

## Our business

# £194m

For the last year we have been net sellers of properties totalling £194 million (our share £103 million)

## ← Page 6

crystallising profits case study

# £107m

allocated by the BP Pension Fund for The Great Ropemaker Partnership

### Investment management

We are continually evaluating the prospective return we can expect to generate from our portfolio and comparing it to what is available in the market. We look for buildings with opportunities for value creation through refurbishment, redevelopment and other methods designed to improve their attractiveness to occupiers. Whilst we did not forecast the severity of this downturn, we did take pre-emptive action. For the last 18 months, we have been net sellers of properties with £194.3 million released through disposals in the year to 31 March 2009 (at an 8.0% discount to the 31 March 2008 value). A combination of the speed of the downward trend in asset values and the increasing evidence of financial distress amongst some of the more aggressively leveraged property owners means that we are already seeing attractive investment opportunities as this year progresses and we expect this trend to continue.

### Net investment through the Sep cycle, including our share of JVs



In June, we announced that The Great Victoria Partnership (No 2) ("GVP2"), had sold 208/222 Regent Street, W1 to a private purchaser for £96.6 million (our share £48.3 million). The proceeds were used to repay GVP2's non-recourse loan of £35.4 million before distributing the balance to the Group and our partner. The building was purchased in April 2005 for £53.7 million, the headlease regeared with the Crown Estate, the space reconfigured (for a combined cost of £12.6 million) and the units let at the new benchmark rents.

In September, The Great Wigmore Partnership sold 180 Great Portland Street, W1 for £79.3 million (our share £39.6 million). The 104,000 sq ft retail and office building was substantially rebuilt in 2006 and let during the course of 2007 at an average office rent of £60.15 per sq ft, the culmination of a successful development.

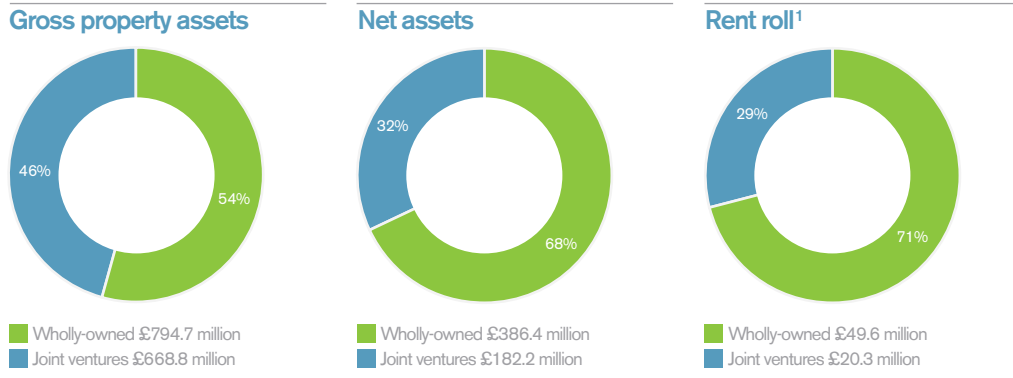
In March 2009, the Great Capital Partnership ("GCP") sold Metropolitan Wharf, E1 to a private buyer for £7.0 million (our share £3.5 million) allowing us to reduce debt and focus our energies on more attractive properties in our core markets. At 79/83 Great Portland Street, W1 we sold 15 flats for £9.8 million following the completion of this residential project necessary to meet planning obligations for larger office schemes, crystallising a project surplus of 18.9%. October 2008 saw the only property acquisition made during the year at 13/14 Great Castle Street, W1 which was bought for £4.2 million in GCP (our share £2.1 million) to augment our potential refurbishment scheme at Walmar House, Regent Street, W1.

Since the year end GCP has agreed to sell 29/35 Great Portland Street, W1 for £7.0 million (our share £3.5 million) in line with the 31 March 2009 valuation and we have agreed to sell Bond Street House, 15/16 New Bond Street, W1 for a total consideration of up to £45.0 million, approximately 4% ahead of the 31 March 2009 book value.

Our four joint venture partners have been supportive of our business plans and have approved a wide variety of initiatives including refurbishments, acquisitions, sales and planning applications. Looking forward, the BP Pension Fund has allocated up to £107 million of additional equity capital to our existing 50:50 joint venture, the Great Ropemaker Partnership, for new investment opportunities. The Company anticipates matching this new capital.

**Joint venture business – contribution to the Group**

Values at 31 March 2009



<sup>1</sup> Includes share of joint ventures.

**Asset management**

With the backdrop of a worsening occupational market, our asset management team has delivered an impressive letting performance across the portfolio. As in previous economic downturns, the focus has been on tenant retention, income protection and maximising occupancy, and our activity levels have been high:

- 89 new leases completed (2008: 85 leases) generating annual rent of £11.7 million (our share £9.9 million; 2008: £19.8 million) or 14.1% of rent roll;
- a further 32 lettings are currently under offer accounting for £2.3 million p.a. in rent (our share £1.6 million);
- rent reviews of £4.9 million (our share £3.6 million; 2008: £3.6 million) were settled during the year, some 3.0% ahead of ERV at rent review date; and
- total space covered by new lettings, reviews and renewals was 473,500 sq ft (2008: 684,500 sq ft).

