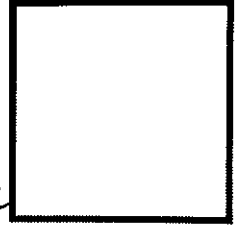


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At 31 March 2003

- Rent roll £58.5 million
- Reversionary potential over the next five years £1.1 million
- Average length of lease 7.2 years
- Void rate 3.0% (1.9% in central London)
- Adjusted† net assets per share 285p
- Adjusted† diluted net assets per share 287p
- FRS 13 adjustment per share (net of tax) 4p
- Contingent CGT per share 7p
- Triple NAV adjustments less than 4% of NAV
- Interest cover (pre-exceptionals) 2.7 times
- Dividend cover (pre-exceptionals) 1.3 times
- Net gearing† 32%
- Average length of debt 20 years
- Average cost of debt 6.6%
- £310 million of cash and undrawn bank facilities

†excluding deferred tax on capital allowances

# Highlights

Year ended 31 March 2003

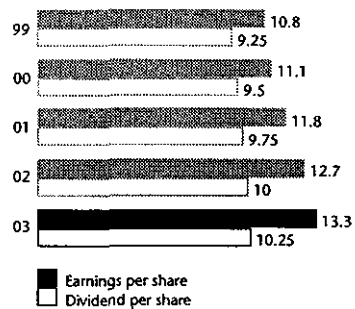
- Adjusted\* earnings up 4.7% to 13.3p per share (2002: 12.7p)
- Dividend up 2.5% to 10.25p per share (2002: 10.0p)
- Adjusted† diluted net assets per share before exceptional items down 11.2% to 310p
- Adjusted† diluted net assets per share after exceptional items down 17.8% to 287p
- £216 million of property sales in the year
- £130 million 10¾% Debenture 2021 purchased
- 24% of rent roll reviewed, renewed, let or restructured
- Like-for-like rent roll up 8.2%
- Strategic review completed
- Property team rebuilt
- Acquisition programme under way

\*excluding exceptional items, profits or losses on sales of investment properties and deferred tax on capital allowances

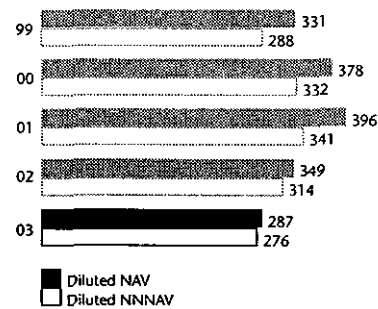
†excluding deferred tax on capital allowances

(Year ended 31 March)	2003	2002
Rent receivable	<b>£72.6m</b>	£85.3m
Profit before taxation and exceptional items	<b>£36.3m</b>	£33.0m
(Loss)/profit after taxation	<b>£(20.5)m</b>	£4.5m
Earnings per share – basic	<b>(10.1)p</b>	2.1p
Earnings per share – adjusted	<b>13.3p</b>	12.7p
Dividends per share	<b>10.25p</b>	10.0p

Earnings and Dividend



Net Assets Per Share



95% of the Group's portfolio is now in central London where, despite the current economic downturn, our void rate is less than 2%

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During the year 24% of the rent roll has been reviewed, renewed, let or restructured

Rents due to expire between March 2003 and March 2005 have been reduced from 23.4% to 14.7% of the rent roll

Sales of £216 million were achieved broadly in line with the March 2002 valuation

## Chairman's Statement

We have put in place a new management team and the firepower to take advantage of opportunities which will become available

Richard Peskin  
Chairman

### Overview

As I reflect on the past twelve months, I am pleased to be able to report positive progress in challenging markets. Just over a year ago Toby Courtauld was appointed as the new Chief Executive at a time when the Company had been largely transformed into a focused, central London investment and development business, with an appropriate debt and gearing structure. Since then, assisted by Robert Noel, he has put together a strong property team, who have not only continued the momentum of change, but also thoroughly reappraised the existing portfolio, whilst adhering to the traditional principles of sound property management for asset enhancement. In the prevailing climate we have addressed the key issue of preservation of income, paying particular attention to the elimination of current and potential voids.

### Results

The results for the year under review are, once again, somewhat distorted by the recent activities and by the purchase in April 2002 of the £130 million 10<sup>3</sup>/<sub>4</sub>% Debenture 2021. Not only did this prove to be exceptionally well-timed but, more importantly, gave us the flexibility to dispose of assets which had hitherto been encumbered. Nearly one quarter of the investment properties has been sold at an aggregate figure in line with the March 2002 valuation, a notable achievement in tough conditions. The remaining portfolio fell by 10% in the same period which, coupled with the loss on the debenture purchase, has left diluted net asset value per share at 287p and triple net asset value per share at 276p. Meanwhile, adjusted earnings per share have risen to 13.3p and your directors are recommending a final dividend of 6.83p, making a total for the year of 10.25p, up 2.5%. As I said at the interim stage, your Board continues to attach great importance to the level of dividend as an integral part of total shareholder return, where we have outperformed the main indices since January 2000.

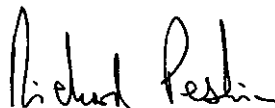
### Board

During the year there have been significant Board changes, with Toby Courtauld and Robert Noel being appointed Chief Executive and Property Director respectively. Howard Perlin, who has been an exemplar of corporate governance and wise counsel since 1994, will be retiring at the Annual General Meeting in July and I would like to place on record my personal appreciation of his substantial contribution. Kathleen O'Donovan who, inter alia, is Chairman of the Audit Committee of the Court of the Bank of England, joined us on 1 April. On corporate governance generally I,

along with many other Chairmen of listed companies, have reservations about some of the Higgs reforms and it is to be hoped that the Financial Reporting Council will consider some redrafting before implementation. Meanwhile, we do comply with the vast majority of the recommendations and, where not, we have chosen explanation rather than fulmination.

**Conclusion**

The markets in which we operate remain challenging and may well do so for slightly longer than some commentators had previously anticipated. Nevertheless, we have put in place a new management team and the firepower to take advantage of the opportunities which will become available, particularly in the West End. The recent purchase of Metropolis House is the start of a sensibly structured short and medium-term development programme, including sites which have been carefully assembled over the years. In conclusion, your Board remains committed to the strategy, which has been rigorously implemented for over four years, to provide a focused central London portfolio with an appropriate capital structure and with the aim of delivering maximum shareholder value.



Richard Peskin  
Chairman

In an area with a heavy reliance on  
Financial Services, we have been  
derisking our City portfolio

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The Group's largest tenant, Willis, extended its lease at 1 Camomile Street, EC2 from 2004 to 2011 during the year

The Group has no voids across its City and Holborn portfolio

2

## Chief Executive's Review

We have rationalised the portfolio, de-gearred the balance sheet, made progress on the development programme, maintained full occupancy levels and strengthened our team

**Toby Courtauld**  
Chief Executive

The financial year that ended in March can be characterised by a number of factors: continued portfolio rationalisation with disposals totalling some £216 million; a de-gearing of the balance sheet using sales proceeds to repay 31% of outstanding debt; some solid progress on our development programme; the maintenance of approaching full occupancy levels despite the challenging London occupational markets; and a significant strengthening of both the team and the way we run, and measure the performance of, our business at Great Portland.

This time last year in my first Chief Executive's Review, I outlined three key areas for the new management team to address under the headings of Capital Structure, Asset Strategy and our People and Processes. On each count, I am pleased to report that we have made good progress and we are better positioned today than we were twelve months ago.

Following the use of £197 million to repay debt, including the purchase of our £130 million 10¾% Debenture 2021 in April 2002, financed by property sales during the year, the Group now has net gearing of 32% (down from 47% at the start of the year) and an average interest cost on the outstanding debt of 6.6% (down from 7.8% at the start of the year). Over the past 24 months the liability side of the balance sheet has been entirely restructured. Through both redeeming and purchasing debentures, the FRS 13 adjustment to NAV has been almost eliminated, at 4p per share, as compared to 32p per share in 2001. Great Portland's balance sheet, therefore, is clean and transparent as a result of this restructuring. We have cash and undrawn bank facilities of £313 million providing us with the capacity to exploit value-enhancing opportunities as we unearth them. In the meantime, the crystallisation of reversions through rent review settlements during the year, together with the reduced interest charge, has increased interest cover from 1.9 times in 2002 to 2.7 times this year.

In considering our capital structure, we review continually the amount of capital we believe we will require, particularly in the context of the state of the market and our prospective development and acquisition programmes. We remain of the view that the current weak state of the London property market will provide us with ample opportunity to profit from our balance sheet strength in the near future.

Building on my predecessors' refocusing of the portfolio into central London, during the year we refined our asset strategy through a detailed property planning exercise that helped us to identify which assets would produce acceptable, risk-adjusted

returns when measured against our cost of capital, and which would not. As a result of this analysis, we capitalised on the strength of the investment market (particularly from private investors) to dispose of 28 ex-growth or mature properties for £215.6 million, exactly in line with their March 2002 book value. In each case, these were assets with little opportunity for us to add any further value due to their level of over-renting and weak local market. Following these sales, the bulk of our disposal programme has now been completed.

With the relatively benign outlook for general asset price inflation in the UK economy and the central London markets currently showing declining rental trends, we have to sweat our assets harder in order to generate outperformance. This means taking a pragmatic approach to, for example, lettings, lease renewals and rent reviews in order to keep our portfolio as close to fully let as possible. Simultaneously, we must constantly be on the look out for opportunities to strengthen the rental cash flow generated by each property. Good examples of this approach during the year are the lease renewals of tenancies accounting for some 10% of the Group's annual rent roll before they were due to expire, thereby avoiding the risk inherent in re-letting these units in a weak occupational market. As a result our void level at 3.0% remains low, and in central London, where 95% of our portfolio is based, it stands at 1.9%, significantly lower than central London market levels.

Recycling shareholders' capital is an integral component of our asset strategy. Once we have brought a property's cash flow to maturity, we look to dispose of the asset in order to reinvest the capital into immature propositions – situations where we can add value through our management efforts. At 21 Bloomsbury Street, WC1 we lengthened the Government's lease and simultaneously sold the investment to an institutional investor generating a profit of almost £3 million. At the other end of the spectrum, in the first major acquisition by the new team, we contracted to purchase Metropolis House on Tottenham Court Road, W1. This 1960's, largely vacant and dilapidated tower provides us with the opportunity for a major refurbishment to deliver 100,000 sq. ft. of grade A West End office and retail space in 2005, when, we predict, the market will be short of new high quality floor plates.

