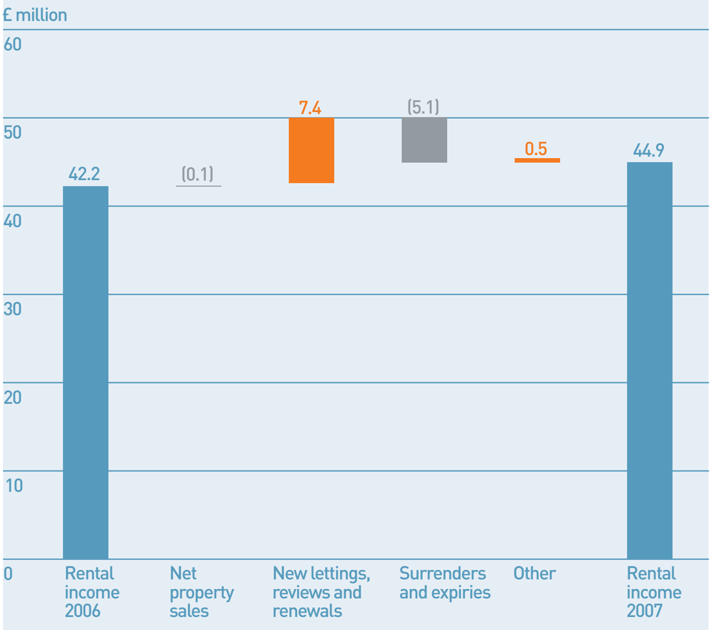
Adjusted NAV per share

Movement since 31 March 2006



Gross rental income

Year to 31 March 2007



Financial results

The Group's financial results for the year were very encouraging with particularly strong valuation and NAV per share performances.

The year under review included the effects of conversion to a REIT in January 2007 and the continuing influence of the substantial development programme on valuation growth, the level of rental income and profitability.

Net asset value growth

Adjusted NAV per share, the Group's key balance sheet figure, grew 35.9% in the year to 594 pence, exceeding the equivalent growth rate for the 12 months to 31 March 2006 of 29.7%. At 31 March 2007, the Group's net assets were £1,076.0 million up from £654.7 million at 31 March 2006. The Group's excellent NAV per share growth has been boosted by a robust market for central London offices, the strategy to allocate significant resources and capital to the Group's development programme and successful portfolio management activities.

The main positive drivers behind the 157 pence per share year on year increase in adjusted NAV per share to 31 March 2007 were:

> significant valuation rises of 25 pence per share from properties under development and 124 pence from the investment portfolio;

> increases in valuation in the Liverpool Victoria and Scottish Widows joint ventures of 21 pence; and

> profits on sale of properties including Tooley Street of 9 pence.

The following items reduced NAV per share:

> the payment of dividends of 11.1 pence in excess of adjusted earnings for the period of 10.2 pence to give a net 0.9 pence;

> redemption costs of the remaining segment of the 7.25% debenture issue were 5 pence; and

> the provision for the REIT conversion charge impacted NAV per share by 16 pence.

These items are illustrated in the chart above.

The valuation of the near-term development schemes within the NAV per share at 31 March 2007 includes around one-third of the expected surplus on the schemes when complete.

Triple net asset value per share (NNNAV) grew to 593 pence per share up 54.4% from 31 March 2006, due to the movements set out above and the positive effects of REIT conversion and financing activities. At 31 March 2007 the difference between adjusted NAV per share and NNNAV was the modest mark to market of debt of 1 pence. At 31 March 2006, before REIT conversion, NNNAV was lower than adjusted NAV by 53 pence, reflecting the provision for deferred tax on revaluation gains, capital allowances of 46 pence and a higher mark to market of debt of 7 pence. The provision for deferred tax was reversed when the Group gained REIT status and, with the reorganisation of the debt capital structure, the Group has aligned its interest cost closer to the prevailing market.

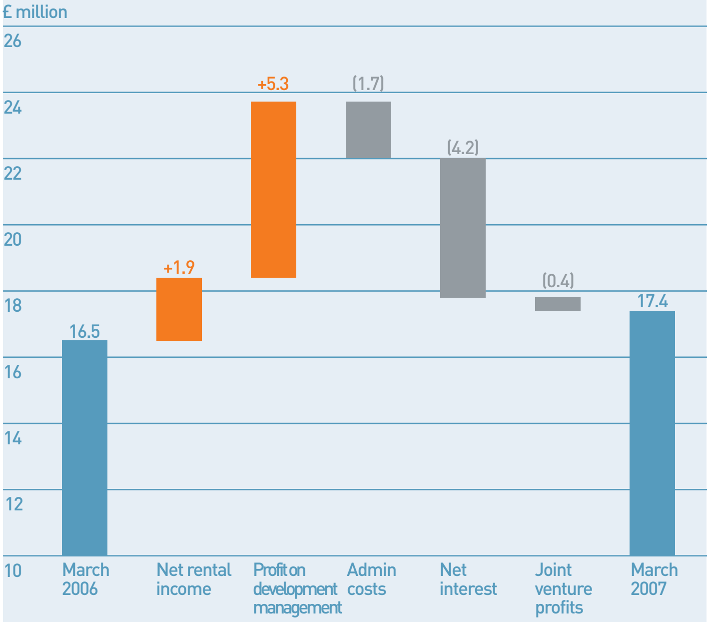
Income statement and earnings per share

Gross rental income for the period was £44.9 million, a rise of £2.7 million or 6.4% compared to last year. The main drivers of this change as illustrated in the chart above, were:

> letting of recent development projects at Sackville Street and Bond Street House and the effect of a full year of leasing revenue at the Met Building which increased rental income in the year to 31 March 2007; and

Adjusted profit before tax

Year to 31 March 2007



Adjusted profit before tax

	2007 £m	2006 £m
Reported profit before tax	**326.0**	188.0
Gains from investment properties	**(278.1)**	(186.1)
Gains from joint venture properties	**(42.1)**	(12.9)
Fair value movement on derivatives	**0.1**	–
Non-recurring items:		
Premium on redemption of debentures	**11.2**	27.5
Cost of REIT conversion	**0.3**	–
Adjusted profit before tax	**17.4**	16.5

> surrenders and expiries creating voids at two of the main developments currently on site – 60 Great Portland Street and Wells & More – which were vacant for all of the year to 31 March 2007 but leased for part of the prior year, created a downward pressure on reported rental income for 2007.

In total, rent reviews, lease renewals and new lettings added £7.4 million to rental income during the period. The estimated rental value of the portfolio grew by some 17.1% in the year, benefiting from positive market factors and the enhancement of many of the Group's assets.

Reported profit before tax of £326.0 million was 73.4% higher than the previous year. The main driver of the rise was substantial revaluation gains and profit on sale of assets, partly off-set by higher interest charges. Basic EPS for the year was 235.7 pence, up 157.0% on the previous year.

Adjusted profit before tax at £17.4 million was £0.9 million, 5.5% higher than last year; the key factors behind this rise are set out in the chart above. This income statement based measure illustrates the underlying profit of the Group before capital items and revaluation changes. Higher adjusted profit levels were caused by the rise in rental income, described above, and significant profits from development management operations.

Profits were lifted by £5.3 million year on year due to development management income from the Tooley Street, SE1 and Margaret Street, W1 schemes. At 31 March 2007, the Tooley Street scheme was around one-third complete so 30% of anticipated profit was recognised in the year and further profits are expected in the year to 31 March 2008. Administration costs increased by £2.0 million primarily due to bonuses and accounting for LTIPs. Professional fees and costs associated with REIT conversion increased administration expenses year on year by £0.3 million. These items are one-off in nature and have been excluded from adjusted profit before tax and earnings per share. A variety of cost control projects were implemented which contributed to a reduction in non-headcount expenses of £0.4 million in the year. Finance costs increased by £4.2 million as the result of higher net debt, due to investment in our development schemes and acquisitions made during the year.

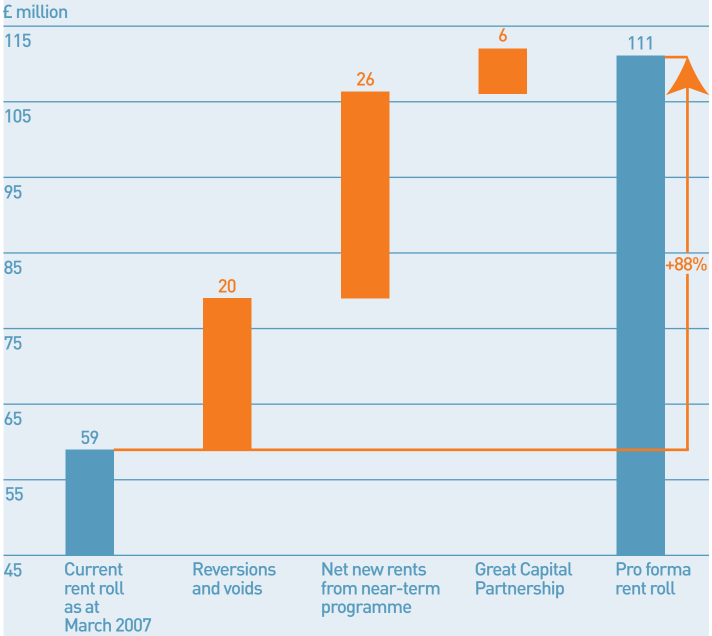
Underlying profits from joint ventures of £3.1 million, down 11.4% on the previous year, were reduced in part by voids at 208/222 Regent Street prior to the leases to H&M, Desigual and GAP becoming effective in Spring 2007.

Adjusted earnings per share were 10.2 pence, the same as last year. The higher Adjusted PBT described above had a positive impact of 0.5 pence per share, although this was offset by a higher underlying tax charge. Details of the calculation of Adjusted PBT are set out in the table above.

Financial effects of near-term development schemes

The near-term development and refurbishment schemes have evolved substantially during the year. The sale of Tooley Street, the creation of the GWP joint venture and the construction phases of the 60 Great Portland Street and Wells & More developments have had a significant effect on the financial results of the near-term programme. The valuation of the Group's development portfolio has increased due to growth in estimated rental value, enhanced net new areas and tightening of yields. The returns from the development schemes will be recognised in higher rental income (when let), income from development management activities and higher joint venture profits. Around £230.0 million of project costs are planned for the near-term schemes in the period to 31 March 2011. During the year the Group spent £32.1 million on project costs on those assets.

Potential rental income
Excluding medium and long-term pipeline



Simplification of debt capital

	March 2007 £m	March 2006 £m
7.25% 2027 Debentures	–	31.4
5.625% 2029 Debentures	**144.4**	91.9
5.25% Convertible bonds 2008	–	53.4
Credit facilities/Loan notes 2007	**248.9**	159.0
Total	**393.3**	335.7
Cash	**(4.2)**	(10.2)
Net debt	**389.1**	325.5
Net gearing	**36.2%**	44.1%
Interest cover	**1.8x**	2.0x
Weighted average interest rate	**5.55%**	5.91%
Weighted average debt maturity (years)	**11.2**	9.6

By 2011, the near-term schemes are forecast to generate incremental rental income for the Group of £26 million. Some of this additional revenue will be captured through higher profits from joint ventures as several schemes are in the GVP and GWP portfolios. This increase in rental income, taken with portfolio reversions, letting of voids and net new rents from the Great Capital Partnership could increase the Group's rental income by £52 million, or 88% as shown in the chart above.

Results of joint ventures
The shape of the Group's balance sheet and income statement has changed as a result of the growing joint venture business. At the start of the year 18.2% of total properties and 11.1% of net assets were in 50:50 joint ventures; by 31 March 2007 the comparable figures were 24.3% and 16.4%. Taking into account the Great Capital Partnership, which formally commenced in April 2007, the pro forma joint venture values at 31 March 2007 were 43.2% of total property assets under management and 37.7% of net assets.

The Group's share of joint venture underlying profits (excluding revaluation gains and profit of sales) was £3.1 million, down from £3.5 million as a result of voids at GVP during refurbishment projects. The Group generated management fees of £1.6 million up 23% from 2006, due to fees earned on developments and high activity levels.

We expect a modest increase in headcount to manage the new GWP and GCP joint ventures. The recruitment will be in a range of functions including development, asset management and finance.

Financial resources and capital management
The Group's higher investment in the development projects contributed to the absorption of cash by operations reaching £63.0 million. Net debt increased to £389.1 million, up from £325.5 million at 31 March 2006, partly due to the acquisition of the Hanover Square Estate. The sales of properties including Tooley Street, SE1, New Cavendish Street, W1 and Gillingham Street, SW1 generated £132.1 million in net proceeds. Gearing fell to 36.2% at 31 March 2007 from 44.1% at last year end and interest cover remained appropriate at 1.8 times.