**New lettings and renewals by quarter**



The rate of leasing which was subdued in the first half has picked up significantly in the fourth quarter of our financial year. Even in today's difficult commercial environment, tenants are frequently attracted to the right mix of location, building quality and competitive pricing. The Group (including our share of JVs) took lease surrenders worth £0.7 million per annum over 28,300 sq ft during the year (2008: 294,000 sq ft). In many cases these transactions enabled rental levels to be enhanced from the previous passing rent or provided for the alignment of an occupational lease to allow a future refurbishment scheme to be implemented. The portfolio void rate at year end of 7.8% (2008: 3.2%) has increased partly due to lease expiries at Wigmore Street, W1 and Buchanan House, 24/31 Holborn, EC1 where we have deferred redevelopment and have been seeking short-term lettings to maintain flexibility. Excluding these properties where the strategy has recently changed to reflect market conditions, the void rate would be 5.9%. Letting activity since the year end has reduced the void rate to 7.3%.

89

new leases completed securing annual rent of £11.7 million (our share £9.9 million)

← Page 8

addressing tenant priorities case study

## ← Page 12

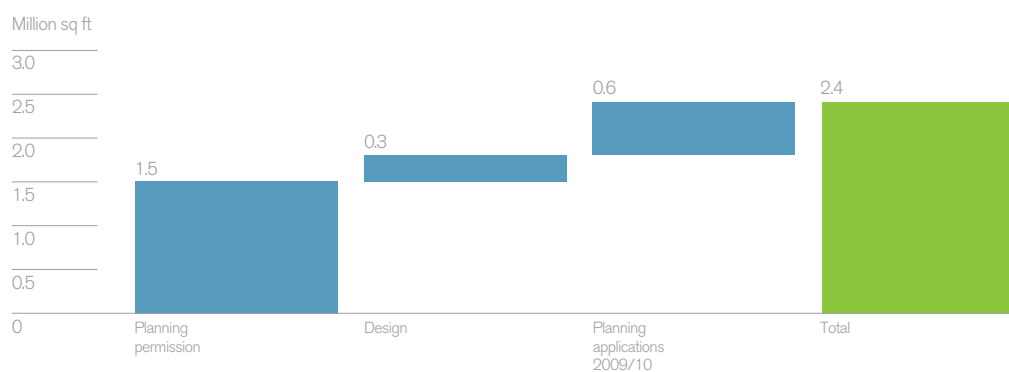
timely developments case study

### Development

The significant development programme we initiated in 2003 was largely concluded during the year. Overall, we spent £144 million on construction costs and associated fees across 12 projects. The last of these projects started in early 2007 and, today, we have only £1.3 million of committed capital expenditure still to spend.

The balance of our development attention shifted during the year to preparing for our next programme, looking through the current downturn towards opportunities for further growth. Our development pipeline today encompasses 17 projects with a potential total area of 2.4 million sq ft, representing a 72% increase over these assets' existing area, and covers some 50% of the Group's portfolio. In each case, project start dates are flexible with healthy income being received prior to construction commencement.

#### Development pipeline



During the year, the key operational priorities of the development team were:

- the completion of the three remaining projects;
- leasing of the remainder of the completed space;
- securing planning consents; and
- design and feasibility studies for future projects.

### Leasing

In August, we completed our 20,000 sq ft office refurbishment at Foley Street, W1 and by September had leased over half the building on ten year leases at £56.50 per sq ft, in line with our targets. We have a good level of interest in the remainder of the space.

Our 112,800 sq ft Wells & More, W1 scheme reached practical completion in January 2009 and in the same month 60,900 sq ft of the office space was let to the fashion retailer, New Look.

We have encouraging levels of interest in the remaining 32,000 sq ft of offices being the best space on the fourth and fifth floors and 14,000 sq ft of retail space.

At our Blackfriars Road, SE1 site we have completed demolition and have deferred committing to construction until a significant pre-let is secured.

## 71,000 sq ft

let on practical completion

## ← Page 10

quality thinking case study

# 129%

return on capital employed  
from Tooley Street development

# 296,000 sq ft

planning consents obtained

### Construction

Construction at our only onsite scheme in Bermondsey Street, SE1 (47,000 sq ft) is proceeding well and will finish in June 2009.

We achieved practical completion at 160 Tooley Street, SE1 in June 2008 generating the final portion of development management revenues. Overall this scheme, which we sold prior to completion, delivered a return on capital of 129% and total development management profits of £14.1 million (of which £4.0 million was recorded in this financial year).

### Planning consents

We gained a resolution to grant planning permission from the City Corporation for our 74,000 sq ft refurbishment proposals at Buchanan House, EC1 in July 2008 and our 140,000 sq ft development at Fetter Lane, EC4 in January 2009. We submitted a planning application for our 82,000 sq ft development project at Broadway, SW1 in May 2008 and received a resolution to grant in March 2009.

### Design and feasibility studies

At the Hanover Square Estate, W1 negotiations are continuing with Westminster City Council and Crossrail to support a comprehensive mixed use redevelopment above the proposed Bond Street East Crossrail station. The Crossrail transport legislation gained Royal Assent in July and is progressing through various funding and implementation phases. In addition, we are progressing design and evaluation studies for possible schemes at various prime locations including Park Crescent/Portland Place, Oxford Street, Regent Street and Great Portland Street, all in W1, and at Jermyn Street, SW1.