Of significant importance during the year has been the strengthening of the team at Great Portland and the modernisation of some of our systems and processes. This work is now largely complete and we now have a first class group of professionals working in an atmosphere of constructive dynamism.

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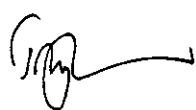
The recent alignment of leases in  
Camomile Street and Bishopsgate,  
EC2 provides the opportunity for a  
redevelopment of over 250,000 sq. ft

### **Outlook**

Whilst we have made good progress in addressing some of the key themes I outlined at the beginning of the year, we are operating in a challenging occupational environment with the supply of office space currently outstripping demand. We will continue to offer our existing and prospective occupiers flexibility in our approach to their requirements with our sights set firmly on generating new rental income and keeping the void rate low.

We will focus much of our attention this year on new business – both on looking outside the portfolio for interesting acquisitions, and on bringing our development prospects forward. We have the nucleus of a high quality, medium-term development programme emerging, recently supplemented by the nearer-term opportunity at Metropolis House. With the important caveat that we are still witnessing unrealistic price expectations on the part of many vendors, with careful timing and imaginative stock picking, we expect to start the process of replenishing the rent roll with income from acquisitions that will provide us with medium-term, real growth prospects.

Great Portland has a clear, well communicated strategy, a committed management supported by strong, entrepreneurial property and finance teams and significant reserves of balance sheet firepower. This is an exciting combination and I am looking forward to meeting the challenges from this enviable position of strength and reporting to you on our progress.



Toby Courtauld  
Chief Executive



Our 1.0 million sq. ft. portfolio north of Oxford Street contains four development opportunities of potentially 500,000 sq. ft.

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Rent reviews at 160 Great Portland Street, W1 achieved £4.0 million, up from £2.2 million previously

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A revised planning application for the major refurbishment at 190 Great Portland Street, W1 will be submitted in the summer

## Portfolio Review

We capitalised on the strength of the investment market to dispose of 28 properties for £215.6 million in line with their aggregate March 2002 book values

The last year was a difficult one for central London property markets. Across the Capital supply, particularly of office space, outstripped demand with vacancy rates at the end of the period exceeding 11%. Whilst much of the surplus office accommodation was marketed by tenants, not landlords, the negative effect on rental values has been felt by all, particularly in the City. Here rental values for Grade A space in some areas have declined by over 25% in the past twelve months and are, we estimate, set to fall further this year. We will not witness rental stability until general business sentiment improves and companies regain the confidence to expand.

It was against this background that we carried out a strategic review of our portfolio early in the year, from which it was clear that we needed to act decisively on three fronts:

### **1. Property Disposals**

During the year, £215.6 million of investment properties were sold in line with their March 2002 valuation, the majority of which took place in the second half of the year, and we sold the remainder of our trading portfolio.

### **2. Management of Income and Voids**

In the face of rapidly correcting rental values, we regarded it essential that we concluded as many outstanding rent reviews as possible whilst also approaching occupiers to discuss impending lease expiries well in advance. During the year, 24% of the rent roll has been reviewed, renewed, let or restructured. £3.5 million of net new rents have been added to the rent roll through rent reviews, lease renewals and new lettings, whilst the percentage of rent subject to an expiry during the next 24 months has been reduced by over a third from 23.4% to 14.7%.

At the beginning of the year, our void rate stood at 1.3%. In the face of challenging letting market conditions, today that figure has moved to 3.0%. In central London, which contains 95% of our portfolio, voids are only 1.9%, comparing favourably with the rate for the central London market overall of over 11%.

### **3. Revisiting our Development Prospects**

We have potential development sites in London at Bishopsgate, EC2, our head office building in Mortimer Street, W1, Great Portland Street, W1, Titchmor on Mortimer Street, W1, and New Bond Street, W1. All of these and other opportunities have been considered fully during the year. We will be submitting new planning applications during the summer for 190 Great Portland Street, and later this year for our Titchmor

site, which will likely provide for the retention of the 1930's Elsley House and Elsley Court. We are in the design stage of an exciting redevelopment of Bond Street House situated in one of the best retail locations in the Capital at the junction of New Bond Street and Clifford Street, W1.

At two of our sites, redevelopment has been deferred following profitable asset management activities. First, at our Bishopsgate holdings, we restructured a lease with the principal occupier and the Group's single largest tenant, the Willis Group, extending 93% of the property's income from 2004 until 2011. Second, at Hanover Square, W1, following an extension of the leases to Harbottle & Lewis and Abbey National from 2004 to 2013 and 2017, respectively, a redevelopment of the building will not be taken forward.

### **Valuation**

The external valuation, carried out by CB Hillier Parker, registered a decline of £91.4 million or 10.5% to £780.0 million. The West End portfolio fell by 10.1% in the year, although the rate of fall was lower in the second half, whilst the City and Holborn properties fell by 14.1%, primarily in the second six months. The small portfolio outside London rose by 0.5% during the period.

As we predicted both this time last year and at the Interim stage, the central London market – particularly in the City – has seen a material correction in values. The valuation of our central London properties has fallen broadly in line with the declines registered in the Capital and, were it not for our disposals and asset management activities, would have fared less well relatively. There are two key reasons behind the valuation result: first, weakness in the letting market has undermined rental values (by 15.2% in our London portfolio) meaning that reversions previously anticipated by the valuers are now less likely to flow through; and, second, empty space is proving more difficult to let, with rents lower and incentives higher than 12 months previously. The reality of our letting efforts during the year was that the void rate remained at similarly low levels to that at March 2002, and the City and Holborn portfolio remained fully let.

At 31 March 2003, the portfolio's value of £780.0 million reflected a net initial yield of 6.3%. It was broadly rack-rented, with £1.1 million of reversion to come through over the next five years before a number of over-rented leases expire to reduce the income. The total five year reversionary potential of the portfolio, including voids and properties under refurbishment, was £62.0 million, on a rent roll at the year end of

£58.5 million. At the beginning of the year the reversionary potential of the Group stood at £12.5 million. Since then, £5.1 million has been crystallised through asset management activities and £10.0 million was accounted for by declining rental values, whilst through our sales programme we disposed of properties which were over-rented by £1.5 million.

#### **West End and Covent Garden**

At March 2003, availability in the West End office market stood at just over 9 million sq. ft., or approximately 11% of the stock, up from around 5% in March 2002. Take up during 2002 was in line with the long-term average at just under 4 million sq. ft., but in the last quarter of 2002 and the first quarter of 2003 it was disappointing at 1.7 million sq. ft., with viewings down on normal market levels.

By far the majority of space to let was second-hand and quoting rents had been reduced significantly to encourage demand. Although there were pockets of the market where many years' supply existed at current demand levels and there will be further downward pressure on rents, we believe that rental levels in the West End have now broadly corrected for good quality space and we are encouraged by the significant level of viewings since the end of hostilities in Iraq. Today, there is little availability of good new floor plates of Grade A standard in the West End and, indeed, where these become available there is evidence of increasing demand.

Our West End portfolio at 31 March 2003 was valued at £550.6 million, representing 70.5% of the Group's total portfolio. Of this, £290.1 million was in offices north of Oxford Street, with £121.2 million in offices in the rest of the West End and £136.2 million in West End retail.

Average rents passing for offices north of Oxford Street at 31 March 2003 were £29 per sq. ft., up from £25 per sq. ft. last year, primarily due to significant rent reviews at 160 Great Portland Street, where the passing rents of £2.2 million were reviewed to £4.0 million, in line with our estimates this time last year. Average rental values of offices north of Oxford Street fell from £33 per sq. ft. to £29. In the rest of the West End and Covent Garden portfolio office rents passing increased from £35 per sq. ft. to £38 per sq. ft. through rent reviews, although office rental values declined from £39 per sq. ft. last year to £33 per sq. ft.

Retail rental values in the West End remained stable in the year with continued demand for large format, well-located units. Average rents passing for our West End retail

properties, excluding those north of Oxford Street, rose from £58 per sq. ft. to £76 per sq. ft., following the crystallisation of significant rental reversion at 15/16 New Bond Street, W1.

Significant lease restructurings were entered into at 21 Bloomsbury Street, WC1, 34/43 Russell Street, WC2, 55 Drury Lane, WC2, 14 Hanover Square, W1, and 27/35 Mortimer Street, W1. In each case the tenants committed to new, longer leases at a total rent of £4.1 million strengthening the Group's rental cash flow.

£117.7 million of sales of West End investment property were executed during the period including 11 Maddox Street, W1, 17/19 Bedford Street, WC2, 33 Chancery Lane, WC2, 42/43 Drury Lane, WC2, Broad Court, WC2, 21 Bloomsbury Street, WC1 following the lease restructuring, 350 Oxford Street, W1, Kings Walk Shopping Mall, Kings Road, SW3 and three flats in Covent Garden. These sales produced a surplus over the March 2002 values of £6.1 million net of costs, mainly from the sales of Bloomsbury Street and Kings Walk Shopping Mall. We also sold the remaining flats at our residential development at Ranelagh House, SW3 resulting in a small trading loss. Since the year end we have sold two properties, our last remaining flat in Covent Garden and 26a,b,c Albemarle Street, W1, for £10.8 million, in line with 31 March 2003 values.

We acquired one small investment property during the year and, more significantly, we exchanged contracts to buy a large refurbishment opportunity at Metropolis House, 39/45 Tottenham Court Road and 28 Percy Street, W1 for £16 million with completion due towards the end of June. Starting on site in the late summer, we will completely recondition this 1960's tower to offer 100,000 sq. ft. in a variety of Grade A floor sizes to the West End market in mid 2005.

#### **City and Holborn**

The City market has continued to see the effects of excess supply as the expansionary boom of the late 1990's unwinds. The real estate economy in the City is less diverse than the West End with a reliance on Financial and Business Services, a sector reported to have shrunk by 25,000 jobs in the City since 2001.