A year of intensive capital structure management has seen the Group simplify its debt portfolio and strengthen the platform to fund future business development activities. A "tap" issue of £50 million nominal of the 5.625% debentures 2029 was successfully placed in February and the maturity of the Group's £300 million credit facility was extended by one year to 2012. The Group's other credit facility was increased to £180 million and its maturity extended to September 2008. At 31 March 2007 the Group had undrawn credit facilities of £239.0 million.

Following the notice given to holders of the 5.25% convertible bonds 2008 in February 2007, the Bonds have been converted to new ordinary shares. As at 31 March 2007 the outstanding issued number of shares in the Company was 181.0 million. The remaining £31.6 million of 7.25% debentures 2027 were redeemed by the end of 31 March 2007.

The Group's weighted average interest rate for the year was 5.55%, a reduction of 36 basis points compared to the prior year. This was achieved despite an increase in swap rates which caused the year-end average interest rate to rise to 5.79%.

Managing the Group's cost of borrowing is a key management priority. Over the last year the level of swap rates and benchmark yields on UK Government securities have risen and there are signs that further increases in the cost of debt will occur in response to inflationary pressures. The new issue of 2029 debentures at a premium locked in long-term funding at an effective rate of less than 5.4%. 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 April 2007 we executed £80 million of five year interest rate swaps to further protect the Group.

Illustrative REIT figures

Year ended 31 March 2007	Tax-exempt business £m	Tax-exempt business %	Residual business £m	Residual business %	Total £m	REIT test	Test met
Asset test*	1,533.4	99.9	2.2	0.1	1,535.6	≥75% within tax-exempt business	Yes
Profit test**	14.3	82.2	3.1	17.8	17.4	≥75% within tax-exempt business	Yes

	Total	REIT test	Test met
Tax-exempt business – interest cover***	1.55x	≥1.25x	Yes
Tax-exempt business – dividend payout***	>100% of net income distributed	≥90% of net income distributed	Yes

* As at 31 March 2007, in practice, the asset test is based on asset values on the first day of a financial year.
** Based on adjusted profits; the profits used for REIT analysis will differ slightly.
*** Calculated using REIT-specific rules.

Taxation and REIT conversion

The corporation tax in the income statement for 2007 is a charge of £0.2 million due to a variety of available reliefs. The Group's underlying effective tax rate for 2007 was around 10% and was influenced by the final quarter of the year being subject to HMRC's new REIT framework.

The Group converted to a REIT on 1 January 2007 and is now benefiting from an exemption from UK tax on both rental profits and chargeable gains relating to the property investment business. Deferred tax of £135.4 million on contingent chargeable gains, capital allowances and capitalised interest has been written back to the income statement as a result of new legislation. As a consequence of conversion the Group will pay a charge of £28.3 million to HMRC in July 2007, being 2% of the value of the properties within its property investment business as at 31 December 2006.

The table above shows the results of certain key REIT tests as applied to the Group on a pro forma basis in respect of the year ended 31 March 2007. The table indicates that the Group would comfortably comply with all of these tests for the year, with 99.9% of assets and 82.2% of profits within the tax exempt business.

We believe that as a REIT, the Group will have a very low tax charge over the coming years.

Dividend

The Board has declared a final dividend of 7.55 pence which will be paid on 11 July 2007. This brings the total for the year to 11.3 pence per share, an increase of 2.7% over 2006.

Following the Group's conversion to a REIT, all future dividend payments must be split between Property Income Dividends or "PIDs" (dividends from profits of our tax-exempt property rental business) and "non-PIDs" (dividends from profits of our taxable residual business).

The Group is now subject to a minimum distribution test. To meet this test, it must pay a PID of at least 90% of the profits (excluding gains) of the tax-exempt business (calculated by tax rules rather than accounting rules) within 12 months of the end of each accounting period.

As the minimum PID payable to meet the REIT distribution test for the three month period ended 31 March 2007 is small, none of the final dividend will be allocated to meeting the test for this period. Instead, the final dividend will be a non-PID in its entirety and will therefore be treated in the same way as a normal company dividend. It is anticipated that the REIT distribution test will be met by an interim dividend payable in January 2008.

Looking forward, the PID will vary according to the level of profits and allowances in the Group's tax-exempt business.

Outlook

The Group has had an excellent year, delivering strong progress across the business and a very good performance compared to its key benchmarks.

With London's economy continuing to expand, steady occupational demand and limited new supply of high quality buildings, particularly in the West End, the conditions are in place for healthy returns. The Group's extensive and growing development programme, with its West End focus, is well positioned to benefit from this market environment. Our recent acquisitions and new joint ventures have created a platform for improved rental income and enhanced portfolio growth. The conversion to a REIT has gone smoothly and will improve post-tax performance.

We are confident that we will continue to generate attractive returns for our shareholders.

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 controls and processes in place by which the Company aims to manage those risks are:

Risk	Mitigation
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.
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 refurbished or redeveloped in line with current regulations including, for example, changing environmental legislation requirements in the most cost effective manner.
Development	
Failure to obtain or delays in gaining planning consents.	Planning applications are proactively managed. The Company monitors changes in planning legislation and has good working relationships with planning authorities and consultants.
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.
Letting risk.	Market analysis 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.
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.
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 limited relative potential performance.
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.
Financial risks	
Liquidity risk.	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities in place. Funding maturities are managed across the short-, medium- and long-term. The Group's funding sources are diversified across a range of bank and bond markets. Strict counterparty limits are operated on deposits.
Adverse interest rate movements.	The proportion of floating rate interest exposure is maintained between 20–40% of forecast total interest cost.
Breach of borrowing covenants.	Financial ratios are monitored and regularly reported to the Board.

Corporate responsibility

Great Portland Estates recognises the importance of its impact on society and the environment through its operations and interaction with its key stakeholders, including investors, employees, neighbours, communities, customers and suppliers.

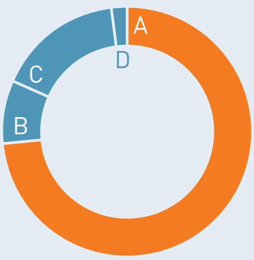
The Board has responsibility for the approval of policy relating to social, environmental and health and safety matters, and is determined to apply high standards to social, environmental and ethical issues in all areas in which the Group operates including the management of the joint venture operations on behalf of the joint venture partners. 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 Executive Committees also chaired by Mr Noel. The Group's Corporate Responsibility Value Statement and Strategy, Health and Safety and Environmental Policies together with the Group's objectives and targets are approved by the Board on an annual basis.

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 Service) on environmental, social and corporate governance performance. For the fourth year, the Company has taken part in the Business in the Community's annual Corporate Responsibility Index, which, together with the CR activities reported within this report, is independently verified by Bureau Veritas, and in 2007 received a silver award in Business in the Community's "Top 100 Companies for corporate responsibility".

Objectives and targets

Great Portland Estates set a total of 49 Corporate Responsibility (CR) targets at the beginning of 2006. 73% of these were fully achieved. Good progress has been made against the rest with a large number of the 2006 objectives and targets becoming part of our standard management practices.

Progress against CR objectives and targets



A. 100% met – 36
B. 80% to 90% met – 4
C. 50% to 70% met – 8
D. Less than 50% met – 1

Ethics policy

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.

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 and, in respect of the New West End Company, the Company has made voluntary contributions to match those of the Company's tenants.

Over the past 18 months, the Company has been working alongside Westminster City Council, Transport for London and adjoining freeholders to design a scheme for the pedestrianisation of Old Quebec Street at the Marble Arch end of Oxford Street, W1 to improve the general street scene. This work has culminated in a contribution of £100,000 from the Great Victoria Partnership joint venture for Westminster City Council to implement the scheme. Through the Company website, the Company has also helped to promote the public consultation process in conjunction with Westminster City Council and the New West End Company of the Oxford Street, Regent Street and Bond Street Plan, which has identified a series of concept designs including bespoke street furniture, greening opportunities, improvement of public spaces and iconic lighting to greatly enhance the area.

Principal contractors on all developments and major refurbishments are required to be members of the Considerate Constructors' Scheme. In 2007 this was extended to include demolition contractors. At Tooley Street, SE1, audited under the Scheme in 2007, our scheme was considered by the Scheme Monitor to have achieved a "good" score with a rating of a high level beyond compliance for each of the eight categories assessed.

For all major schemes, the Company ensures newsletters are produced on a regular basis to keep stakeholders appraised with progress. Regular meetings are also held with tenants to provide feedback to contractors on performance.

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, 23% of the Company's employees have participated in helping pupils at St. Vincent's school in Marylebone to improve their reading.

Health and safety statistics

	2005	2006	2007
Number of RIDDOR reportable injuries	2	1	**0**
First aid injuries	8	7	**8**
Three day injuries	0	1	**0**
Work related fatalities	0	0	**0**
Number of Enforcement Agency prosecutions or fines	0	0	**0**
Employee accidents and incidents	2	2	**2**
Number of employee days off work from injury	0	0	**0**

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, reviews of risk assessments, and a regular update of procedures at least on an annual basis. A Health and Safety Executive Committee 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, changes in legislation, the development of new procedures, and the allocation of resources to health and safety.

During the year all new employees were provided with health and safety training relevant to their role with additional health and safety training provided to existing employees where appropriate, in particular in the areas of construction, contractor management, fire safety and asbestos management.

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

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, under which all contractors and consultants are vetted for their health and safety performance and procedures prior to appointment. To ensure the effective management of contractors on site, all of the Group's Building Managers have attained the IOSH Managing Safely qualification.

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. Where building works are being carried out with tenants in situ, our Building Managers are on site regularly to ensure that health and safety concerns are brought to the attention of contractors and dealt with in a timely fashion.

Despite a significant increase in our development activity our health and safety record remains good. 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 serious accidents is conducted by the Safety, Health and Environmental Manager. During the year ended 31 March 2007, there were no reportable accidents arising from the Group's activities.

Environment

The Company is committed to effective environmental management, and regards regulatory compliance as a minimum standard. An Environmental Policy Statement is reviewed annually by the Board and may be viewed on the Company's website, www.gpe.co.uk

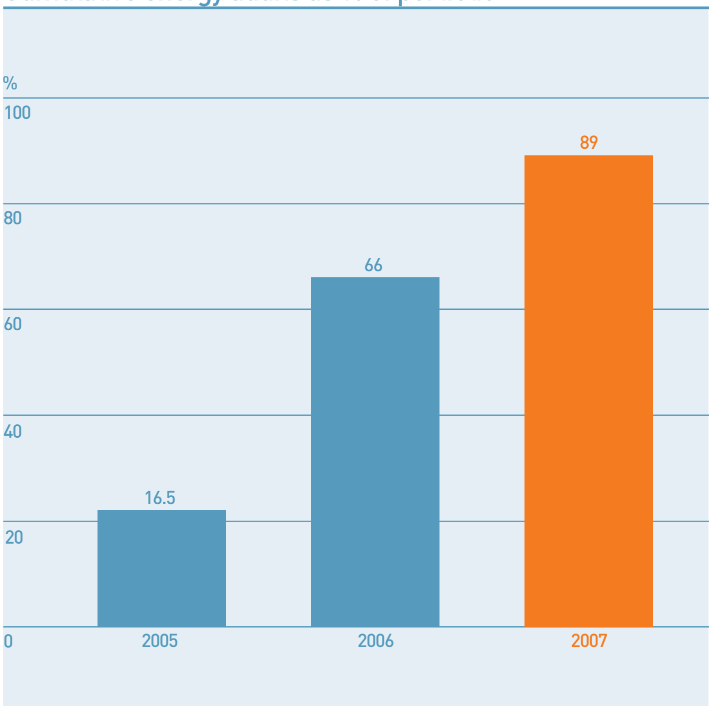
An Environmental Executive Committee chaired by Robert Noel as the Property Director and made up of senior representatives from each department, meets on a quarterly basis and reports to the Board annually. The Committee monitors the Group's compliance with environmental legislation and best practice across the portfolio, agrees procedures to be followed on key environmental issues and sets the annual objectives and targets. The Group's environmental objectives and targets, Environmental Management Plan and clearly allocated responsibilities, have been developed in line with the Group's "key aspects and impacts" identified through our Environmental Management System. Key environmental areas for the Group include energy and water consumption, waste management, water and air pollution, ozone depletion, contractor and tenant awareness, and the environmental impact of developments and major refurbishments.

In the spring of 2007, the Company has established an Environmental Policy Committee chaired by Toby Courtauld as Chief Executive. In light of rapidly changing legislation affecting both existing buildings' and new developments' environmental performance and the expectation that tenants will increasingly discriminate between environmentally efficient buildings and the rest, the Committee will seek to set policies that match the Group's operations with this changing environment.

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. The management system comprises of detailed checklists based upon legislation requirements and best practice measures. External consultants also carry environmental checks on all managed properties on an annual basis which serves as additional check on contractors' compliance with requirements under environmental legislation.

Energy and water consumption is monitored by external consultants and usage data is analysed on a monthly basis. As the majority of energy and water within our buildings is consumed by tenants it is not possible for the Company to set meaningful energy and water usage reduction targets. However, we are committed to carrying out energy surveys on each of our multi-let properties, excluding those in, or approaching development, where energy savings can be made and implemented. To date, 26 energy surveys have been commissioned resulting in actions taken to: reduce heating and cooling operation times, educate tenants in the use of energy saving measures including the reduction of lighting usage out of hours, reduce capacity on replacement of heating and cooling equipment and employ low energy light bulbs.

Cumulative energy audits as % of portfolio



On developments, we constantly review ways to maximise the energy efficiency and sustainability of our buildings. A recent example of methods used can be seen at our Tooley Street, SE1 development which includes the using of exposed concrete soffits to cool space naturally and the harvesting of rainwater.

All property acquisitions are subject to an environmental audit; major developments are also subject to BREEAM with a target to achieve a "Very Good" rating on completion and a sustainability report is commissioned at the appropriate stage for developments and major refurbishments. During the year, our target for BREEAM ratings for 2007 was met with our major development at 180 Great Portland Street, W1 attaining a BREEAM rating of "Very Good".

A refurbishment policy which sets out standards for segregation and recycling of waste materials, sourcing of timber products and energy consumption is in place to address the environmental impact of our developments and refurbishments, and is sent to all parties involved with major works on behalf of the Company. Consultants and contractors are required to comply with its contents and a questionnaire is completed by the scheme Project Manager at the end of a project as a way to ensure standards are maintained. All contractors appointed as Principal Contractor are expected to have robust environmental policies and management systems.

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.

Environmental guidance together with a Company purchasing policy is provided to employees through the Group's Policies and Procedures Manual and environmental training is included in employees' induction training. Employees are also given training on environmental issues pertinent to their work, and programmes attended during the year have included IEMA Environmental Management certification and courses on energy management and energy performance certificates.

Waste generated at our offices is recycled with 93% of rubbish collected at 33 Cavendish Square recycled, 6% incinerated and 1% going to landfill. Wherever possible, recycling schemes are implemented at properties where waste collection facilities are provided.

Employees

Our employees are a key resource of our business and we seek to attract and retain the best people who add value to the business, through competitive remuneration and benefits packages. A significant proportion of remuneration is performance related and our overall retention rate remains high at 88% per annum.

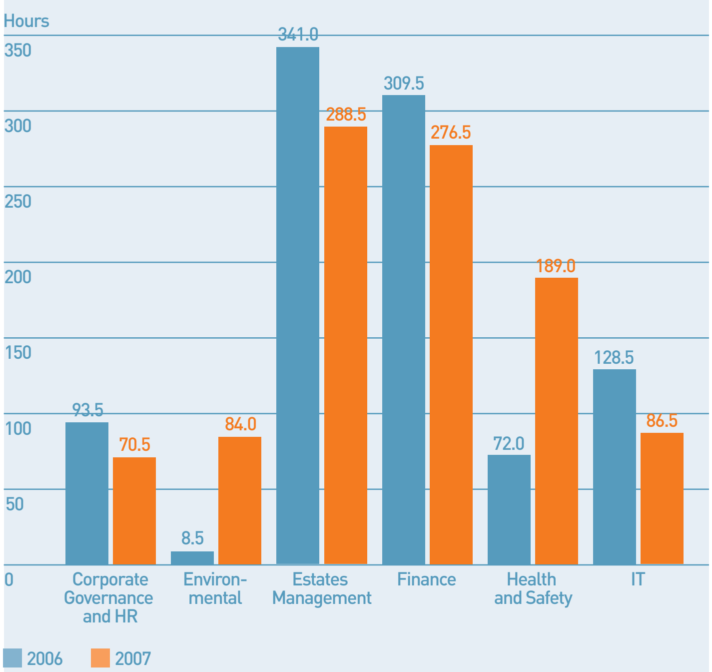
The average length of service reflects the change in 2002 to a focused central London investment and development business which involved the hiring of new people. The comparatively short average length of service of the development team reflects the value of getting the team right and removal from the development team statistics of Neil Thompson following his promotion to director during the year as the importance of the development business to the Group has grown.

Employee profile

	Total people		Average period of service (years)	
	2006	2007	2006	2007
Directors	3	4	3	3
Admin/HR	9	8	7	7
Development	9	9	2	2
Finance/IT	16	15	4	5
Invest/Asset	23	25	4	5

The Company is committed to equal opportunities, and employees are encouraged to develop their skills. To facilitate this, each employee is regularly appraised with a view to maximising his or her 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 £39,026 was invested in formal staff training providing 995 hours of training. Training programmes provided during the year included both business related topics, key risk areas, personal skills development and personal training programmes for senior managers.

Total number of training hours



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 Company. Meetings with non-office based personnel are also held weekly to ensure their involvement and to encourage the sharing of best practice. Employees are involved at all levels in the development of the Group's operating policies.

Corporate responsibility initiatives raised by employees are actively encouraged and as a result of an employee suggestion, in 2007, the Company introduced a Cycle to Work Scheme for all employees.

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 on the Board of the Central London Partnership, a member of the Management Board of the Investment Property Forum and a member of the Policy Committee of the British Property Federation (BPF) with the Company actively supporting BPF initiatives such as the Code of Practice for Commercial Leases in England and Wales. Robert Noel is on the Council of the Westminster Property Owners Association, is a member of the South Bank Employers Group and is on the Management Board of the New West End Company, a formal Business Improvement District encompassing Bond Street, Oxford Street and Regent Street.

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 2007 over 137 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.

In 2006, the Company received a bronze award in the BDO Stoy Hayward Property Accounts Award, with particular mention for the clear presentation of the Group's portfolio and valuation analysis and the detail available on, and ease of navigation of, the Company's website.

The Company's approach to corporate governance is set out on pages 42 to 44.

Portfolio statistics

Rental income

At 31 March 2007

			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	17.6	5.2	22.8	1.9	0.3	2.2	25.0
		Retail	3.8	0.5	4.3	3.5	0.8	4.3	8.6
	Rest of West End	Office	11.1	4.4	15.5	1.5	0.4	1.9	17.4
		Retail	5.5	0.8	6.3	0.9	0.8	1.7	8.0
	Total West End		38.0	10.9	48.9	7.8	2.3	10.1	59.0
	City and Southwark	Office	12.9	2.1	15.0	–	–	–	15.0
		Retail	0.6	0.6	1.2	–	–	–	1.2
	Total City and Southwark		13.5	2.7	16.2	–	–	–	16.2
Total let portfolio			51.5	13.6	65.1	7.8	2.3	10.1	75.2
Voids					1.9			1.8	3.7
Premises under refurbishment					11.7			–	11.7
Total portfolio					78.7			11.9	90.6

Rent roll security, lease lengths and voids

At 31 March 2007

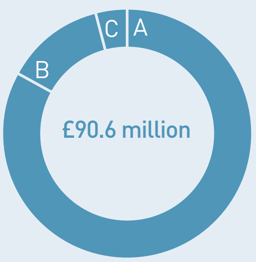
			Wholly owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length Years	Voids %	Rent roll secure for five years %	Weighted average lease length Years	Voids %
London	North of Oxford Street	Office	28.1	3.8	0.8	32.0	1.8	51.0
		Retail	83.2	8.7	0.4	89.9	11.5	1.8
	Rest of West End	Office	45.1	5.1	4.4	75.9	8.5	–
		Retail	69.4	11.4	7.3	100.0	14.8	–
	Total West End		44.6	5.8	2.3	75.7	9.6	19.0
	City and Southwark	Office	16.8	4.1	5.2	–	–	–
		Retail	14.3	7.7	6.5	–	–	–
	Total City and Southwark		16.7	4.3	5.3	–	–	–
Total let portfolio			37.3	5.4	3.0	75.7	9.6	19.0

Rental values and yields

At 31 March 2007

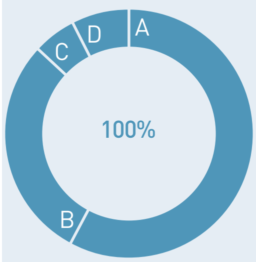
			Wholly owned		Joint ventures		Wholly owned		Joint ventures	
			Average rent £psf	Average ERV £psf	Average rent £psf	Average ERV £psf	Initial yield %	True equivalent yield %	Initial yield %	True equivalent yield %
London	North of Oxford Street	Office	33	43	39	50	3.0	5.1	3.9	4.8
		Retail	36	33	59	67	4.2	4.9	3.9	4.7
	Rest of West End	Office	39	55	27	35	3.0	4.6	4.2	4.7
		Retail	66	74	101	128	4.0	4.5	–	4.2
	Total West End		38	46	46	55	3.2	4.8	3.0	4.6
	City and Southwark	Office	28	32	–	–	4.6	5.2	–	–
		Retail	13	27	–	–	3.3	6.3	–	–
	Total City and Southwark		27	32	–	–	4.6	5.2	–	–
Total let portfolio			34	42	46	55	3.5	4.9	3.0	4.6

Analysis of total rental values



A. Rent roll, rent reviews and lease renewals £75.2 million
B. Under refurbishment £11.7 million
C. Voids £3.7 million

Lease expiries (including share of joint ventures)



A. Less than 5 years 57.8%
B. 5 to 10 years 29.1%
C. 10 to 15 years 5.6%
D. Over 15 years 7.5%

Major properties

West End – North of Oxford Street, W1

Property name	Tenure	Type	Principal tenants	Number of tenants	WAULT years	NIA sq ft
21/23 Duke Street*	FH	O	Treehawk Limited	1	–	5,800
25 Duke Street*	FH	O/R	CG Capital Limited	2	2	2,500
27 Duke Street*	FH	R	Benjy's Limited	1	5	2,800
38/40 Eastcastle Street	FH	O	Escotex International	7	4	11,000
Dorville House, Foley Street and Doran House, Riding House Street	FH	O	Under development	–	–	20,000
29/35 Great Portland Street	FH	O	Axa Insurance	5	6	16,000
32/36 Great Portland Street	FH	O	Martela	6	3	13,000
60 Great Portland Street	FH	O	Under development	–	4	63,000
79/83 Great Portland Street	FH	O/R	Thorn Lighting	1	4	16,000
78/92 Great Portland Street	FH	O	Logica	9	4	49,000
160 Great Portland Street	FH	O	Telewest; Villandry	3	2	97,000
180 Great Portland Street*	FH	O	Stenham; Lloyds TSB	4	4	106,800
20/30 Great Titchfield Street	FH	O	Syzygy; Michaelides & Bednash	7	1	69,000
32/34 Great Titchfield Street	FH	O/R	Under development	–	–	15,000
33/35 Gresse Street and 23/24 Rathbone Place	FH	O	Lewis Moberly; Power TV	10	2	24,000
35/37 James Street*	FH	R	Tootsies Restaurants Limited	1	2	4,700
6/10 Market Place	FH	O/R	Carluccio's; Strada	13	6	18,000
14/17 Market Place	LH	O	Betty Barclay; Reiss; Barretts	8	5	59,000
27/35 Mortimer Street	FH	O	Sainsbury's; Selec TV	4	5	32,000
37/41 Mortimer Street	FH	O	IBC	1	3	25,000
42/66 Mortimer Street	FH	O	Under development	–	–	63,000
43/49 Mortimer Street	FH	O	Under development	–	–	43,000
51/55 Mortimer Street	FH	O	Square Enix	5	–	17,000
184/190 Oxford Street	LH	O/R	C&J Clark; Office	4	5	25,800
192/194 Oxford Street	FH	O/R	Faith	3	9	9,800
508/540 Oxford Street*	LH	R	Next; Evans; Superdrug	14	10	88,000
13/14 Park Crescent and 92/96 Portland Place*	LH	O	Secretary of State for Transport	1	5	26,000
16/26 Park Crescent*	LH	O	Medical Research Council; Secretary of State for Transport	4	6	107,000
Met Building, 22 Percy Street	FH	O	Gardiner & Theobold; GML; Zenith Optimedia	8	8	112,000
3/4 Picton Place*	FH	O	Capital Careers Limited	1	2	7,300
5/6 Picton Place*	FH	O	Mitchells and Butler Retail Limited	2	5	11,900
7/7a Picton Place*	FH	R	Roberto Bragoli	2	3	1,800
77/81 Portland Place*	LH	O	RIBA	1	8	11,000
14/22 Tottenham Street and 43 Whitfield Street	FH	O	Mentorn Group	1	1	16,000
183/190 Tottenham Court Road*†	LH	R	Barclays Bank; Caffé Nero	5	7	12,000
59/63 Wells Street*†	FH	O	Magistrates Court	1	2	25,000
45/51 Whitfield Street	FH	O	Michael Simkins LLP	1	1	9,000
79/93 Wigmore Street*	FH	O/R	Chevron Texaco North Sea Limited; Wigmore Sports Limited	6	2	35,600
95/97 Wigmore Street*	FH	O	Chevron Texaco North Sea Limited	1	2	23,000