Our City and Holborn portfolio at 31 March 2003 was valued at £187.0 million, representing 24% of the Group's portfolio. The fall in values of 14.1% was cushioned by the significant restructuring of this portfolio carried out during the year. Average rents in our City portfolio were £32 per sq. ft., in line with those at the same time last year. Average rental values were £30 per sq. ft., down from £39 per sq. ft. last year.

Significant rent reviews were completed at 24/31 Holborn, EC1 and 90 Fetter Lane, EC4, where rents were increased from £0.7 million to £1.5 million, broadly in line with our estimates at the beginning of the year.

At 31 March 2003, we had no voids in the City and Holborn. We continue to work to pre-empt potential voids through active asset management, an example of which was the lease restructuring with the Group's single largest tenant, Willis, at 1 Camomile Street, EC2. Due to expire in September 2004, we extended the term on this 75,000 sq. ft. of space to March 2011, in line with expiries at our adjoining holding, 80 Bishopsgate. Put together, these two buildings comprise 130,000 sq. ft. and represent an exciting medium-term opportunity to develop a significantly larger office building in a first rate City location.

During the year we sold 13/15 and 17 Moorgate, EC2 in two transactions for an aggregate price of £31.3 million, just in excess of their 31 March 2002 valuation. The first of these was let at an average rent of £65 per sq. ft. with 10.5 years remaining on the lease. The rental value was virtually half this amount at the time we sold it in September.

#### **Other Properties**

The remainder of our portfolio consists of assets located outside central London. These are considered non-core and will be disposed of at best advantage over time. At 31 March 2003 we had four assets in this category with an aggregate value of £42.4 million, up 0.5% over the period. The portfolio comprises a leisure development at Sol Central, Northampton, now 95% let with the last significant unit under offer, two office buildings in Maidenhead and a recently-refurbished, largely vacant office building in Hounslow.

During the year we sold: Weybridge Business Park, Surrey; Stephenson and Knollys House, Addiscombe Road, Croydon; 714/746 London Road, Hounslow; 51/53 Station Road, Redhill; and a small parcel of land at London Road, Hounslow. The aggregate net disposal receipts of £66.4 million, were some £8 million below the 31 March 2002 valuation.

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New tenants changing the face of the  
area north of Oxford Street include  
Sainsbury's, at 27/35 Mortimer Street, W1

Redevelopment and refurbishment opportunities north of Oxford Street include Metropolis House, 39/45 Tottenham Court Road, due to start in summer 2003, 190 Great Portland Street, 20/30 Great Titchfield Street and our head office building at 56 Mortimer Street

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Following our regeneration of Market Place, W1, the surrounding area has a complementary mix of restaurant and retail tenants including Carluccio's, Soup Opera, Strada and Reiss

Over 70% of the Group's five year reversionary potential comes from north of Oxford Street

Our smaller buildings north of Oxford Street have the flexibility to be turned into residential space to suit our requirements

## Financial Review

The weighted average cost of borrowings fell to 6.6% at March 2003 from 7.8% a year earlier

**John Whiteley**  
Finance Director

The major transactions to affect the results for the year ended 31 March 2003 were property disposals of £215.6 million and the repurchase of a high-coupon debenture for £196.6 million.

There were no new accounting standards which applied for the first time in the year, but, with the advent of the Group's first major development programme for many years, we have changed our accounting policy in order to capitalise interest on expenditure on developments and major refurbishments. This change of accounting policy brings the Group into line with industry practice and complies with international as well as UK accounting standards, and will affect the results of the Group for the first time in the year ending 31 March 2004.

### Results

The profit and loss account for the year ended 31 March 2003 comprises four distinct elements: the underlying core business, which generated profits before tax of £38.7 million (2002: £36.2 million) and earnings of 13.3p (2002: 12.7p); the disposal of investment properties; exceptional finance costs; and a deferred tax adjustment for accelerated capital allowances occasioned by FRS 19.

Rent receivable of £72.6 million was £12.7 million, or 15%, lower than last year. Property disposals reduced rent by £18.5 million and expiries by £1.0 million, whereas new lettings and acquisitions added £3.0 million and rent reviews a further £3.8 million. We have 269 tenants on 357 leases, but, despite maintaining the portfolio virtually fully let throughout the year, we have been required to provide for bad debts equivalent to only 0.3% of gross rents.

This year saw a significant turnover of personnel, particularly within the property group, and the costs of those changes, together with professional fees associated with initiatives put in place by the new team, were largely responsible for the increase in property and administration costs in the year. The sales of investment properties of £215.6 million were in line with the valuation at 31 March 2002, and the loss on their sale of £2.4 million comprised associated selling costs. Net interest payable of £93.4 million was distorted by the premium of £66.6 million paid on the purchase of the £130 million 10¾% First Mortgage Debenture Stock 2021 and the provision for the future cost of interest rate swaps unlikely to be matched by borrowings in the coming year; in 2002 it was similarly distorted by a debenture redemption cost of £28.2 million and a £2.1 million cost of cancelling an interest rate swap. Excluding these exceptional items, net interest payable fell by £17.1 million, or 42%, from £40.3 million to £23.2 million, largely reflecting the use of disposal proceeds to cancel the high-coupon debenture in the year.

Adjusted profits before tax of £38.7 million attracted a tax charge of £11.7 million, representing a tax rate on the underlying core business of 30% (2002: 27.1%). Crystallising the loss on the debenture purchased in the year will largely preclude our paying any corporation tax in 2003 and 2004, as the tax charge on the underlying business in 2003 will be offset against the tax credit available on the exceptional debenture loss. In total, exceptional items attracted a tax credit of £20.7 million, £9.3 million of which has been carried forward as a deferred tax asset. The loss on disposal of investment properties attracted no immediate tax relief, and the requirement of FRS 19 to account for the potential tax payable on the reversal of all capital allowances claimed, produced a tax credit of £4.7 million, in respect of capital allowances which did not reverse on disposals made during the year. The aggregate effect of these various elements is a tax credit on the face of the profit and loss account of £13.7 million.

The final dividend will be paid, subject to shareholders' approval, on 17 July 2003 to shareholders on the register at 13 June; the total dividend for the year of 10.25p per share (2002: 10.0p) reflected a 2.5% increase on last year, and was covered 1.30 times by adjusted earnings (2002: 1.27 times).

### **Financing**

The purchase of the £130 million 10¾% First Mortgage Debenture Stock 2021 in April 2002 saved approximately £5.5 million in interest costs in the year, and had the purchase been effected on 31 March 2003, falls in interest rates and margins on corporate bonds in the intervening period would have increased its cost by over £20 million before tax. Importantly, purchasing the debenture released 20% of the portfolio from charge, enabling the property disposals to be made later in the year. Purchasing the 2021 debenture has reduced our weighted average cost of borrowing, but the significant number of property disposals in recent years has enabled us to pay off all of our bank borrowings against which we had entered into interest rate swaps to fix their effective rates. Accordingly, the weighted average cost of borrowing of those facilities which were drawn down fell to 6.6% at 31 March 2003 (2002: 7.8%), and the future costs associated with interest rate swaps unlikely to be matched by borrowings have been provided for. Gearing at 31 March 2003, adjusted to exclude the capital allowances element of the deferred tax provision, was 32% (2002: 47%), net of cash balances of £103.5 million, and the Group had in place undrawn bank facilities of £210 million. Under FRS 13, the market value of the Group's financial instruments at 31 March 2003 exceeded the amount at which they were shown in the group balance sheet by £9.2 million, representing a potential reduction in diluted net assets per share of 4p.

The 51,531 share options exercised in April 2002 represented the last of those issued under the 1988 Executive Share Option Scheme, and there were no other movements in share capital during the year. At the Annual General Meeting on 15 July 2003 the Board will seek to renew shareholders' authority to be able to buy up to 15% of the Company's issued share capital.

#### **Cash Flow**

The Group Statement of Cash Flows is set out on page 55. Net cash from operating activities, after the payment of interest and tax, was £39.9 million, from which dividends of £20.4 million were paid, leaving £19.5 million of cash generated by the underlying business retained within the Group. Of the proceeds from the disposal of investment properties of £210.5 million, £197.4 million was used to repay loans, and £12.5 million to finance capital expenditure, resulting in a small surplus of £0.6 million. £18.3 million of these net cash inflows was placed on short-term deposit, and the remaining £1.8 million accounted for the increase in the cash balance over that of twelve months earlier.

#### **Net Assets**

Shareholders' funds at 31 March 2003 were £568.5 million (2002: £701.8 million) or £578.7 million (2002: £716.7 million) excluding the capital allowances effect of FRS 19. The fall in adjusted net assets of £138.0 million comprised a reduction in the value of the property portfolio of £91.4 million, exceptional items, which will be earnings-enhancing in the future, of £49.8 million, and retained profits of £5.6 million, before exceptional items, which offset capital losses of £2.4 million.

Excluding the effect of FRS 19, net assets per share fell from 353p to 285p, and diluted net assets per share from 349p to 287p. Had the Group's investment properties been sold for their book value at the balance sheet date, the contingent liability to taxation on capital gains would have been approximately £14 million, or 7p per share (2002: 13p), and disposing of the high coupon debenture during the year was the principal reason for the fall from 22p to 4p per share in the effect of marking the Group's financial instruments to market. Accordingly, fully diluted adjusted triple net asset value fell by 12.1% from 314p to 276p.

### **Financial Instruments**

The Group raises finance through equity and borrowings, and places surplus cash on short-term deposit. The primary sources of borrowing are debenture loans, convertible loans and bank and other loans. The Group also enters into interest rate swaps, collars and caps, but solely as a way of managing the interest rate risks arising from some of the Group's sources of finance, primarily bank loans.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The policies for managing these are reviewed by the Board, and have been in place throughout the year ended 31 March 2003.

#### **Interest Rate**

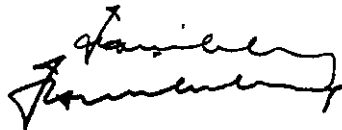
Borrowings are made either at fixed rates of interest, or at floating rates, which can be fixed simultaneously, and co-terminously, by means of interest rate swaps. The Group's policy has been to ensure that most of its borrowings were at fixed rates; at 31 March 2003, 98% of borrowings were at fixed rates. In the year ended 31 March 2003, provision has been made for expected future costs of interest rate swaps no longer matched by bank borrowings.

#### **Liquidity**

The Group operates a long-term business, and its policy is to finance it primarily with equity, and medium-term and long-term borrowings. Accordingly, at the year end 69% of the Group's borrowings were due to mature in more than 15 years. Short-term flexibility is achieved by cash balances and overdraft facilities.

#### **Credit**

At 31 March 2003, the Group had £101.7 million on short-term deposit with financial institutions. It is the Board's policy that deposits and derivative contracts are placed only after consideration of the current credit worthiness of the counter-party.



John Whiteley  
Finance Director

Our Mayfair portfolio contains some of  
the most valuable retail space in London

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We took the opportunity to extend Harbottle & Lewis's lease of 18,350 sq. ft. in 14 Hanover Square, W1 from 2004 for a further nine years

Redesign of 15/16 New Bond Street, W1 is under way to convert secondary office space to prime retail

# Portfolio Statistics

## Rental income

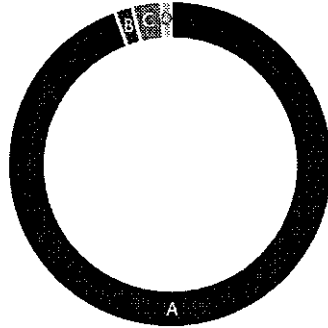
At 31 March 2003

			Rent Roll £m	Five Year Reversionary Potential £m	Five Year Rental Values £m	Reversionary Potential Over Five Years £m	Total Rental Values £m
London	North of Oxford Street	Office	20.8	0.7	21.5	0.2	21.7
		Retail	3.8	0.1	3.9	(0.1)	3.8
		Other	0.3	–	0.3	–	0.3
	Rest of West End	Office	9.7	–	9.7	(1.2)	8.5
		Retail	5.0	0.2	5.2	(0.1)	5.1
	Total West End and Covent Garden		39.6	1.0	40.6	(1.2)	39.4
	City and Holborn	Office	15.3	0.1	15.4	(1.5)	13.9
		Retail	0.4	–	0.4	0.5	0.9
Total London		55.3	1.1	56.4	(2.2)	54.2	
Outside London		3.2	–	3.2	–	3.2	
Total Let Portfolio		58.5	1.1	59.6	(2.2)	57.4	
Voids				1.8	–	1.8	
Premises under refurbishment				0.6	–	0.6	
Total Portfolio				62.0	(2.2)	59.8	

			Rent Roll Secure for Five Years %	Weighted Average Lease Length Years	Voids %
London	North of Oxford Street	Office	57.6	5.0	2.0
		Retail	53.9	6.6	0.6
		Other	64.4	0.7	–
	Rest of West End	Office	86.1	8.0	4.8
		Retail	67.8	8.4	2.3
	Total West End and Covent Garden		65.6	6.3	2.6
	City and Holborn	Office	78.1	8.0	–
		Retail	41.4	10.9	–
Total London		68.9	6.7	1.9	
Outside London		77.4	14.1	18.8	
Total Let Portfolio		69.4	7.2	3.0	

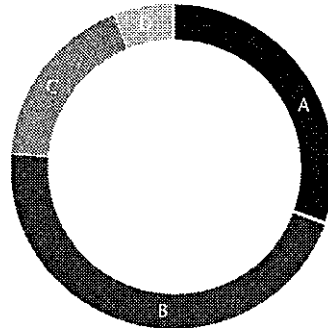
			Average Rent £psf	Average ERV £psf	Initial Yield %	Equivalent Yield %
London	North of Oxford Street	Office	29	29	6.8	7.1
		Retail	21	21	6.1	6.8
		Other	21	17	8.0	7.6
	Rest of West End	Office	38	33	5.7	7.0
		Retail	76	77	5.2	6.0
	Total West End and Covent Garden		32	31	6.3	6.9
	City and Holborn	Office	34	31	6.5	7.5
		Retail	9	22	4.5	7.0
Total London		32	31	6.3	7.0	
Outside London		13	13	6.8	8.5	
Total Let Portfolio		30	29	6.3	7.1	

### Analysis of Five Year Rental Values



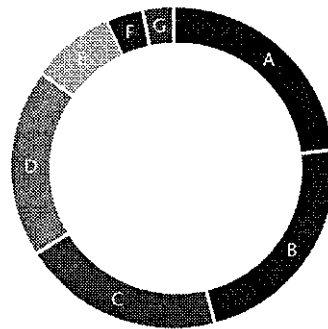
	£m
A Rent roll	58.5
B Rent reviews & lease renewals	1.1
C Under refurbishment	1.8
D Voids	0.6
	<u>62.0</u>

### Lease Expiries



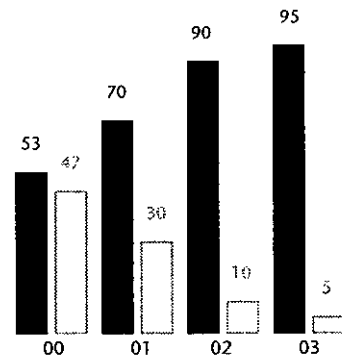
	%
A Less than 5 years	30.6
B 5 to 10 years	45.7
C 10 to 15 years	17.8
D Over 15 years	5.9
	<u>100.0</u>

### Occupier



	%
A Retailers	23.2
B Professional	22.8
C Media & Marketing	20.1
D Banking & Finance	18.9
E Corporates	8.2
F IT & Telecoms	3.7
G Government	3.1
	<u>100.0</u>

### Portfolio Breakdown



■	London (%)
□	Other (%)

**Investment Property Portfolio**

At 31 March 2003

	Offices £m	Retail £m	Other £m	Total £m
London				
North of Oxford Street	290.1	54.7	3.1	347.9
Rest of West End	121.2	81.5	–	202.7
Total West End and Covent Garden	411.3	136.2	3.1	550.6
City and Holborn	178.8	8.2	–	187.0
Total London	590.1	144.4	3.1	737.6
Outside London	17.0	8.4	17.0	42.4
Total	607.1	152.8	20.1	780.0

**Portfolio Performance**

		Valuation £m	Proportion of Portfolio %	Valuation Movement %	12 Month Total Return %
London					
North of Oxford Street	Office	290.1	37.2	(13.0)	(6.9)
	Retail	54.7	7.0	(3.7)	1.4
	Other	3.1	0.4	–	7.8
Rest of West End	Office	121.2	15.5	(15.1)	(3.4)
	Retail	81.5	10.4	6.1	11.4
Total West End and Covent Garden		550.6	70.5	(10.1)	(2.0)
City and Holborn	Office	178.8	22.9	(14.7)	(7.0)
	Retail	8.2	1.1	–	8.5
Total City and Holborn		187.0	24.0	(14.1)	(6.4)
Total London		737.6	94.5	(11.1)	(4.2)
Outside London	Office	17.0	2.2	(11.5)	(2.6)
	Retail	8.4	1.1	6.3	12.2
	Other	17.0	2.2	12.6	10.4
Total Let Portfolio		780.0	100.0	(10.6)	(2.6)

**By Use**

	Valuation £m	Proportion of Portfolio %	Valuation Movement %	12 Month Total Return %
Offices	607.1	77.8	(13.9)	(5.6)
Retail	152.8	19.6	2.1	8.4
Other	20.1	2.6	14.2	10.1
Total	780.0	100.0	(10.6)	(2.6)

## Major Properties Owned by the Group

Property Name	Tenure	Type	Tenants	No of Tenants	WAULT years	NIA sq. ft.
<b>West End – North of Oxford Street, W1</b>						
22/28 Eastcastle Street	FH	O	Wagamama; Fifth Avenue Holdings	13	2.6	47,000
38/40 Eastcastle Street	FH	O	Rinku of London	6	1.9	11,000
29/35 Great Portland Street	FH	O	Axa Assurance	5	10.1	15,000
32/36 Great Portland Street	FH	O	Phoenix Database Technologies	4	2.1	13,000
79/83 Great Portland Street	FH	O	Smith and Williamson	11	2.4	16,000
78/92 Great Portland Street	FH	O	Logica; Medical Protection Society	7	7.4	50,000
140/142 Great Portland Street	FH	O	Work Directions UK	6	3.0	13,000
160 Great Portland Street	FH	O	Flextech Television; Discovery	3	5.7	95,000
178/202 Great Portland Street	FH	O	The General Medical Council	8	2.4	87,000
20/30 Great Titchfield Street	FH	O	Body Shop; Syzygy	11	4.1	69,000
32/34 Great Titchfield Street	FH	O	Ice Fashions; Miniagent	6	2.5	15,000
33/35 Gresse Street & 23/24 Rathbone Place	FH	O	Lewis Moberly; Power TV	12	4.3	24,000
6/10 Market Place	FH	O	Carluccio's; Soup Opera; Strada	13	7.5	18,000
14/17 Market Place	FH	O	Howell Henry Chaldecott Lury; Reiss	6	4.6	58,000
27/35 Mortimer Street	FH	O	SelecTV; Blinkhorns; Sainsbury's	4	8.3	32,000
37/41 Mortimer Street	FH	O	IBC	1	6.7	25,000
43/49 Mortimer Street	FH	O	Rochman Landau	14	2.3	42,000
51/55 Mortimer Street	FH	O	Brown Foreman; Allies & Morrison	5	2.0	17,000
42/66 Mortimer Street	FH	O	French Connection	16	4.2	64,000
79 New Cavendish Street	FH	O	Colt Communications	2	7.3	37,000
91 New Cavendish Street	FH	O	J Cooper Public Relations	3	8.7	16,000
95 New Cavendish Street	FH	O	Grey Communications	1	0.5	21,000
142/144 New Cavendish Street	FH	O	Mediator Communications	2	4.8	12,000
13/14 Park Crescent & 92/96 Portland Place	LH	O	Property Services Agency	1	12.7	26,000
16/26 Park Crescent	LH	O	Medical Research Council; Sec. of State for Transport	3	9.8	106,000
77/81 Portland Place	LH	O	W S Atkins	4	5.7	11,000
14/22 Tottenham Street & 43 Whitfield Street	FH	O	Mentorn Group	1	5.2	18,000
45/51 Whitfield Street	FH	O	Chubb & Sons	1	2.8	9,000