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
†	Properties acquired after 31 March 2007

Rest of West End, W1

Property name	Tenure	Type	Principal tenants	Number of tenants	WAULT years	NIA sq ft
40/48 Broadway, SW1*	LH	O	Capital and Counties; The Youth Justice Board	2	9	60,000
26/30 Broadwick Street*	FH	O/R	VNU Business Publications; Hat Trick Productions; Cowling & Wilcox	5	5	70,000
14/18 Brook Street	LH	O	Halcyon Days	3	1	4,000
13/15 Carteret Street, SW1	LH	O	Hays Personnel Services (Holdings); Capeside Steamship Company	3	4	12,200
10/12 Cork Street	LH	O/R	Waddington Galleries; Millbank Financial Services	6	2	21,000
18/19 Hanover Square	FH	O/R	Avanta Management Services Limited; Dolce & Gabbana; Lend Lease	3	6	70,300
20 Hanover Square	FH	O	Knight Frank LLP; Dolce & Gabbana; Lend Lease	1	3	23,100
26/40 Kensington High Street*†	FH/LH	O/R	Habitat; Holmes Place; Wagamama	10	8	120,000
201/207 Kensington High Street*†	FH/LH	R	Robert Dyas; Club Kensington	4	6	18,000
15/16 New Bond Street	LH	O/R	Mappin & Webb; Georg Jensen, Shore Capital	4	17	30,000
64 New Bond Street	LH	R	Vacant	–	–	4,000
65/71 New Bond Street	FH	O/R	Oliver Sweeney; BAA	16	5	47,500
72 New Bond Street	LH	O/R	Timberland; Hedge Invest	6	6	8,000
79/89 Oxford Street	FH	O/R	Pizza Hut; Gainsborough Business Centres	8	3	42,000
166/168 Piccadilly*†	LH	O/R	Vodafone; ITSU; JCB	11	6	18,000
169 Piccadilly*†	LH	O/R	Mackenzies of Piccadilly	12	3	9,000
170/173 Piccadilly*†	LH	O/R	Richoux; Stork & May	15	5	32,000
174/175 Piccadilly*†	LH	O/R	Waterford Wedgewood; BDT	35	3	43,000
91/101 Regent Street*†	LH	O/R	Veraswaamy; C&J Clark	13	9	22,000
126/130 Regent Street*†	LH	O/R	Thomas Davidson; Boodle & Dunthorne	12	9	30,000
203 Regent Street*†	LH	O/R	C&J Clark; R Rosenbury et al	2	10	10,000
208/222 Regent Street*	LH	O/R	H&M; Desigual; Gap; MWB	5	12	63,000
288/300 Regent Street*†	LH	O/R	Oasis; La Tasca	30	6	46,000
16/21 Sackville Street*	FH	O	Austin Reed; Straumur-Burdaras	4	11	21,200
28/29 Savile Row	LH	O/R	Mary Kay Cosmetics; Flag Clothing	5	3	15,000
1 Tenterden Street	LH	O/R	Pret a Manger; Godfrey Vaughan	8	3	12,900

City and Southwark

Property name	Tenure	Type	Principal tenants	Number of tenants	WAULT years	NIA sq ft
46/58 Bermondsey Street, SE1	FH	R	Delfina	15	5	34,700
75 Bermondsey Street, SE1	FH	O	Kurt Geiger	1	9	11,000
80 Bishopsgate, EC2	FH	O	ABN Amro	2	4	43,000
88/104 Bishopsgate and 1/11 Camomile Street, EC2	FH	O/R	Willis; Maplin Electronics	10	4	89,000
231/234 Blackfriars Road, SE1	FH	O	Vacant	–	–	5,800
235/241 Blackfriars Road, SE1	FH	O	KPMG	1	2	30,000
24/25 Britton Street, EC1*†	FH/LH	O	Wolverine; Orchard Brayton Graham	7	3	50,000
12/20 Camomile Street, EC3	FH	O	Tyser; Norton Rose	5	2	95,000
24/31 Holborn, EC1	FH	O	WSP; Capita Symonds; HSBC	3	5	64,000
67/75 Kingsway, EC1*†	FH/LH	O/R	Tradingscreen; Belgo's	9	5	29,000
Metropolitan Wharf, E1*†	FH	O	Under development	–	–	0
12/14 New Fetter Lane, EC4*†	LH	O	Buzzacott	2	1	25,000
14/20 Shand Street, SE1	FH	O	Cameron Taylor Brady; Sunrider Europe	5	2	22,000
22/28 Shand Street, SE1	FH	O	Mitie Group	1	2	19,500
61 St Mary Axe, EC3	FH	O	Richards Butler	1	7	28,000
14/20 St Thomas St, SE1	FH	O	Tindall Riley; Pitney Bowes; BA plc	4	4	96,000

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. Aged 63.
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 Board of the Central London Partnership, the Management Board of the Investment Property Forum and the Policy Committee of the British Property Federation. Aged 39.

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 a Non-Executive Director of O_2. Appointed to the Board in 2003. Aged 50.
Senior Independent Director.
Chairman of the Nomination and Audit Committees and Member of the Remuneration Committee.

John Edgcumbe BSc, FRICS
Non-Executive Director
A Non-Executive Director of Tilfen Land, and formerly a partner of, and a Non-Executive Director of, Hillier Parker and HSBC Property Investments, respectively. Appointed to the Board in 1999. Aged 63.
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. Aged 61.
Chairman of the Remuneration Committee and Member of the Audit Committee.

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. Aged 41.

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. A member of New West End Company Management Board and a Member of the Council of the Westminster Property Owners' Association. Aged 42.

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. Aged 39.

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. Aged 47.

Member of the Audit and Nomination Committees.

Jonathan Short BSc, ACIB
Non-Executive Director
Chief Executive Officer of Internos Investors and a Non-Executive Director of Big Yellow Group plc and Chairman of the Urban Land Initiative in the UK. Previously Chief Executive Officer of Pramerica Real Estate Investors from 2000 to 2007. Appointed to the Board in 2007. Aged 45.

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 2 to 29. A description of the principal risks and uncertainties facing the Group and how these are mitigated can be found on page 30.

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 52. An interim dividend of 3.75 pence per share was paid on 3 January 2007, and the directors propose to pay a final dividend of 7.55 pence per share, making a total of 11.30 pence per share for the year ended 31 March 2007. If approved by the shareholders at the Annual General Meeting to be held on 5 July 2007, the proposed dividend will be paid on 11 July 2007.

Freehold and leasehold properties

A valuation of the Group's property portfolio at 31 March 2007 was carried out by CB Richard Ellis on the basis of market value which amounted to £1,323 million, the difference between the book value of £1,333 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

Neil Thompson was appointed an Executive Director on 1 August 2006 and Jonathan Short was appointed a Non-Executive Director on 2 April 2007. The other directors whose names appear on pages 38 to 39 served as directors of the Company throughout the year to 31 March 2007. Robert Noel, Kathleen O'Donovan and Charles Irby are the directors retiring by rotation at the Annual General Meeting and, being eligible, the Board is recommending that they offer themselves up for reappointment. Mr Thompson and Mr Short will retire pursuant to Article 103 and, being eligible, will offer themselves for reappointment. As a Non-Executive Director Mr Short does not have a service contract. A suitable replacement having been found, Mr Edgcumbe will retire at the 2007 Annual General Meeting. Biographical details of all the directors can be found on pages 38 to 39.

Directors' shareholdings

	At 31 March 2007 Number of shares	At 31 March 2006† Number of shares
Richard Peskin and family		
– beneficial	**140,000**	200,000
– trustee	**148,000**	198,000
Toby Courtauld	**35,000**	20,000
Robert Noel	**29,600**	29,600
Timon Drakesmith	**31,000**	31,000
Neil Thompson	**12,714**	12,714
John Edgcumbe and family	**24,000**	36,800
Kathleen O'Donovan	**800**	800
Charles Irby	**3,000**	3,000
Phillip Rose	**2,000**	2,000

† 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 2007 and 23 May 2007. 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.

Significant shareholdings

As at 11 May 2007, 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	%
Henderson Global Investors Limited	12,026,818	6.64
Legal & General Investment Management Limited	6,750,062	3.73
Morgan Stanley Investment Management Limited	6,647,895	3.67
Stichting Pensioenfonds ABP	6,417,571	3.55
Government of Singapore Investment Corporation Pte Ltd	5,857,031	3.26

Financial instruments

Details of the financial instruments used by the Group are set out in note 1 and 13. The Group's financial risk management objectives and policies are included in the Risk Management overview on page 30 and in the Financial Review on page 28.

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 2007, the average payment period for trade creditors was 40 days (2006: 25 days).

Charitable and other donations

During the year the Company made donations for charitable purposes amounting to £45,350; 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 78 to 79 sets out the resolutions to be proposed at the Annual General Meeting. Resolutions 1 to 10 comprise ordinary business and resolutions 11 to 13 special business.

Resolution 11 will seek to renew the authority for the directors to allot up to 60,279,596 ordinary shares, representing 33.3% of the existing issued share capital of the Company at 23 May 2007. The directors have no present intention of exercising the authority, if granted.

Resolution 12 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 £1,131,374 (representing 5% of the existing issued share capital of the Company at 23 May 2007) 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 13 will seek to renew the authority enabling the Company to purchase its own shares in respect of 27,134,869 shares (representing 14.99% of the issued share capital of the Company at 23 May 2007). The directors intend to exercise this authority if to do so would, in their opinion, enhance shareholder value. If Resolution 13 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 27,134,869. 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 2007, the number of shares which may be purchased under the shareholders' authority given at the 2006 Annual General Meeting was 27,134,869 and the number of shares in issue was 181,019,809.

At 23 May 2007, the Company held no shares in treasury.

The authorities granted under Resolutions 11, 12 and 13 will expire at the conclusion of the next Annual General Meeting or on 4 October 2008, whichever is the earlier.

By order of the Board

Desna Martin
Company Secretary

23 May 2007

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 2007, 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;
> treasury policy and significant fundraising;
> examining major potential acquisitions and disposals;
> approving policy on key areas including corporate responsibility, health and safety and the environment;
> Board appointments and the appointment and removal of the Company Secretary; and
> annual and interim reporting to shareholders.

At least once a year it 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 38 to 39. 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 (14 meetings)	Nomination Committee (3 meetings)	Remuneration Committee (4 meetings)	Audit Committee (6 meetings)
Chairman					
Richard Peskin	6	14	3	–	–
Executive Directors					
Toby Courtauld	6	14	–	–	–
Robert Noel	6	14	–	–	–
Timon Drakesmith	6	14	–	–	–
Neil Thompson(1)	4	7	–	–	–
Non-Executive Directors					
Kathleen O'Donovan	6	14	3	4	6
John Edgcumbe	6	12	–	3	–
Charles Irby	6	11	–	4	6
Phillip Rose	6	12	2	–	5

(1) Appointed on 1 August 2006.

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

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 the performance evaluation consisted of each director, including the Chairman, completing a comprehensive questionnaire and then having one-to-one interviews with Kathleen O'Donovan as the Senior Independent Director, assisted by Desna Martin as the Company Secretary. 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.

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.

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 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.

In light of the scale of the development business being undertaken by the Group, in May 2006, the Nomination Committee recommended the appointment of Neil Thompson, previously Head of Development, to the Board in the new role of Development Director from 1 August 2006. In December 2006, the Committee considered the skill set required for the Non-Executive Director intended to replace John Edgcumbe who, following almost eight years' service will retire from the Board in 2007. Following an interview and selection process which involved the review of an updated list of candidates previously supplied by external recruitment consultants, Jonathan Short was recommended by the Nomination Committee for appointment to the Board as a Non-Executive Director from 2 April 2007. Mr Short, who was Chief Executive Officer of Pramerica Real Estate Investors for seven years and has worked for Lazard, Barings and Warburgs, is a Non-Executive Director of Big Yellow Group plc and Chairman of the Urban Land Institute in the UK. The Nomination Committee believes that the Board will benefit from the appointment of both Mr Thompson as Development Director, and Mr Short as a Non-Executive Director. A suitable replacement having been found, Mr Edgcumbe will retire at the 2007 Annual General Meeting.

Remuneration Committee

The Remuneration Committee, which comprises Charles Irby (Chairman), John Edgcumbe 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 45 to 49. On Mr Edgcumbe's retirement, Mr Short will replace Mr Edgcumbe as a member of the Remuneration Committee.