<b>Key:</b>	FH	Freehold	L	Leisure
	LH	Leasehold	WAULT	Weighted average unexpired lease term
	O	Offices	NIA	Net internal area
	R	Retail		

Property Name	Tenure	Type	Tenants	Tenants	No of years	WAULT sq. ft.	NIA
<b>Rest of West End</b>							
26a/26c Albemarle Street, W1	FH	O	Eagle Star		2	9.5	16,000
27 Albemarle Street, W1	FH	O	Lysander Securities		8	4.7	16,000
14/18 Brook Street, W1	FH	O	Halcyon Days		3	4.2	4,000
10/12 Cork Street, W1	LH	O/R	Waddington Galleries; Millbank Financial Services		6	3.6	20,000
81 Dean Street, W1	FH	O	Gold Greenless Trott		1	11.0	13,000
82 Dean Street, W1	FH	O	Gold Greenless Trott		3	7.7	19,000
55 Drury Lane, WC2	FH	O	Clintons; W P Thompson		5	9.7	28,000
38/44 Gillingham Street, SW1	FH	O	Securicor		5	13.8	43,000
14 Hanover Square, W1	FH	O/R	Harbottle & Lewis; Abbey National; Genco Stores		3	11.5	26,000
15/16 New Bond Street, W1	LH	R/O	Watches of Switzerland; Royal Copenhagen		7	3.8	29,000
17/18 New Bond Street, W1	LH	R/O	Louis Vuitton; Poalim Asset Management		4	11.2	37,000
64 New Bond Street, W1	FH	R	Dixons Stores Group		1	8.5	4,000
79/89 Oxford Street, W1	FH	R/O	Pizza Hut; Gainsborough Business Centres		6	6.2	42,000
34/43 Russell Street, WC2	FH	O	Peters Fraser & Dunlop; CSS Stellar Management		6	6.9	36,000
28/29 Savile Row, W1	LH	O/R	Mary Kay Cosmetics; Flag Clothing		6	7.6	15,000

<b>Key:</b>	FH	Freehold	L	Leisure
	LH	Leasehold	WAULT	Weighted average unexpired lease term
	O	Offices	NIA	Net internal area
	R	Retail		

Property Name	Tenure	Type	Tenants	No of Tenants	WAULT years	NIA sq. ft.
<b>City &amp; Holborn</b>						
80 Bishopsgate, EC2	LH/FH	O	Nordia Bank	2	8.0	43,000
88/104 Bishopsgate & 1/11 Camomile Street, EC2	FH	O	Willis; Chartered Institute of Bankers	7	7.2	89,000
1/6 Dyers Buildings & 19 Holborn, EC1	FH	O	Invalid Child's Aid; Nationwide	7	3.0	30,000
86 Fetter Lane, EC4	FH	O	Interoute Finance; Jacobs Engineering	3	7.4	105,000
90 Fetter Lane, EC4	FH	O	Bird & Bird; Goodman Derrick	3	13.4	63,000
38 Finsbury Square, EC2	FH	O	Fox-Pitt Kelton; Securitas Capital	6	2.8	47,000
24/31 Holborn, EC1	FH	O	WSP; Symonds Group; HSBC	3	4.0	63,000
50/52 Paul Street, EC1	FH	O	Select Service Partner	1	11.7	23,000
61 St Mary Axe, EC3	FH	O	Richards Butler	1	11.0	28,000
<b>Outside London</b>						
661 London Road, Hounslow	FH	O	Greenham Trading	1	1.2	59,000
Costain House, Maidenhead	LH	O	Costain Engineering	1	6.2	37,000
Nicholson House, Maidenhead	FH	O	Costain Engineering	3	4.3	27,000
Sol Central, Northampton	FH	L	Cinemark; Accor Hotels	10	24.5	197,000

Key: FH Freehold  
LH Leasehold  
O Offices  
R Retail  
L Leisure  
WAULT Weighted average unexpired lease term  
NIA Net internal area

## 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 Region, a member of the General Council of the British Property Federation, and a member of the Estates Committee of the M.C.C. Aged 59.

Member of Nomination Committee.

**David Godwin**  
Deputy Chairman, Non-Executive

A partner of Cazenove from 1977 to 1998. Director of Morgan Crucible, The Generics Group and P Z Cussons. Appointed to the Board in 1998, becoming Deputy Chairman in 2000. Aged 64.

Senior Independent Non-Executive Director. Chairman of Nomination and Remuneration Committees; Member of Audit Committee.

**Toby Courtauld** MA, MRICS  
Chief Executive

With MEPC from 1991 to 2002, joined the Group and appointed to the Board in 2002. Member of the Policy Committee of the British Property Federation. Aged 35.

**John Whiteley** BA (ECON), FCA  
Finance Director

Formerly with Spicer & Pegler and Ernst & Young, joined the Group in 1992 and appointed to the Board in 1995. Member of the Accounting Committee of the British Property Federation. Aged 44.

**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. Member of the Council of the Westminster Property Owners' Association. Aged 38.

**Howard Perlin** FCA  
Non-Executive Director

A director of Sears from 1984 to 1994. Chairman of Satellite Information Services (Holdings), and a director of Services Sound and Vision Corporation and Argonaut Games. Appointed to the Board in 1994. Aged 56.

Chairman of Audit Committee; Member of Remuneration Committee.

**Anthony Graham** FRICS  
Non-Executive Director

Formerly with Anstey Horne & Co., Managing Partner of De Groot Collis and a director of Chesterton International. Currently a non-executive director of Swan Hill Group. Appointed to the Board in 1998. Aged 58.

Member of Nomination and Audit Committees.

**John Edgcumbe** BSc, FRICS  
Non-Executive Director

Formerly a partner of Hillier Parker and currently a non-executive director of HSBC Property Investments and Tilfen Land. Appointed to the Board in 1999. Aged 59.

Member of Remuneration Committee.

**Kathleen O'Donovan** BSc (ECON), FCA  
Non-Executive Director

Chief Financial Officer of Invensys from 1991 to 2002; currently a non-executive director of EMI Group and Prudential, and Chairman of the Audit Committee of the Court of the Bank of England. Aged 46.

From left to right:

- Richard Peskin • David Godwin • Kathleen O'Donovan
- Toby Courtauld • John Whiteley • Robert Noel
- Howard Perlin • Anthony Graham • John Edgcumbe

# Report of the Directors

## The Business of the Group

The principal business of the Group is the investment in, and development of, freehold and leasehold properties. A review of the development of the Group's business during the year, its position at the year end and its prospects is set out in the Chairman's Statement, the Chief Executive's Review, the Portfolio Review and the Financial Review on pages 6 to 27.

## Results and Dividends for the year

The Group profit and loss account is set out on page 52 and shows a loss for the year attributable to shareholders of £20.5 million. An interim dividend of 3.42p per share was paid on 6 January 2003 amounting to £6.9 million and the directors propose a final dividend of 6.83p per share amounting to £13.9 million, making total distributions for the year of £20.8 million.

## Directors

Paul Gittens retired as a director on 17 July 2002, Toby Courtauld was appointed a director on 8 April 2002, Robert Noel was appointed a director on 1 August 2002 and Kathleen O'Donovan was appointed a director on 1 April 2003. The other directors whose names appear on page 36 served as directors of the Company throughout the year to 31 March 2003. John Edgcumbe and David Godwin are the directors retiring by rotation at the Annual General Meeting and, being eligible, will offer themselves up for re-election. Mr Noel and Miss O'Donovan will retire pursuant to Article 96 and, being eligible, will offer themselves for reappointment. Mr Noel has a service contract with the Company which is terminable on twelve months notice; as non-executive directors, Mr Edgcumbe, Mr Godwin and Miss O'Donovan do not have service contracts. Details of directors' interests are given in note 31 to the financial statements.

## Directors' Shareholdings

	At 31 March 2003 Number of Shares	At 31 March 2002† Number of Shares
Richard Peskin and family – beneficial	5,260,000	3,310,000
– trustee	1,385,000	1,382,000
Toby Courtauld	25,000	–
Robert Noel	37,000	37,000
John Whiteley and family	31,000	31,000
David Godwin	11,200	11,200
Howard Perlin	2,000	2,000
Anthony Graham	17,200	17,200
John Edgcumbe and family	46,000	16,000

†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 2003 and 3 June 2003. No director had any interest in the Company's debenture stock, convertible bonds or loan notes, nor in the shares of any subsidiary undertaking during the year.

## Significant Shareholdings

As at 23 May 2003, the Company had been notified of the following beneficial or discretionary interests amounting to 3 per cent. or more of the issued share capital:

	Number of shares	%
Liberty International PLC	51,855,660	25.53
Prudential plc	9,537,187	4.70
Legal & General Investment Management Limited	7,441,544	3.66
HBOS plc	6,870,897	3.38

## Freehold and Leasehold Properties

A valuation of the Group's investment property portfolio was carried out by CB Hillier Parker on the basis of Open Market Value at 31 March 2003 which amounted to £780.0 million. 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.

### **Annual General Meeting**

The Notice of Meeting on pages 69 and 70 sets out the resolutions to be proposed at the Annual General Meeting. Resolutions 1 to 8 comprise ordinary business and resolutions 9 to 12 special business.

Resolution 9 will amend the Articles of Association to allow non-executive director fees of up to £400,000 in aggregate.

Resolution 10 will renew the authority for the directors to allot up to 67,630,140 ordinary shares, representing 33.3 per cent. of the existing issued share capital of the Company at 3 June 2003. The directors have no present intention of exercising the authority, if granted.

Resolution 11 will authorise the directors to allot equity securities for cash up to an aggregate nominal amount of £5,077,337 (representing 5 per cent. of the existing issued share capital of the Company at 3 June 2003) 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 12 will renew the authority enabling the Company to purchase its own shares in respect of 30,443,717 shares, representing 14.99 per cent. of the issued share capital of the Company. The directors intend to exercise this authority if to do so would, in their opinion, enhance shareholder value.

The authorities granted under Resolutions 10 and 11 will expire at the conclusion of the next Annual General Meeting or on 14 October 2004, whichever is the earlier.