Audit Committee

The Audit Committee comprises Kathleen O'Donovan (Chairman), Charles Irby and Phillip Rose. 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 and annual financial statements and significant reporting judgements therein;
- the REIT circular to shareholders;
- 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 auditor's management letter; and
- the need for an internal audit function.

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 and 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.

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; and

> 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.

The Audit Committee carries out a twice yearly review of significant business risks, 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 30.

Group strategy and progress on developments are updated and reviewed at each Board meeting.

Relations with shareholders

Communications with shareholders is given a high priority and the Company undertakes a regular dialogue with shareholders and fund managers. 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. 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 5 July 2007 can be found in the Notice of Meeting on pages 78 to 79. Details of the number of proxy votes for, against and withheld for each resolution, will be disclosed at the meeting.

Going concern

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

23 May 2007

Directors' remuneration report

Remuneration Committee and advisers

The Remuneration Committee (the "Committee") comprises three independent Non-Executive Directors, Charles Irby (Chairman), John Edgcumbe and Kathleen O'Donovan, who have responsibility for determining the remuneration, contract terms and other benefits of the Executive Directors and the Chairman of the Company. All served as members throughout the year. The Committee reviews the remuneration framework for all other employees including the annual bonus plan, where all employees are eligible to participate in performance-related bonus plans based on Company and individual performance targets, and long-term incentive arrangements for certain senior personnel.

The Committee is advised by New Bridge Street Consultants LLP ("NBSC"), a firm of independent remuneration consultants, appointed in October 2003, and who only provide advice to the Group in respect of directors' remuneration, and Investment Property Databank ("IPD"), a property market index and benchmarking service. Nabarro Nathanson assisted the Committee on procedural matters relating to the Long-Term Incentive Plan ("LTIP") and Share Matching Plan ("SMP"). Nabarro Nathanson, the Company's legal advisers, were not appointed by the Committee. Toby Courtauld the Chief Executive, provided advice in relation to discretionary bonuses for other Senior Executives.

Remuneration policy

The Group's remuneration policy, which applies to the year under review and is intended to apply in future years, seeks to provide remuneration in a form and amount to attract, retain and motivate high calibre executives, with an emphasis on delivering greater reward for achieving and exceeding the Group's strategic plan.

A potentially significant proportion of remuneration is based on performance, in the short term through the annual bonus plan (up to 150% of salary) and, as approved by shareholders, over the longer term, by the award of shares under the LTIP (up to 150% of salary) and SMP (up to 100% of salary), designed to align rewards with shareholders' interests. Details of all payments to Executive Directors in the year, which are disclosed on page 46, show the relative values of the basic and performance-related elements of remuneration for the year under review.

Share ownership guidelines

Following approval by shareholders of the LTIP and SMP at the 2006 Annual General Meeting, the Company adopted shareholding guidelines under which Executive Directors are expected to build and hold a shareholding of the Company's shares obtained through the incentive plans equal in value to 100% of salary within five years.

Basic salary and benefits

Basic salaries and the level and nature of benefits provided to Executive Directors are reviewed by the Committee annually or on promotion and are assessed having regard to Company and individual performance, salary levels in comparable organisations (particularly within the listed property sector) and pay and conditions throughout the Company. Basic salary is the only element of Executive Directors' remuneration which attracts pension contributions.

Benefits principally comprise life insurance, private healthcare, car and travel concessions and membership subscriptions. The taxable value of these benefits is included in the table on page 46.

Bonus plan

Each year the Committee considers the appropriateness of short-term incentive plans in assessing the overall remuneration of Executive Directors.

Under the directors' Annual Bonus Plan for the year ended 31 March 2007, Executive Directors could receive a maximum award of 150% of salary based on 30% payable for the achievement of the NAV targets, 50% payable for capital growth of the Company's property portfolio against IPD's relevant Capital Growth Index and 20% based on the individual's performance against personal objectives. 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 criteria for the Executive Directors to achieve the maximum of the bonus based on the Company's corporate performance elements were:

> NAV growth greater than 130% of target; and

> annual percentage rate of portfolio capital growth to exceed the annual percentage rate of capital growth of the central London component of the IPD Index by 2.5%.

Both of these hurdles were exceeded for the year and the Executive Directors were, therefore, awarded 100% of the corporate performance element of the bonus.

The personal objectives, other than those covered by the corporate measures for the Executive Directors for 2007 included the following general themes and were specific as to each individual's role and responsibilities:

> successful execution of investments;

> enhanced portfolio performance;

> exceeding rental income targets;

> successful progression of the development programme;

> efficient and timely conversion to a REIT;

> enhancement of the Group's financing arrangements;

> proactive shareholder relations programme;

> active representation on key property industry associations; and

> ensuring delivery of health and safety objectives.

Due to the extent of the achievement of the Executive Directors' objectives during the year, as reflected in the review of the Company on pages 2 to 29, the Remuneration Committee has awarded the Executive Directors 100% of the discretionary element of the annual bonus.

Directors' remuneration details in respect of the year ended 31 March 2007 (audited)

	Salaries/ fees £000	Performance related bonuses £000	Benefits £000	Total 2007 £000	Total 2006 £000	Pension contribution 2007 £000	Pension contribution 2006 £000
Executive							
Toby Courtauld	400	600	5	1,005	759	80	75
Robert Noel	320	480	9	809	608	64	60
Timon Drakesmith(1)	225	338	6	569	239	45	24
Neil Thompson(2)	144	216	5	365	–	29	–
John Whiteley(3)	–	–	–	–	447	–	69
	1,089	1,634	25	2,748	2,053	218	228
Non-executive							
Richard Peskin	163	–	16	179	177	–	–
Kathleen O'Donovan	53	–	–	53	48	–	–
John Edgcumbe	35	–	–	35	35	–	–
Charles Irby	41	–	–	41	38	–	–
Phillip Rose	38	–	–	38	30	–	–
Anthony Graham(4)	–	–	–	–	9	–	–
	330	–	16	346	337	–	–
Total	1,419	1,634	41	3,094	2,390	218	228

(1) Joined the Board on 12 September 2005.
(2) Joined the Board on 1 August 2006.
(3) John Whiteley resigned from the Company on 31 July 2005 and, in accordance with the terms of his contract, one year's salary and pension was paid to him together with benefits.
(4) Retired 8 July 2005.

Long-Term Incentive Plans

In 2006, following approval by shareholders at the Annual General Meeting, a new LTIP was introduced with Executive Directors (and Senior Executives to a lesser extent) eligible to be awarded shares under the LTIP 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:

> 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 of grant) 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.

Under the previous LTIP, Executive Directors (and Senior Executives 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 2004 and 2005 awards under this LTIP were conditional on the following performance conditions:

> total shareholder return (measured using share price and the reinvestment of dividends) over the three years relative to a bespoke comparator group of 20 companies (including the Company) selected from the FTSE Real Estate Index at the date of the award.

Comparator companies for the 2004 award are:

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

For 2005, the comparator companies were as listed as above together with Workspace Group 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; and (if this hurdle is met).

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;

> to take account of certain variations in share capital.

Long-Term Incentive Plan details in respect of the year ended 31 March 2007 (audited)

	Award date	Number of shares under award at 1 April 2006	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 2007	Vesting date of outstanding shares
Toby Courtauld	4 June 2003	148,047	–	148,047	230.50	–	–	–	n/a
	27 May 2004	165,677	–	–	252.75	–	–	165,677	27 May 2007
	25 May 2005	133,928	–	–	350.00	–	–	133,928	25 May 2008
	17 July 2006	–	116,166	–	516.50	–	–	116,166	17 July 2009
Robert Noel	4 June 2003	135,574	–	135,574	230.50	–	–	–	n/a
	27 May 2004	131,058	–	–	252.75	–	–	131,058	27 May 2007
	25 May 2005	107,142	–	–	350.00	–	–	107,142	25 May 2008
	17 July 2006	–	92,933	–	516.50	–	–	92,933	17 July 2009
Timon Drakesmith	12 Sept 2005	71,666	–		375.00	–	–	71,666	12 Sept 2008
	17 July 2006	–	65,343	–	516.50	–	–	65,343	17 July 2009
Neil Thompson	4 June 2003	60,737	–	60,737	230.50	–	–	–	n/a
	27 May 2004	55,390	–	–	252.75	–	–	55,390	27 May 2007
	25 May 2005	71,428	–	–	350.00	–	–	71,428	25 May 2008
	17 July 2006	–	62,817	–	516.50	–	–	62,817	17 July 2009

A participant in the 2004 and 2005 awards 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 or 2nd	100
3rd	85
4th	70
5th	55
6th	40
7th	35
8th	30
9th	25
10th	20
11th or below	0

As at the date of this Report the maximum number of shares under the 2004 award would vest.

Share Matching Plan

Following approval by shareholders at the 2006 Annual General Meeting, an SMP was introduced whereby:

> 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 grossed up value of the Investment shares;

> 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 will be 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.

Share Matching Plan details in respect of the year ended 31 March 2007 (audited)

	Award date	Number of shares under award at 1 April 2006	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 2007	Vesting date of outstanding shares
Toby Courtauld	17 July 2006	–	78,376	–	516.50	–	–	78,376	17 July 2009
Robert Noel	17 July 2006	–	62,700	–	516.50	–	–	62,700	17 July 2009
Timon Drakesmith	17 July 2006	–	44,086	–	516.50	–	–	44,086	17 July 2009
Neil Thompson	17 July 2006	–	42,380	–	516.50	–	–	42,380	17 July 2009

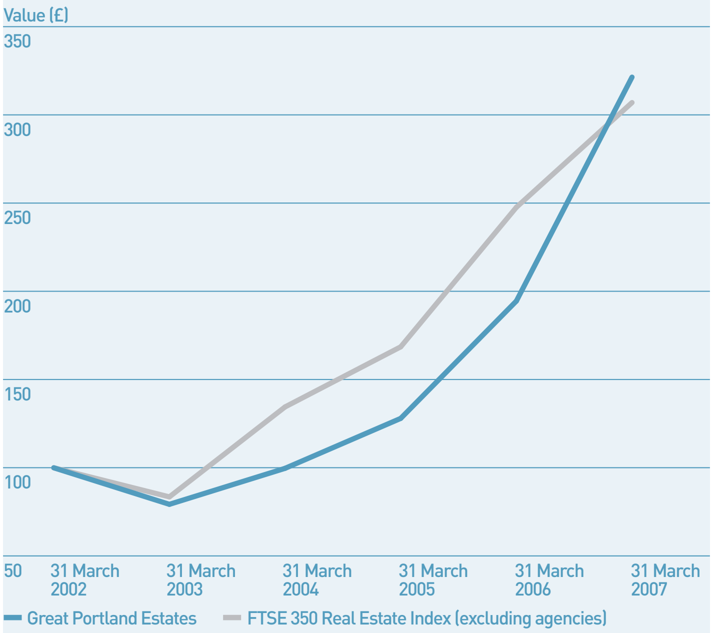
Total shareholder return

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.

Great Portland Estates's Total Return Index versus FTSE 350 Real Estate Sector Total Return Index (excluding agencies)

for the five financial years ended 31 March 2007
(rebased as at 1 April 2002)

Total shareholder return



[This graph shows the value, by 31 March 2007, of £100 invested in Great Portland Estates on 31 March 2002 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

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 and all other Non-Executive Directors received a basic fee of £32,500 per annum increased to £35,000 from 1 April 2007. 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, the Chairman of the Nomination Committee a fee of £5,000 per annum and a member of a Committee receives a fee of £2,500 per annum increased to £3,500 for the Audit and Remuneration Committees and £3,000 for the Nomination Committee from 1 April 2007. 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 as a representative of the Company. Toby Courtauld is a Non-Executive Director of Liv-ex Limited, for which he received an option over 5,000 shares at £2 per share in Liv-ex during the year.

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	2007
John Edgcumbe	5 August 1999	Retiring 2007
Charles Irby	31 March 2004	2007
Phillip Rose	11 April 2005	2008
Jonathan Short	2 April 2007	2007

Approved by the Board on 23 May 2007 and signed on its behalf by

Charles Irby
Chairman of the Remuneration Committee

Statement of 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). Company law requires the directors to prepare such financial statements in accordance with IFRS, 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.

Financials

Group income statement

For the year ended 31 March 2007

	Notes	2007 £m	2006 £m
Rental income	2	**46.9**	44.5
Service charge income		**6.2**	5.0
Service charge expenses		**(7.9)**	(6.3)
		(1.7)	(1.3)
Other property expenses		**(2.3)**	(2.2)
Net rental and related income		**42.9**	41.0
Administration expenses	3	**(12.6)**	(10.6)
Development management revenue		**20.4**	–
Development management costs		**(15.1)**	–
		5.3	–
Operating profit before gains on investment property and results of joint ventures		**35.6**	30.4
Gains from investment property	8	**278.1**	186.1
Share of results of joint ventures	10	**45.2**	16.4
Operating profit before financing costs		**358.9**	232.9
Finance income	4	**0.3**	0.8
Finance costs	5	**(22.0)**	(18.2)
Premium on redemption of interest-bearing loans and borrowings		**(11.2)**	(27.5)
Profit before tax		**326.0**	188.0
Tax	6	**85.1**	(39.7)
REIT conversion charge		**(28.3)**	–
Profit for the year	18	**382.8**	148.3
Basic earnings per share	7	**235.7p**	91.7p
Diluted earnings per share	7	**214.3p**	84.1p
Adjusted earnings per share	7	**10.2p**	10.2p

All results are derived from continuing operations.

Total operating profit before gains on investment property		2007 £m	2006 £m
Operating profit before gains on investment property and results of joint ventures		**35.6**	30.4
Share of profit of joint ventures	10	**3.1**	3.5
Total operating profit before gains on investment property		**38.7**	33.9

Group balance sheet

At 31 March 2007

	Notes	2007 £m	2006 £m
Non-current assets			
Investment property	8	1,314.3	965.1
Development property, plant and equipment	9	20.9	61.0
Investment in joint ventures	10	176.0	72.4
		1,511.2	1,098.5
Current assets			
Trade and other receivables	11	22.2	4.5
Deferred tax	15	0.8	–
Cash and cash equivalents		4.2	10.3
		27.2	14.8
Total assets		1,538.4	1,113.3
Current liabilities			
Trade and other payables	12	30.7	29.6
Income tax payable		28.2	0.4
Interest-bearing loans and borrowings	13	2.9	110.0
		61.8	140.0
Non-current liabilities			
Interest-bearing loans and borrowings	13	390.4	225.7
Obligations under finance leases	14	10.0	8.5
Deferred tax	15	–	83.7
Pension liability	22	0.2	0.7
		400.6	318.6
Total liabilities		462.4	458.6
Net assets		1,076.0	654.7
Equity			
Share capital	16	22.6	20.4
Share premium account	17	68.2	15.1
Equity reserve	18	–	9.2
Hedging reserve	18	0.5	–
Capital redemption reserve	18	16.4	16.4
Revaluation reserve	18	1.5	8.1
Retained earnings	18	967.7	587.3
Investment in own shares	19	(1.0)	(1.8)
Equity shareholders' funds		1,075.9	654.7
Minority interest		0.1	–
Total equity		1,076.0	654.7
Net assets per share	7	594p	401p
Adjusted net assets per share	7	594p	437p

Approved by the Board on 23 May 2007 and signed on its behalf by

Toby Courtauld
Chief Executive

Timon Drakesmith
Finance Director

Group statement of cash flows

For the year ended 31 March 2007

	Notes	2007 £m	2006 £m
Operating activities			
Operating profit before financing costs		**358.9**	232.9
Adjustments for non-cash items	20	**(319.4)**	(202.5)
Increase in receivables		**(16.8)**	(0.2)
Increase in payables		**5.6**	3.2
Purchase and development of property		**(216.3)**	(131.4)
Purchase of fixed assets		**(0.2)**	(1.8)
Sale of properties		**132.1**	121.2
Purchase of interests in joint ventures		**(6.9)**	(15.6)
Cash (utilised)/generated from operations		**(63.0)**	5.8
Interest received		**0.3**	0.8
Interest paid		**(23.9)**	(21.1)
Tax paid		**(0.7)**	(1.5)
Cash flows utilised in operating activities		**(87.3)**	(16.0)
Financing activities			
Redemption of loans		**(43.1)**	(89.1)
Borrowings drawn		**90.0**	156.0
Purchase of derivatives		**(0.3)**	–
Issue of debenture		**52.5**	–
Borrowings repaid		**–**	(55.0)
Issue of minority interest		**0.1**	–
Equity dividends paid		**(18.0)**	(17.5)
Cash flows generated/(utilised) from financing activities		**81.2**	(5.6)
Net decrease in cash and cash equivalents		**(6.1)**	(21.6)
Cash and cash equivalents at 1 April		**10.3**	31.9
Cash and cash equivalents at balance sheet date		**4.2**	10.3

Group statement of recognised income and expense

For the year ended 31 March 2007

	2007 £m	2006 £m
Revaluation of development properties	1.5	7.0
Deferred tax on development properties released/(recognised) directly in equity	0.1	(2.1)
Fair value movement on derivatives	0.5	–
Actuarial gains on defined benefit scheme net of deferred tax	–	0.8
Net gain recognised directly in equity	2.1	5.7
Profit for the year	382.8	148.3
Total recognised income and expense for the year	384.9	154.0

Group reconciliation of other movements in equity

For the year ended 31 March 2007

	2007 £m	2006 £m
Opening equity shareholders' funds	654.7	516.0
Total recognised income and expense for the year	384.9	154.0
Conversion of convertible bond	53.7	2.1
Minority interest	0.1	–
Deferred tax on convertible bonds	(0.6)	(0.3)
Employee Long-Term Incentive Plan	1.2	0.4
Dividends	(18.0)	(17.5)
Closing equity shareholders' funds	1,076.0	654.7

Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also 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 liabilities. 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 leases between financing and operating and the determination of profit taking on development management contracts. 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 2007.

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

Lease incentives
Lease incentives including rent-free periods and payments to tenants, are allocated to the income statement 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.

Depreciation
In accordance with IAS 40 "Investment Property", no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

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 date of acquisition of each asset evenly over its expected useful life, as follows:

Fixtures and fittings – over 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.

1 Accounting policies (continued)

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 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
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.

Convertible bonds
Convertible bonds are partly carried as debt, based on the net present value of future cash flows and prevailing interest rates at the time of issue, and the balance carried as equity within an equity reserve. Over the term of the loan, the debt is increased to its nominal value by charges to the income statement.

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.

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.

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.

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. 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

	2007 £m	2006 £m
Gross rental income	**44.9**	42.2
Amortisation of capitalised lease incentives	**2.1**	2.6
Ground rents payable	**(0.1)**	(0.3)
	46.9	44.5

3 Administration expenses

	2007 £m	2006 £m
Administration expenses		
Employee costs	**11.2**	8.6
Other	**1.1**	2.0
Non-recurring items		
Cost of REIT conversion	**0.3**	–
	12.6	10.6

Included within administration expenses are fees charged by the auditors comprising audit fees of £0.1 million (2006: £0.1 million) and non-audit fees, which largely related to transactions, of £0.1 million (2006: £0.1 million) and depreciation of £0.4 million (2006: £0.1 million).

Included within employee costs is an accounting charge for the LTIP and SMP schemes of £1.2 million (2006: £0.4 million).

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

	2007 Number	2006 Number
Head office and administration	**68**	65

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

	2007 £m	2006 £m
Wages and salaries	**8.9**	7.0
Social security costs	**1.8**	0.8
Other pension costs	**0.8**	1.0
	11.5	8.8
Less: recovered through service charge	**(0.3)**	(0.2)
	11.2	8.6

The directors received fees of £330,000 (2006: £323,000) and other emoluments of £2,764,000 (2006: £2,067,000), pension contributions have been made for directors of £218,000 (2006: £228,000). The emoluments and pension benefits of the directors are set out in detail within the Directors' remuneration report on page 46.

4 Finance income

	2007 £m	2006 £m
Interest on short-term deposits	**0.2**	0.5
Other	**0.1**	0.3
	0.3	0.8

5 Finance costs

	2007 £m	2006 £m
Interest on bank overdrafts and loans	**11.5**	3.1
Interest on debentures	**7.4**	11.8
Interest on convertible bonds	**3.6**	4.1
Interest on loan notes	**0.1**	0.2
Interest on obligations under finance leases	**0.6**	0.7
Other interest	**0.2**	0.7
Gross finance costs	**23.4**	20.6
Less: capitalised interest	**(1.5)**	(2.4)
	21.9	18.2
Fair value movement on derivatives	**0.1**	–
	22.0	18.2

6 Tax

	2007 £m	2006 £m
Current tax		
UK corporation tax	**0.3**	–
Tax (over)/under provided in previous years	**(0.1)**	0.3
Total current tax	**0.2**	0.3
Deferred tax	**(85.3)**	39.4
Tax (credit)/charge for the year	**(85.1)**	39.7

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

	2007 £m	2006 £m
Profit before tax	**326.0**	188.0
Tax on profit at standard rate of 30%	**97.8**	56.4
Deferred tax released on conversion to REIT status	**(135.4)**	–
Property revaluations	**(41.5)**	(20.4)
Sale of investment properties	**(5.2)**	1.5
Ring-fenced rental income	**(0.9)**	–
Accelerated capital allowances	**(0.8)**	2.5
Receipts taxable as chargeable gains or taxed in prior year	**(0.4)**	(0.9)
Other	**(0.5)**	(0.3)
Accounting profits arising in the year not taxable	**(0.3)**	(0.1)
Previous years' corporation tax	**(0.1)**	0.3
Expenses not deductible for tax purposes	**0.3**	0.7
Accounting losses arising in the year not relievable against current tax	**1.9**	–
Tax (credit)/charge for the year	**(85.1)**	39.7

During the year £0.1 million (2006: £2.4 million) of tax was charged directly to equity. This charge related to deferred tax in respect of revaluations of property, plant and equipment, derivatives and pension liabilities.

A deferred tax asset of £1.9 million relating to tax losses carried forward at 31 March 2007 was not recognised because it is uncertain whether future taxable profits against which these losses can be offset will arise.

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 no longer be subject to corporation tax, it will have a very low tax charge over the coming years.

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

In July 2007, the Group will pay a REIT conversion charge of £28.3 million, being 2% of the value of the properties within its property investment business as at 31 December 2006. The financial statements for the year ended 31 March 2007 provide for this conversion charge in current tax and show a write back of deferred tax of £135.4 million (calculated as at 31 December 2006) relating to contingent chargeable gains, capital allowances and capitalised interest.

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

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

	2007 Number of shares	2006 Number of shares
Issued ordinary share capital at 1 April	163,181,906	162,474,812
Conversion of convertible bonds	346,843	256,245
Investment in own shares	(1,115,628)	(1,115,628)
Weighted average number of ordinary shares	162,413,121	161,615,429
Effect of conversion of convertible bonds	17,534,658	18,453,432
Diluted weighted average number of ordinary shares	179,947,779	180,068,861

Basic, diluted and adjusted earnings per share

	2007 Profit before tax £m	2007 Tax £m	2007 Profit after tax £m	2007 Earnings per share pence	2006 Profit after tax £m	2006 Earnings per share pence
Basic	326.0	56.8	382.8	235.7	148.3	91.7
Effect of convertible bonds	3.5	(0.7)	2.8	(21.4)	3.3	(7.6)
Diluted	329.5	56.1	385.6	214.3	151.6	84.1
Deferred tax on accelerated capital allowances	–	(7.7)	(7.7)	(4.3)	4.4	2.5
Premium on redemption of loans	11.2	(2.2)	9.0	5.1	19.3	10.7
REIT conversion charge and associated costs	0.3	28.2	28.5	15.8	–	–
Movement in fair value of derivatives	0.1	–	0.1	–	–	–
Reversal of deferred tax on REIT conversion	–	(76.1)	(76.1)	(42.3)	–	–
Gains from investment property	(278.1)	(0.8)	(278.9)	(155.0)	(146.8)	(81.5)
Gains from joint venture investment property	(42.1)	–	(42.1)	(23.4)	(10.0)	(5.6)
Adjusted (diluted)	20.9	(2.5)	18.4	10.2	18.5	10.2

7 Earnings and net assets per share (continued)

Net assets per share

	2007 Net assets £m	2007 Number of shares million	2007 Net assets per share pence	2006 Net assets £m	2006 Number of shares million	2006 Net assets per share pence
Basic	1,076.0	181.0	594	654.7	163.2	401
Convertible bonds	–	–	–	53.4	18.0	(10)
Diluted	1,076.0	181.0	594	708.1	181.2	391
Fair value of financial liabilities net of tax	(1.7)		(1)	(13.0)		(7)
Diluted triple net assets	1,074.3		593	695.1		384
Fair value of financial liabilities net of tax	1.7		1	13.0		7
Deferred tax on capital allowances	–		–	7.7		4
Deferred tax on revaluation gains	–		–	75.2		42
Adjusted net assets	1,076.0		594	791.0		437

The fair value of liabilities for the year ended 31 March 2006 reflects a diluted number of shares and the high likelihood of the convertible bonds converting to equity. Therefore, the financial liabilities in the calculation above for the year ended 31 March 2006 include the Group's debenture stock but exclude the convertible bonds.