### **Corporate Social Responsibility**

The Board is keenly aware of the importance of social, environmental and ethical issues and is determined to apply high standards in respect of these in all areas in which the Group operates. The Board receives regular reports from the Health & Safety Executive Committee and the Environmental Executive Committee, the workings of which are reported on in more detail below, and in February 2003, the Company formed a Corporate Social Responsibility Committee chaired by the Chief Executive, Toby Courtauld.

#### **The Community**

The Company recognises that local initiatives are important in enhancing various aspects which serve to further improve and promote central London and supports a number of groups including The Westminster Property Owners Association, London First and the New West End Company in their work to address issues such as planning, transport and security. By working with Westminster Council, the Company has sponsored the rejuvenation of the area surrounding Market Place, W1, and looks to exceed requirements under planning consents for contributions to local infrastructure and facilities, where appropriate. The Company has continued with its tradition of supporting staff involved in charitable activities, and charities involved in medical research, the homeless and the community, and, where practicable, allows temporarily vacant buildings to be occupied, at no cost, by charities seeking premises.

#### **Staff and Business Ethics**

The Company is committed to equal opportunities for staff and encourages them to undertake training and development to improve their skills. Meetings involving all staff are held on a quarterly basis to keep them informed of matters affecting the Group and to act as a forum for the executive directors to answer questions. During the year a number of the Group's policies were formalised, including business ethics and tendering procedures, to form part of the Group's Policies and Procedures Manual.

The approval of policy relating to social, environmental and health and safety matters is the responsibility of the Board. The Company is a member of the FTSE4Good UK index.

### **Health and Safety**

Great Portland Estates is committed to managing health and safety to a consistently high standard. All employees are given specific training, where appropriate, and the Group employs a Safety, Health and Environmental Manager, who reports directly to the Property Director, Robert Noel, to manage and review health and safety compliance. A Health and Safety Management System is maintained for all properties managed by the Group, and includes on-site inspections, reviews of risk

assessments and a regular update of procedures. A Health and Safety Executive Committee meets on a quarterly basis, chaired by the Property Director, and reports to the Board of Directors annually. The Committee 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 & Safety.

As one of the significant 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. All accidents and incidents occurring in areas managed by the Group are reported and recorded and any appropriate action taken. A formal investigation of any serious accidents is conducted by the Safety, Health and Environmental Manager. During the year ended 31 March 2003, there were no serious accidents arising from the Group's undertakings.

### **Environment**

The Company is committed to effective environmental management, and regards regulatory compliance as a minimum standard. An Environmental Policy Statement has been produced and is reviewed annually by the Board of Directors. This may be viewed on the Company's website, [www.gpe.co.uk](http://www.gpe.co.uk). Our 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 consists of detailed checklists based upon legislation requirements and best practice measures, in addition to the monitoring of energy and water consumption. In order to monitor our contractors' compliance with environmental legislation and to ensure the energy efficiency of our plant and equipment, maintenance contractors are required to confirm that agreed environmental protection checks have been carried out.

An Environmental Executive Committee meets on a quarterly basis, chaired by the Property Director, and reports to the Board annually. The Committee monitors the Group's compliance with legislation and best practice across the portfolio, and agrees procedures in place for key environmental issues. The Group's environmental objectives and targets, along with clearly allocated responsibilities, have been developed in line with the Group's "key aspects and impacts" identified through our Environmental Management System.

An environmental guidance note explaining the Group's environmental procedures is distributed to all tenants on an annual basis to encourage tenants to adopt similar standards. A refurbishment policy is distributed to all contractors and consultants who are required to comply with its contents during refurbishment and development work. Environmental guidance and a purchasing policy are provided to employees through the Group's Policies and Procedures Manual.

All new acquisitions are subject to an environmental audit and new developments are subject to BREEAM.

Environmental training is included in employees' induction training. Employees are also given training on environmental issues pertinent to their work, including sustainability in construction, general environmental awareness and training on the Environmental Management System. Paper and cardboard used at our head office is recycled. Toner and printer cartridges and obsolete mobile phones are recycled to help Marie Curie Cancer Care. Wherever possible, recycling schemes are implemented at properties where waste collection facilities are provided.

Great Portland Estates participates in the Business in the Environment and the FTSE4Good UK index surveys annually.

### **Charitable and Other Donations**

During the year the Company made donations for charitable purposes amounting to £76,562; no contributions for political purposes were made.

By order of the Board



Desna Martin  
Secretary

3 June 2003

# Directors' Remuneration Report

## Remuneration Committee and Advisors

The Remuneration Committee comprises three independent non-executive directors, David Godwin (Chairman), John Edgcumbe and Howard Perlin and has responsibility for determining the remuneration, contract terms and other benefits of the executive directors of the Company from time to time and reviews the remuneration levels of all senior executives (including non-board members).

In February 2002, the Remuneration Committee appointed Hewitt Bacon & Woodrow (formerly Bacon & Woodrow), a leading firm of executive remuneration consultants, to provide it with a comparative analysis of executive incentive plans of peer group companies and to advise on the establishment of a Long-Term Incentive Plan ("LTIP") for the Company. Nabarro Nathanson has assisted the Committee on procedural matters relating to the LTIP and contractual matters relating to the executive directors. Nabarro Nathanson is not appointed by the Remuneration Committee. Toby Courtauld, the Chief Executive, provides advice in relation to the setting of awards under the LTIP for other senior executives. More information on the LTIP is provided in the section "Long-Term Incentive Plan" below.

## Remuneration Policy

The Remuneration Committee establishes policy on the remuneration of executive directors from time to time. In determining the policy for 2003 it has considered (and is likely to continue to consider for subsequent financial years) a number of factors, including:

- the importance of attracting, retaining and motivating executives of appropriate calibre and experience; and
- the size and long-term nature of the Group's business.

The remuneration policy for executive directors has been designed to address the interests of both directors and shareholders; a potentially significant proportion of remuneration is based on performance and is dependant upon the achievement of demanding targets. Remuneration currently comprises: basic salary and benefits, performance-related bonuses, LTIP and pension. 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 for poor performance.

## Basic Salary and Benefits

Basic salaries and the level and nature of benefits provided are reviewed by the Committee annually or on promotion, and are assessed having regard to Company and individual performance and salary levels in comparable organisations, particularly within the listed property sector. Basic salary is the only element of executive directors' remuneration which attracts pension contributions. Benefits principally comprise life insurance, private health care, car and travel concessions and membership subscriptions. The taxable value of these benefits is included in the table on page 45.

## Bonus Plan

Each year the Committee considers the appropriateness of short-term and long-term incentive plans in assessing the overall remuneration of executive directors.

The Company operates an annual performance-related bonus plan for executive directors ("the Bonus Plan") based on total shareholder return received by a holder of the Company's shares compared with that of a comparator group of five major property companies, which for 2003 comprised Benchmark Group PLC, The British Land Company PLC, Derwent Valley Holdings PLC, Land Securities PLC and Shaftesbury PLC. Total shareholder return for the purpose of the bonus plan is calculated by reference to the increase in the value of the Company's shares between 1 April in any year and 31 March in the following year, and all dividends paid in that period; this bonus is paid in cash. Following advice from Hewitt Bacon & Woodrow, from 2003, the maximum award will be based as a percentage of salary with 100% being awarded for first place, 80% for second place and 40% for third place. Bonus payments are not pensionable.

Provided he has not given in his notice or indicated his intention to leave or the Company has not terminated his employment summarily in accordance with the terms of his contract, Toby Courtauld is entitled to a loyalty bonus (payable in cash) of £250,000 on 31 March 2004 and £350,000 on 31 March 2005.

### Long-Term Incentive Plan

Following shareholder approval at an Extraordinary General Meeting on 11 December 2002, the Company introduced the LTIP for executive directors and senior executives. In designing the LTIP, the Remuneration Committee followed the provisions in Schedule A of the Combined Code. The number of shares made the subject of awards under the LTIP is subject to an annual limit of 125% of a participant's basic salary. In the case of executive directors, as notified in the circular to shareholders proposing the establishment of the LTIP, it is the current intention of the Remuneration Committee to make an award annually of 125% of the relevant executive director's basic salary.

Each year, contingent awards of shares are made which vest after three years provided performance conditions are met. The conditions are based on:

- i) total shareholder return (measured using share price and the reinvestment of dividends) over that period relative to a bespoke comparator group of 20 companies (including the Company) selected from the FTSE Real Estate Index, and
- ii) growth in the Group's net asset value per share exceeding the rate of inflation over the same period by at least an average of two percentage points per annum.

Net asset value per share is calculated as the fully diluted net asset value of the Great Portland Estates group as published in the Company's Annual Report adjusted to exclude the effect of deferred tax relating to capital allowances exceeding depreciation and adjusted, as necessary, to include the effect of marking debt to market and to include the effect of contingent corporation tax on chargeable gains, and adjusted by the Committee as necessary to ensure a consistent basis of calculation following any changes in accounting standards and adjusted to take account of certain variations in share capital.

The comparator companies for 2003 comprise the following:

Land Securities PLC	Quintain Estates & Development PLC
The British Land Company PLC	London Merchant Securities plc
Canary Wharf Group plc	Grainger Trust plc
Liberty International PLC	Shaftesbury PLC
Hammerson plc	Minerva plc
Slough Estates plc	Capital & Regional plc
Chelsfield plc	Benchmark Group PLC
Brixton plc	Helical Bar plc
Pillar Property PLC	CLS Holdings plc
Derwent Valley Holdings PLC	

A participant will be entitled to a percentage of his award dependent on 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	100
2nd	100
3rd	85
4th	70
5th	55
6th	40
7th	35
8th	30
9th	25
10th	20
11th	0

The performance conditions are aimed to align directors' and senior executives' performance to shareholder value and long-term growth in the Company. They were selected by the Remuneration Committee on the advice of the Company's remuneration consultants and following discussion with the Association of British Insurers and institutional investors. In order to ensure that the assessment of performance is independent, Hewitt Bacon & Woodrow and Ernst & Young will report to the Remuneration Committee as to whether the performance criteria have been met.

**Pensions**

A contribution calculated as a proportion of basic salary is made to the director for his personal pension arrangements or direct to his personal pension plan. Paul Gittens, who was an executive director until 17 July 2002, is a member of the Group Pension Plan.