8 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2005	517.4	148.9	666.3
Acquisitions	83.8	–	83.8
Costs capitalised	20.1	0.9	21.0
Purchase of freehold	17.2	(17.8)	(0.6)
Disposals	(88.9)	(9.8)	(98.7)
Transfer from development property	52.7	–	52.7
Transfer to investment property-development	(19.4)	–	(19.4)
Net valuation gain on investment property	115.0	24.6	139.6
Book value at 31 March 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-development	–	48.8	48.8
Transfer to investment property-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

8 Investment property (continued)

Investment property-development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2005	15.5	38.4	53.9
Costs capitalised	14.5	1.5	16.0
Interest capitalised	0.3	–	0.3
Transfer from investment property	19.4	–	19.4
Net valuation gain on investment property-development	22.9	7.9	30.8
Book value at 31 March 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**
Total investment property	**1,038.7**	**275.6**	**1,314.3**

	2007 £m	2006 £m
Net valuation gain on investment property	**266.8**	171.3
Profit on sale of investment properties	**11.3**	14.8
Gains from investment property	**278.1**	186.1

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 2007 in accordance with the RICS Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The book value of investment properties includes £10.0 million (2006: £8.5 million) in respect of the present value of future ground rents.

At 31 March 2007, properties with carrying value of £260.2 million (2006: £452.2 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 2005	–	–	93.3	93.3
Acquisitions	–	–	7.5	7.5
Costs capitalised	1.9	0.6	8.6	11.1
Interest capitalised	–	–	1.7	1.7
Disposals	–	–	(7.7)	(7.7)
Transfers to investment property	–	–	(52.7)	(52.7)
Net valuation gain taken to equity	–	–	7.0	7.0
Reversal of net valuation deficits taken to income statement	–	–	0.9	0.9
At 31 March 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**
Depreciation				
At 1 April 2006	**0.1**	**–**	**–**	**0.1**
Charge for the year	**0.2**	**0.2**	**–**	**0.4**
At 31 March 2007	**0.3**	**0.2**	**–**	**0.5**
Carrying amount at 31 March 2006	**1.8**	**0.6**	**58.6**	**61.0**
Carrying amount at 31 March 2007	**1.7**	**0.5**	**18.7**	**20.9**

The historical cost of development property at 31 March 2007 was £17.1 million (2006: £46.9 million). The cumulative interest capitalised in development property was £0.5 million (2006: £2.2 million).

10 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	Loans £m	Total £m
At 1 April 2006	**62.9**	**9.5**	**72.4**
Acquisitions	**60.9**	**–**	**60.9**
Share of profits of joint ventures	**3.1**	**–**	**3.1**
Share of profit on disposal of joint venture properties	**3.7**	**–**	**3.7**
Share of revaluation uplift of joint ventures	**38.4**	**–**	**38.4**
Gains from joint venture investment property	**42.1**	**–**	**42.1**
Distributions	**(2.5)**	**–**	**(2.5)**
At 31 March 2007	**166.5**	**9.5**	**176.0**

On 25 July 2006 Great Portland Estates plc and Scottish Widows plc formed a joint venture, called the Great Wigmore Partnership, to invest in central London real estate. The Group owns a 50% share in the partnership through a wholly-owned subsidiary. The Group contributed £60.9 million of partnership equity.

The investments in joint ventures comprise the following:

	Country	2007	2006
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%**	–

10 Investment in joint ventures (continued)

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:

	Great Wigmore Partnership £m	Great Victoria Partnerships £m	2007 Total £m	2006 Total £m
Investment properties	84.6	128.0	212.6	113.1
Current assets	0.1	14.2	14.3	15.6
Bank loans	–	(46.0)	(46.0)	(12.4)
Current liabilities	(0.4)	(14.0)	(14.4)	(53.4)
Net assets	84.3	82.2	166.5	62.9
Net rental income	1.0	4.6	5.6	6.6
Expenses	(0.1)	(2.4)	(2.5)	(3.1)
Share of profit from joint ventures	0.9	2.2	3.1	3.5
Revaluation uplift	22.5	15.9	38.4	12.9
Profit on sale of investment property	–	3.7	3.7	–
Net profit	23.4	21.8	45.2	16.4

During the year the Group received a management fee of £1.6 million (2006: £1.3 million) from the joint ventures which has been recognised in administration expenses.

On 25 April 2007 the Group entered into a new joint venture with Liberty International subsidiary, Capital & Counties Limited, to be managed on a similar basis to the existing joint ventures. Capital & Counties Limited contributed 14 holdings with a value of £298 million while the Group contributed four properties worth £162 million and a balancing sum of £68 million in cash.

11 Trade and other receivables

	2007 £m	2006 £m
Trade receivables	3.9	0.8
Prepayments and accrued income	1.1	1.2
Amounts receivable under development management contracts	11.4	0.3
Other trade receivables	4.9	2.2
Derivatives	0.9	–
	22.2	4.5

12 Trade and other payables

	2007 £m	2006 £m
Trade payables	12.7	11.6
Non-trade payables and accrued expenses	18.0	18.0
	30.7	29.6

13 Interest-bearing loans and borrowings

	2007 £m	2006 £m
Non-current liabilities		
Secured		
£32.1 million 7¼% debenture stock 2027	–	31.4
£142.9 million 5⅝% debenture stock 2029	144.4	91.9
Unsecured		
5¼% convertible bonds 2008	–	53.4
Bank loans	246.0	46.0
Loan notes 2007	–	3.0
	390.4	225.7
Current liabilities		
Loan notes 2007	2.9	–
Bank loans	–	110.0
	393.3	335.7

At 31 March 2007 the nominal value outstanding of the 5⅝% debenture stock 2029 was £142.9 million. During the year a further £50 million of 5⅝% debenture stock was issued and the 7¼% debenture stock 2027 was redeemed in full.

During the year the Company exercised its option to redeem the convertible bonds outstanding in full at their principal amount. The bondholders exercised their right to convert the bonds they held into ordinary share capital of the Company, the resulting increase in share capital is disclosed in note 16.

The Group has two floating rate bank facilities, a £300 million revolving credit facility and a £180 million short-term facility. The revolving credit facility is unsecured, attracts a floating rate of 0.525% above LIBOR and expires in 2012. The short-term facility is unsecured, attracts a floating rate of 0.70% above LIBOR and expires in 2008.

The floating rate bank facilities are hedged using interest rate swaps and caps. During the year the Group entered into an interest rate swap of £40 million notional principal at 5.115% and interest rate caps of £40 million notional principal at 6.0%. These arrangements mature in 2011. The derivatives are carried at fair value and are included in other receivables, see note 11.

The unsecured loan notes, which together with an associated guarantee attract a floating rate of interest of 0.275% in aggregate above LIBOR, are redeemable at the option of the noteholder until April 2007, and by the Company in April 2007.

All interest-bearing loans and borrowings are in Sterling. At 31 March 2007 the Group had available £239 million (2006: £257 million) of undrawn committed bank facilities.

Maturity of financial liabilities
The maturity profile of the financial liabilities of the Group at 31 March 2007 was as follows:

	2007 £m	2006 £m
In one year or less, or on demand	2.9	110.0
In more than one year but not more than two years	–	56.4
In more than four years but not more than five years	246.0	46.0
In more than five years	144.4	123.3
	393.3	335.7

Further details of how the Group manages its financing and treasury risk can be found on page 30.

13 Interest-bearing loans and borrowings (continued)

Fair value of financial instruments

	2007 Book value £m	2007 Fair value £m	2006 Book value £m	2006 Fair value £m
Current liabilities	2.9	2.9	110.0	110.0
Non-current liabilities	390.4	392.1	225.7	278.5
Derivatives	(0.9)	(0.9)	–	–
	392.4	394.1	335.7	388.5

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 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 prevailing interest rates.

14 Finance leases

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

	2007 Minimum lease payments £m	2007 Interest £m	2007 Principal £m	2006 Minimum lease payments £m	2006 Interest £m	2006 Principal £m
Less than one year	0.7	(0.7)	–	0.6	(0.6)	–
Between one and five years	2.7	(2.7)	–	2.3	(2.3)	–
More than five years	76.8	(66.8)	10.0	68.8	(60.3)	8.5
	80.2	(70.2)	10.0	71.7	(63.2)	8.5

15 Deferred tax

	1 April 2006 £m	Recognised in income £m	Recognised directly in equity £m	Released in income* £m	Released in equity* £m	31 March 2007 £m
Deferred tax liabilities						
Property revaluations	75.2	50.1	(0.1)	(125.2)	–	–
Capitalised interest	1.4	(0.5)	–	(0.9)	–	–
Accelerated capital allowances	7.7	1.6	–	(9.3)	–	–
Derivatives	–	–	0.2	–	–	0.2
Deferred tax assets						
Long-Term Incentive Plan and Share Matching Plan	(0.4)	(0.5)	–	–	–	(0.9)
Pension liabilities	(0.2)	0.1	–	–	–	(0.1)
	83.7	50.8	0.1	(135.4)	–	(0.8)

* On conversion to REIT status.

The Group recognises deferred tax assets based on forecast taxable profits. The Company recognises a deferred tax asset on fair value movement of derivatives and a liability in respect of the Long-Term Incentive Plans and Share Matching Plan.

16 Share capital

	2007 Number	2007 £m	2006 Number	2006 £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	163,181,906	20.4	162,474,812	20.3
Conversion of convertible bonds	17,837,903	2.2	707,094	0.1
At 31 March	181,019,809	22.6	163,181,906	20.4

17 Share premium

	2007 £m	2006 £m
At 1 April	15.1	13.0
Conversion of convertible bonds	53.1	2.1
At 31 March	68.2	15.1

18 Reserves

	Equity reserve £m	Hedging reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m
At 1 April 2006	9.2	–	16.4	8.1	587.3
Profit for the year	–	–	–	–	382.8
Net valuation gain taken to equity	–	–	–	1.5	–
Deferred tax reversal on property revaluations taken to equity	–	–	–	0.1	–
Transfer on completion of development property	–	–	–	(5.9)	5.9
Realised on disposal of development property	–	–	–	(2.3)	2.3
Fair value movement on derivatives	–	0.7	–	–	–
Deferred tax on fair value movements on derivatives	–	(0.2)	–	–	–
Conversion of convertible bonds	(8.6)	–	–	–	7.0
Deferred tax on convertible bonds	(0.6)	–	–	–	–
Dividends to shareholders	–	–	–	–	(18.0)
Transfer from investment in own shares	–	–	–	–	0.4
At 31 March 2007	–	0.5	16.4	1.5	967.7

19 Investment in own shares

	2007 £m	2006 £m
At 1 April	1.8	2.2
Employee Long-Term Incentive Plan charge	(1.2)	(0.4)
Transfer to retained earnings	0.4	–
At 31 March	1.0	1.8

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

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

	2007 £m	2006 £m
Gains from investment property	(278.1)	(186.1)
Employee Long-Term Incentive Plan charge	1.2	0.4
Amortisation and sale of capitalised lease incentives	0.2	(2.6)
Share of profit on joint ventures	(42.7)	(14.2)
Adjustments for non-cash items	(319.4)	(202.5)

21 Dividends

	2007 £m	2006 £m
Ordinary dividends paid		
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	–
Interim dividend for the year ended 31 March 2006 of 3.67 pence per share	–	5.9
Final dividend for the year ended 31 March 2005 of 7.17 pence per share	–	11.6
	18.0	17.5

The proposed final dividend of 7.55 pence per share (2006: 7.33 pence per share) was approved by the Board on 23 May 2007 and is payable on 11 July 2007 to shareholders on the register on 1 June 2007. The dividend is not recognised as a liability at 31 March 2007. The 2006 final dividend and the 2007 interim dividend were paid in the year and are included within the Group Reconciliation of Other Movements in Equity.

22 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 2006 by a qualified independent actuary using the projected unit method. The Plan was valued using the following main assumptions:

	2007 %	2006 %
Discount rate	5.25	5.00
Expected return on Plan assets	5.13	6.28
Expected rate of salary increases	4.00	3.75
Future pension increases	3.00	2.75

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

	2007 £m	2006 £m
Present value of unfunded obligations	16.0	15.6
Fair value of Plan assets	(15.8)	(14.9)
Pension liability	0.2	0.7

22 Employee benefits (continued)

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

	2007 £m	2006 £m
Current service cost	0.2	0.2
Interest on obligation	0.8	0.8
Expected return on Plan assets	(0.8)	(0.7)
Past service cost	–	0.1
	0.2	0.4
Actuarial gain recognised immediately in the Group statement of recognised income and expense	–	1.1

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

	2007 £m	2006 £m
Defined benefit obligation at 1 April	15.6	14.0
Service cost	0.2	0.2
Interest cost	0.8	0.8
Past service cost	–	0.1
Actuarial (loss)/gain	(0.2)	0.9
Benefits paid	(0.4)	(0.4)
Defined benefit obligation at 31 March	16.0	15.6
Changes to the fair value of the Plan assets are as follows:		
Fair value of plan assets at 1 April	14.9	11.9
Expected return	0.8	0.7
Actuarial (loss)/gain	(0.2)	2.0
Contributions	0.7	0.7
Benefits paid	(0.4)	(0.4)
Fair value of Plan assets at 31 March	15.8	14.9
Net liability	0.2	0.7

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

	2007 £m	2006 £m
Equities	6.3	6.0
Bonds	9.5	8.9
	15.8	14.9

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

	2007	2006
Difference between expected and actual return on the scheme assets:		
Amount £m	(0.2)	2.0
Percentage of scheme assets	(1%)	13%
Experience gains and losses on scheme liabilities:		
Amount £m	–	0.5
Percentage of scheme assets	–	3%
Total gains and losses:		
Amount £m	–	1.1
Percentage of scheme assets	–	7%

The Group expects to contribute approximately 20.4% of members' pensionable salaries plus £0.4 million to the Plan in 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 2007 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expense, the Group reconciliation of other movements in equity and the related notes 1 to 22. 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 2007.

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 2003 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 judgments 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 2007 and of its profit 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

23 May 2007

Company balance sheet – UK GAAP

	Notes	2007 £m	2006 £m
Fixed asset investments	iii	**1,373.5**	1,494.0
Current assets			
Debtors	iv	**111.6**	223.9
Deferred tax	15	**0.7**	0.4
Cash at bank and short-term deposits		**3.9**	12.7
		116.2	237.0
Creditors: amounts falling due within one year	v	**(75.3)**	(839.4)
Net current assets/(liabilities)		**40.9**	(602.4)
Total assets less current liabilities		**1,414.4**	891.6
Creditors: amounts falling due after more than one year			
Debenture loans	vi	**(144.4)**	(123.3)
Convertible loans	vii	**–**	(53.4)
Bank and other loans	viii	**(246.0)**	(49.0)
Net assets		**1,024.0**	665.9
Capital and reserves			
Called up share capital	16	**22.6**	20.4
Share premium account	17	**68.2**	15.1
Equity reserve	ix	**–**	9.2
Hedging reserve	ix	**0.5**	–
Revaluation reserve	ix	**758.5**	446.7
Other reserves	ix	**25.0**	25.0
Profit and loss account	ix	**150.2**	151.3
Investment in own shares	19	**(1.0)**	(1.8)
Equity shareholders' funds		**1,024.0**	665.9

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 23 May 2007 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 56 and 57.

ii Profit 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 £8.5 million (2006: profit of £26.5 million). The employees of the Company include the directors, full disclosure of their remuneration can be found on page 46.

iii Investments in subsidiaries

	Investment in joint ventures £m	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
At 1 April 2006	0.1	626.7	867.2	1,494.0
Additions	–	104.8	–	104.8
Surplus on revaluation	–	311.8	–	311.8
Repayment of loans	–	–	(537.1)	(537.1)
At 31 March 2007	0.1	1,043.3	330.1	1,373.5

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 2007 was £266.6 million (2006: £161.8 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
Capital and Soho Limited	Property investment	**G.P.E. (New Bond Street) LLP**†	Property investment
Collin Estates Limited	Property investment	**G.P.E. (61 St. Mary Axe) Limited**	Property investment
Courtana Investments Limited	Property investment	**G.P.E. (St. Thomas Street) Limited**	Property investment
G.P.E. (Bermondsey Street) Limited	Property investment	**Hartstand Limited***	Property investment
G.P.E. (80 Bishopsgate) Limited	Property investment	**Ilex Limited**	Property investment
G.P.E. (88/104 Bishopsgate) Limited	Property investment	**J.L.P. Investment Company Limited**	Property investment
G.P.E. (Blackfriars) Limited	Property investment	**Knighton Estates Limited**	Property investment
G.P.E. Construction Limited	Construction management	**Petra Investments 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

	2007 £m	2006 £m
Amounts owed by subsidiary undertakings	**109.7**	220.1
Corporation tax	**0.4**	2.6
Other taxes	**–**	0.3
Other debtors	**–**	0.1
Prepayments and accrued income	**0.6**	0.8
Derivatives	**0.9**	–
	111.6	223.9

v Creditors: amounts falling due within one year

	2007 £m	2006 £m
Bank loan	–	110.0
Unsecured loan notes 2007	2.9	–
Amounts owed to subsidiary undertakings	67.3	725.2
Other taxes and social security costs	0.1	–
Other creditors	0.1	0.1
Accruals	4.9	4.1
	75.3	839.4

vi Debenture stock

	2007 £m	2006 £m
First mortgage debenture stock		
£32.1 million 7¼% debenture stock 2027	–	31.4
£142.9 million 5⅝% debenture stock 2029	144.4	91.9
	144.4	123.3

Disclosure of the Company's debt is disclosed in the Group financial statements on pages 65 and 66.

vii Convertible loans

	2007 £m	2006 £m
5¼% convertible bonds 2008	–	53.4

Disclosure of the conversion of the convertible bonds is disclosed in the Group financial statements on page 65.

viii Bank and other loans

	2007 £m	2006 £m
Bank loans	246.0	46.0
Unsecured loan notes 2007	–	3.0
	246.0	49.0

Disclosure of the Company's debt is disclosed in the Group financial statements on pages 65 and 66.

ix Reserves

	Other reserves						
	Capital redemption reserve £m	Acquisition reserve £m	Total £m	Hedging reserve £m	Equity reserve £m	Revaluation reserve £m	Profit and loss account £m
1 April 2006	16.4	8.6	25.0	–	9.2	446.7	151.3
Surplus on revaluation of subsidiaries	–	–	–	–	–	311.8	–
Retained loss for the year	–	–	–	–	–	–	(8.5)
Conversion of convertible bonds	–	–	–	–	(8.6)	–	7.0
Deferred tax on convertible bonds	–	–	–	–	(0.6)	–	–
Fair value of derivatives	–	–	–	0.7	–	–	–
Deferred tax on fair value movement of derivatives	–	–	–	(0.2)	–	–	–
Transfer from investment in own shares	–	–	–	–	–	–	0.4
At 31 March 2007	16.4	8.6	25.0	0.5	–	758.5	150.2

Independent auditors' report

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

We have audited the individual Company financial statements of Great Portland Estates plc for the year ended 31 March 2007 which comprise the balance sheet and the related notes i to ix. These individual 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 2007 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, the directors' remuneration report and the individual 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 individual 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 individual Company financial statements give a true and fair view and whether the individual 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 individual 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 individual Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual 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 individual Company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the individual 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 individual 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 individual Company financial statements.

Opinion

In our opinion:

> the individual 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 2007;

> the individual Company financial have been properly prepared in accordance with the Companies Act 1985; and

> the information given in the Directors' Report is consistent with the individual Company financial statements.

Deloitte & Touche LLP

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

23 May 2007

Analysis of ordinary shareholdings

By shareholder

	Shareholders		Shareholders	
	Number	%	Number	%
Banks and nominee companies	1,085	32.62	167,276,855	92.41
Individuals	2,125	63.89	5,783,117	3.19
Investment trusts	12	0.36	47,731	0.03
Insurance companies	3	0.09	28,790	0.01
Other limited companies	70	2.11	6,527,397	3.61
Pension funds	6	0.18	397,235	0.22
Other institutions	25	0.75	958,684	0.53
	3,326	100.00	181,019,809	100.00

By size of holding

1	–	500	933	28.05	232,562	0.13
501	–	1,000	626	18.82	478,069	0.26
1,001	–	5,000	1,093	32.86	2,425,910	1.34
5,001	–	10,000	192	5.77	1,368,622	0.76
10,001	–	50,000	240	7.22	5,716,392	3.16
50,001	–	100,000	68	2.05	4,834,790	2.67
100,001	–	and above	174	5.23	165,963,464	91.68
			3,326	100.00	181,019,809	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 puchaser's 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 (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 fiftieth Annual General Meeting of Great Portland Estates plc will be held at Le Méridien, 21 Piccadilly, London W1, on Thursday, 5 July 2007 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 2007.

2 To authorise the payment of a final dividend for the year ended 31 March 2007.

3 To approve the Directors' remuneration report.

4 To reappoint Robert Noel as a director of the Company.

5 To reappoint Kathleen O'Donovan as a director of the Company.

6 To reappoint Charles Irby as a director of the Company.

7 To appoint Neil Thompson as a director of the Company.

8 To appoint Jonathan Short as a director of the Company.

9 To reappoint Deloitte & Touche LLP as auditors.

10 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 11 as an Ordinary Resolution, and those numbered 12 and 13 as Special Resolutions.

Ordinary resolution

11 That the directors be and are hereby authorised pursuant to and in accordance with section 80 of 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 £7,534,950 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 4 October 2008, 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

12 That (i) subject to Resolution 11 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 £1,131,374,

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 4 October 2008, 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.

13 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 27,134,869;

(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 4 October 2008 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.

Registered Office:
33 Cavendish Square
London W1G 0PW

By order of the Board

Desna Martin
Company Secretary

1 June 2007

Notes

1 A member entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, to vote in their place. 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 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 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:

3 (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.

4 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 3 July 2007 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.

Five year record

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

Balance sheet

	UK GAAP		IFRS		
	2003 £m	2004 £m	2005 as restated £m	2006 £m	**2007 £m**
Property portfolio	780.0	744.6	813.5	1,023.7	**1,333.0**
Joint ventures	–	–	42.6	72.4	**176.0**
Loans	(286.7)	(307.6)	(297.6)	(335.7)	**(393.3)**
Other net assets/(liabilities)	73.5	124.2	(42.5)	(105.7)	**(39.7)**
Net assets	566.8	561.2	516.0	654.7	**1,076.0**
Financed by					
Issued share capital	101.5	101.5	20.3	20.4	**22.6**
Reserves	465.3	459.7	495.7	634.3	**1,053.4**
Ordinary shareholders' interest	566.8	561.2	516.0	654.7	**1,076.0**
Net assets per share	279p	276p	317p	401p	**594p**
Diluted adjusted net assets per share	286p	280p	337p	437p	**594p**

Income statement

	£m	£m	£m	£m	**£m**
Rental income	72.6	63.8	51.9	44.8	**47.0**
Ground rents	(1.9)	(1.4)	(0.3)	(0.3)	**(0.1)**
Net rental income	70.7	62.4	51.6	44.5	**46.9**
Property and administration expenses	(8.6)	(9.6)	(13.2)	(14.1)	**(16.6)**
Profit from development management agreements	–	–	–	–	**5.3**
	62.1	52.8	38.4	30.4	**35.6**
Trading losses	(0.5)	–	–	–	**–**
Profit on disposal of investment property	–	–	10.1	14.8	**11.3**
Net valuation gain on property portfolio	–	–	48.4	171.3	**266.8**
Share of profit of joint ventures	–	–	9.3	16.4	**45.2**
Operating profit (UK GAAP)	61.6	52.8			
Loss on sale of investment properties	(2.4)	(2.8)			
Profit before financing costs	59.2	50.0	106.2	232.9	**358.9**
Finance income	1.7	5.0	2.2	0.8	**0.3**
Finance costs	(24.9)	(19.4)	(18.9)	(18.2)	**(22.0)**
Non-recurring items	(70.2)	–	(6.9)	(27.5)	**(11.2)**
(Loss)/profit before taxation	(34.2)	35.6	82.6	188.0	**326.0**
Taxation	13.7	(4.9)	(14.0)	(39.7)	**56.8**
(Loss)/profit after taxation	(20.5)	30.7	68.6	148.3	**382.8**
Earnings per share – basic	(10.1)p	15.1p	39.3p	91.7p	**235.7p**
Earnings per share – adjusted	13.3p	12.8p	11.6p	10.2p	**10.2p**
Dividend per share	10.25p	10.5p	10.75p	11.0p	**11.3p**

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

	2007
Ex-dividend date for 2006/2007 final dividend	30 May
Registration qualifying date for 2006/2007 final dividend	1 June
Annual General Meeting	5 July
2006/2007 final dividend payable	11 July
Announcement of 2007/2008 interim results (provisional)	13 November
Ex-dividend date for 2007/2008 interim dividend (provisional)	21 November
Registration qualifying date for 2007/2008 interim dividend (provisional)	23 November
	2008
2007/2008 interim dividend payable (provisional)	3 January
Announcement of 2007/2008 full year results (provisional)	21 May

Note: provisional dates will be confirmed in the 2007/2008 Interim report.

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

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 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

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Great Portland Estates
33 Cavendish Square
London W1G 0PW

Tel: 020 7647 3000
Fax: 020 7016 5500
www.gpe.co.uk