**Remuneration of Non-Executive Directors**

The fees of the non-executive directors are reviewed periodically 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 comprises a basic fee, together with a fee for serving on each Board Committee. In view of the increasing responsibilities of non-executive directors, and following a review by the executive directors in September 2002, it is proposed that the limit for non-executive directors' fees within the Articles of Association be increased to £400,000 in aggregate to enable an increase in the non-executive directors' basic fees (excluding the Chairman) and a crossover period between the appointment of new, and retirement of current, non-executive directors. Non-executive directors are not eligible for the bonus or LTIP, nor are contributions made to any pension arrangements.

**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 All-Share Real Estate Index. The Company is a constituent of the FTSE All-Share Real Estate Index, and the Committee considers this to be the most appropriate broad market equity index for illustrating the Company's performance.

**Great Portland Estates's Total Return Index versus FTSE Real Estate Sector Total Return Index**  
for the five financial years ended 31 March 2003 (rebased as at 1 April 1998)



### Service Agreements

In accordance with the Company's policy, service agreements for the executive directors are on a one-year rolling basis and, therefore, may normally be terminated by either party giving one year's notice.

Toby Courtauld's compensation in lieu of notice, payable at the Company's discretion, is twelve months basic salary and any loyalty bonus payable which falls due during such notice period. In the event of a change in control of the Company, Mr Courtauld is entitled to any unpaid balance in relation to a loyalty bonus of £250,000 due on 31 March 2004 and £350,000 due on 31 March 2005.

Robert Noel's and John Whiteley's compensation in lieu of notice, payable at the Company's discretion, is twelve months basic salary, pension allowance and the value of benefits in kind provided in the previous year or actual provision of those benefits.

On a change of control, under the terms of each of the Bonus Plan and LTIP, all the executive directors would also be entitled to outstanding bonuses and awards subject to the meeting of the appropriate performance conditions for the period concerned.

Non-executive directors do not have service agreements. 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.

The following table sets out the dates of each of the executive directors' service agreements and the non-executive directors' letters of appointment and the unexpired term of each such agreement or 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
John Whiteley	21 October 2002	12
Paul Gittens*	26 February 1991	Retired 17 July 2002
Non-executive	Date of Appointment Letter	Date when next subject to reappointment/re-election
Richard Peskin	31 March 2000	2005
David Godwin	13 July 1998	2003
Howard Perlin	18 November 1999	Retiring 2003
Anthony Graham	7 January 1998	2004
John Edgcumbe	5 August 1999	2003
Kathleen O'Donovan	31 March 2003	2003

\*Paul Gittens retired as a director on 17 July 2002, but was retained on a consultancy agreement for twelve months.

### Directors' Remuneration details in respect of the year ended 31 March 2003 (audited)

	Salaries/ Fees	Performance Related Bonuses	Benefits	Total	Total	Pension Contribution	Pension Contribution
	£000	£000	£000	2003 £000	2002 £000	2003 £000	2002 £000
<b>Executive</b>							
Toby Courtauld <sup>(1)</sup>	414	120	4	538	-	53	-
John Whiteley	231	50	15	296	289	48	44
Robert Noel <sup>(2)</sup>	167	30	3	200	-	33	-
Paul Gittens <sup>(3)</sup>	55	-	3	58	242	-	-
Peter Shaw	-	-	-	-	574	-	58
	867	200	25	1,092	1,105	134	102
<b>Non-executive</b>							
Richard Peskin	153	-	12	165	166	-	-
David Godwin	34	-	-	34	33	-	-
Howard Perlin	26	-	-	26	25	-	-
Anthony Graham	27	-	-	27	27	-	-
John Edgcumbe	24	-	-	24	25	-	-
	264	-	12	276	276	-	-
<b>Total</b>	<b>1,131</b>	<b>200</b>	<b>37</b>	<b>1,368</b>	<b>1,381</b>	<b>134</b>	<b>102</b>

<sup>(1)</sup> Appointed 8 April 2002. Toby Courtauld's salary includes a loyalty bonus of £150,000.

<sup>(2)</sup> Appointed 1 August 2002.

<sup>(3)</sup> Retired 17 July 2002. Paul Gittens also received £132,341 under a consultancy agreement in the period from 18 July 2002 to 31 March 2003.

### Pension Entitlements (audited)

Toby Courtauld, Robert Noel and John Whiteley have personal pension arrangements to which the Company contributes. Pension benefits earned by Paul Gittens who is a member of the Group Pension Plan are set out below:

	Accrued pension at 31 March 2002 £000	Increase in period excluding inflation £000	Transfer value of increase in period £000	Accrued pension at 17 July 2002 £000	Transfer value at 31 March 2002 £000	Transfer value at 31 March 2003 £000	Movement in transfer value during the year £000
Paul Gittens	94	1	10	95	977	1,344	367

The accrued pension entitlements shown are those which would be paid annually on normal retirement date. The increase in the transfer value during the year is predominately due to a change in basis of calculating transfer values following changes in professional actuarial guidance. Had this basis been applied to the transfer value at 31 March 2002, the transfer value would have been £1.326 million with a resulting increase in the year of £18,000.

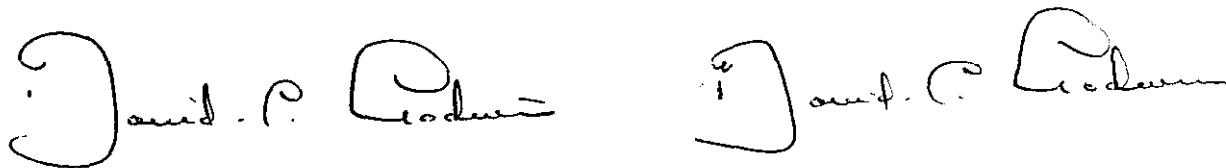
The transfer value disclosed above does not represent an amount payable to Paul Gittens but the potential liability to the plan, and has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

The disclosure of the two different transfer value figures in the table relating to the increase in the year is to ensure compliance with both the Companies Act 1985 and Listing Rules disclosure requirements.

**Long-Term Incentive Plan details in respect of the year ended 31 March 2003 (audited)**

	Date of award	Number of shares under award at 1 April 2002	Number of shares over which awards are granted	Market value of shares on grant £	Number of shares under award at 31 March 2003	Vesting date of outstanding awards
Toby Courtauld	11 Dec 2002	-	160,211	2.13	160,211	11 Dec 2005
Robert Noel	11 Dec 2002	-	146,713	2.13	146,713	11 Dec 2005
John Whiteley	11 Dec 2002	-	142,018	2.13	142,018	11 Dec 2005

Approved by the Board on 3 June 2003 and signed on its behalf by



David Godwin  
Chairman of the Remuneration Committee

## **Statement by the Directors on Compliance with the Provisions of the Combined Code**

The Company has complied with the principles and provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice which forms part of the Financial Services Authority Listing Rules.

## **The Board of Directors**

The Board comprises three executive directors and six non-executive directors.

The Board is responsible to the shareholders for the Group's management and control systems, with the aim to optimise the long-term growth of the Company. The Board meets at least six times a year, objectively setting and monitoring Group strategy, reviewing performance and implementation of the strategy by the executive directors, ensuring adequate funding, examining major potential acquisitions and disposals, formulating policy on key issues and reporting to shareholders. It reviews at least annually the nature and magnitude of matters reserved for its decision. After each Board meeting the non-executives meet without the executive directors and at least twice a year the non-executives meet without the Chairman.

The biographies of all members of the Board are on page 36. Richard Peskin is non-executive Chairman of the Board, Toby Courtauld is Chief Executive and David Godwin is the Senior Independent Director. The Board believes that independence is a matter of judgement and conscience but recognises that under the Higgs proposals a former executive director who becomes a non-executive director would be deemed not to be independent. Richard Peskin, who was formerly Managing Director and executive Chairman of the Board, is, therefore, deemed not to be independent, notwithstanding that two of the three current executive directors have joined the Board since he became non-executive Chairman. Excluding the Chairman, the Board considers all the other non-executive directors, representing over half the Board, to be independent. Due to his experience Mr Godwin is a member of each of the Nomination, Remuneration and Audit Committees.

To enable the Board to discharge its duties, all directors receive appropriate and timely information, including briefing papers distributed in advance of board meetings. 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 receive training as they see fit.

The Nomination, Audit and Remuneration Committees deal with specific aspects of the Group's affairs.

## **Nomination Committee**

The Nomination Committee comprises David Godwin (Chairman), Anthony Graham and Richard Peskin, and meets at least twice a year to:

- consider the need to make new appointments, the nature of the role and the capabilities required for such a role (using external advice where appropriate); and
- review the re-election of non-executive directors.

In the coming year the Nomination Committee will look to formalise the process of evaluation of the Board and its Committees. 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 from the Board. John Edgcumbe and David Godwin will, therefore, be retiring at the Annual General Meeting and will offer themselves for re-election. As a result of the requirement of at least a third of the Board retiring, Mr Godwin, who has only served on the board for five years will be beginning a three-year term and, in the opinion of the Board, continues to offer a significant contribution at both Committee and Board level.

Robert Noel, who was previously a director at Nelson Bakewell Limited and who joined the Company on 1 June 2002, became Property Director following Paul Gittens's retirement in July 2002. Kathleen O'Donovan, who was previously Chief Financial Officer of Invensys plc and is currently Chairman of the Audit Committee of the Court of the Bank of England, and a non-executive director at EMI Group plc and the Prudential PLC, became a non-executive director on 1 April 2003. The Nomination Committee believes that the Board will benefit greatly from the appointment of Miss O'Donovan as a non-executive director. On the retirement of Howard Perlin as a non-executive director at the Annual General Meeting this year,

Miss O'Donovan will take on the role of Chairman of the Audit Committee. Both Mr Noel and Miss O'Donovan were appointed without the involvement of a recruitment consultant. On appointment, new non-executive directors are provided with a detailed induction pack and are encouraged to meet with senior management.

### **Remuneration Committee**

The Remuneration Committee, currently David Godwin (Chairman), John Edgcumbe and Howard Perlin, has responsibility for determining the remuneration, contract terms and other benefits of the executive directors. The Committee meets at least three times a year to consider and establish Company policy and award bonuses as appropriate, and has access to professional advice outside the Company, as required. Its role is described further in the Directors' Remuneration Report on pages 41 to 46.

### **Audit Committee**

The Audit Committee comprises Howard Perlin (Chairman), who is also Chairman of the Audit Committee of all three other companies of which he is a non-executive director, David Godwin and Anthony Graham. It meets at least four times a year and provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by certain senior executives. The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half-year results, statements and accompanying reports, and monitoring controls which are in force to ensure the integrity of information reported to shareholders. 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. The auditors are responsible for the annual audit and associated services, which, in their position as auditors, they are best placed to undertake, including those related to borrowings, the bonus plan and Long-Term Incentive Plan, and shareholder and other circulars. The only other services provided by Ernst & Young are tax services, awarded on the basis of efficiencies achieved by performing the audit; all other requirements for specialist property tax consulting are put out to tender. 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. 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. The Board carries out an annual review of significant business risks, formally considering the scope and effectiveness of the Group's system of internal control. This involves the identification of risks specific to the areas of property and financial markets which impact on its 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 the regulatory environment. Group strategy is updated and reviewed at each Board meeting. During the course of the year the Group introduced a Policies and Procedures Manual for all employees and reorganised internally to provide clearly defined levels of authority and division of responsibilities. As the Company has a small number of employees, there is a high level of executive involvement in the majority of transactions. Copies of the minutes of the Executive Committee, which comprises the executive directors, are circulated to the non-executive directors.

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'.

### **Relations with shareholders**

Communications with shareholders are 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 but, as Chairman and Senior Independent Director, respectively, Richard Peskin and David Godwin are available as a contact for shareholders. Independent feedback on presentations by the executive directors to all major shareholders is provided to the non-executive directors on a regular basis. In his role as Chairman of the Remuneration Committee, Mr Godwin also consulted with major shareholders during the year in respect of the proposed terms of the Long-Term Incentive Plan, the feedback from which was duly considered by the Remuneration Committee.

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders. 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 15 July 2003 can be found in the Notice of Meeting on pages 69 and 70. Details of the number of proxy votes for and against 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.

# Report of the Auditors

## **Independent Auditors' Report to the Members of Great Portland Estates plc**

We have audited the Group's financial statements for the year ended 31 March 2003 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, Group Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses and the related notes 1 to 31. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited 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 purposes. 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 including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 and consider whether it is consistent with the audited financial statements. This other information comprises the Report of the Directors, unaudited part of the Directors' Remuneration Report, Chairman's Statement, Chief Executive's Review, Portfolio Review, Financial Review and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of Audit Opinion**

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

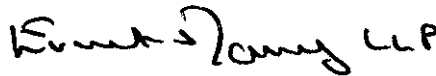
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from 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 financial statements and the part of the Directors' Remuneration Report to be audited.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the loss of the Group for the year then ended, and the financial statements and the part of the Directors' Remuneration Report to be audited, have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London



3 June 2003

## Statement of Directors' Responsibilities

Company law requires the directors 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 Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Group Profit and Loss Account

For the year ended 31 March 2003

	Notes	2003 £m	2002 £m
Rent receivable	2	72.6	85.3
Ground rents		(1.9)	(1.7)
Net rental income		70.7	83.6
Property and refurbishment costs		(1.9)	(2.1)
Administration expenses	3	(6.7)	(5.7)
		62.1	75.8
Trading (losses)/profits		(0.5)	0.4
Operating profit		61.6	76.2
Loss on sale of investment properties		(2.4)	(3.2)
Profit on ordinary activities before interest		59.2	73.0
Interest receivable	5	1.7	1.8
Interest payable	6	(24.9)	(42.1)
Exceptional interest costs	7	(70.2)	(30.3)
(Loss)/profit on ordinary activities before taxation		(34.2)	2.4
Tax on (loss)/profit on ordinary activities	8	13.7	2.1
(Loss)/profit on ordinary activities after taxation	9	(20.5)	4.5
Dividends	10	(20.8)	(20.3)
Retained loss for the year		(41.3)	(15.8)
(Loss)/earnings per share – basic	11	(10.1)p	2.1p
Earnings per share – adjusted	11	13.3p	12.7p

A statement of the movement on reserves is given in note 23.

# Group Balance Sheet

At 31 March 2003

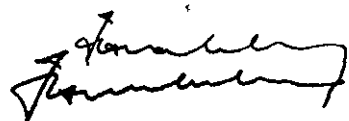
	Notes	2003 £m	2002 £m
<b>Tangible fixed assets</b>			
Investment properties	12	<b>779.4</b>	1,076.1
Investments	13	<b>1.7</b>	-
		<b>781.1</b>	1,076.1
<b>Current assets</b>			
Stock of trading properties		-	1.9
Debtors	14	<b>26.4</b>	17.8
Cash at bank and short-term deposits		<b>103.5</b>	83.4
		<b>129.9</b>	103.1
Creditors: amounts falling due within one year	15	<b>(41.6)</b>	(44.8)
Net current assets		<b>88.3</b>	58.3
Total assets less current liabilities		<b>869.4</b>	1,134.4
<b>Creditors: amounts falling due after more than one year</b>			
Debenture loans	16	<b>(223.7)</b>	(353.8)
Convertible loans	17	<b>(57.1)</b>	(56.9)
Bank and other loans	18	<b>(5.9)</b>	(6.7)
Provisions for liabilities and charges	20	<b>(14.2)</b>	(15.2)
		<b>568.5</b>	701.8
<b>Capital and reserves</b>			
Called up share capital	21	<b>101.5</b>	101.5
Share premium account	22	<b>24.8</b>	24.8
Revaluation reserve	23	<b>255.4</b>	445.9
Other reserves	23	<b>25.0</b>	25.0
Profit and loss account	23	<b>161.8</b>	104.6
Equity shareholders' funds		<b>568.5</b>	701.8

# Company Balance Sheet

At 31 March 2003

	Notes	2003 £m	2002 £m
Fixed asset investments	13	<b>1,276.2</b>	1,466.7
<b>Current assets</b>			
Debtors	14	<b>220.6</b>	54.0
Cash at bank and short-term deposits		<b>101.7</b>	83.4
		<b>322.3</b>	137.4
Creditors: amounts falling due within one year	15	<b>(672.4)</b>	(493.5)
Net current liabilities		<b>(350.1)</b>	(356.1)
Total assets less current liabilities		<b>926.1</b>	1,110.6
<b>Creditors: amounts falling due after more than one year</b>			
Debenture loans	16	<b>(280.6)</b>	(350.1)
Convertible loans	17	<b>(57.1)</b>	(56.9)
Bank and other loans	18	<b>(5.9)</b>	(6.7)
Provisions for liabilities and charges	20	<b>(3.6)</b>	-
		<b>578.9</b>	696.9
<b>Capital and reserves</b>			
Called up share capital	21	<b>101.5</b>	101.5
Share premium account	22	<b>24.8</b>	24.8
Revaluation reserve	23	<b>240.3</b>	430.8
Other reserves	23	<b>25.0</b>	25.0
Profit and loss account	23	<b>187.3</b>	114.8
Equity shareholders' funds		<b>578.9</b>	696.9

Approved by the Board of Directors on 3 June 2003 and signed on its behalf by



John Whiteley  
Finance Director

## Group Statement of Cash Flows

For the year ended 31 March 2003

	Notes	2003 £m	2002 £m
Net cash inflow from operating activities	25	<b>59.2</b>	72.5
Returns on investments and servicing of finance	26	<b>(23.0)</b>	(55.2)
Taxation	26	<b>3.7</b>	(5.2)
Net cash inflow from capital expenditure	26	<b>198.0</b>	330.5
Equity dividends paid		<b>(20.4)</b>	(20.7)
Net cash inflow before use of liquid resources and financing		<b>217.5</b>	321.9
Management of liquid resources	26	<b>(18.3)</b>	11.8
Net cash outflow from financing	26	<b>(197.4)</b>	(334.5)
Increase/(decrease) in cash		<b>1.8</b>	(0.8)

## Group Statement of Total Recognised Gains and Losses

For the year ended 31 March 2003

	2003 £m	2002 £m
(Loss)/profit for the year	<b>(20.5)</b>	4.5
Unrealised deficit on revaluation of fixed assets	<b>(92.0)</b>	(99.5)
Total recognised gains and losses for the year	<b>(112.5)</b>	(95.0)

## Note of Historical Cost Profits and Losses

For the year ended 31 March 2003

	2003 £m	2002 £m
Reported (loss)/profit on ordinary activities before taxation	<b>(34.2)</b>	2.4
Realisation of fixed asset revaluation surpluses of previous years	<b>98.5</b>	40.5
Historical cost profit on ordinary activities before taxation	<b>64.3</b>	42.9
Historical cost profit for the year retained after taxation and dividends	<b>57.2</b>	24.7

# Notes Forming Part of the Financial Statements

## 1 Accounting Policies

**Accounting Convention** The financial statements are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and investments in subsidiary undertakings, and are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, as explained in Depreciation below.

In preparing the financial statements for the current year, the Group has changed its accounting policy to capitalise interest attributable to properties in the course of development (including major refurbishments). Previously such interest was written off to the profit and loss account as incurred. This new accounting policy has been adopted because, as the Group's development programme gathers momentum, the inclusion of interest in development costs will give a more appropriate view of the results for the period and of the expenditure on developments and the surpluses created by development activity. The effect of this change in accounting policy is not material to this year's results, nor does it give rise to a prior year adjustment.

**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.

**Rent Receivable** This comprises rental income on investment and trading properties for the year, exclusive of service charges receivable. Service charges are credited against relevant expenditure.

**Property and Refurbishment Costs** Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the profit and loss account as 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 profit and loss account as incurred.

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

**Properties** Trading properties are included at the lower of cost and net realisable value. Investment properties, including those in the course of development, are professionally valued each year, on an open market basis, and any surpluses or deficits arising are taken to revaluation reserve. Disposals of investment and trading properties are recognised where contracts have been exchanged during the accounting period and completion has taken place before or shortly after the year end.

**Depreciation** In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

**Deferred Taxation** Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Subsidiary Undertakings** Shares in subsidiary undertakings are valued at amounts equal to their original cost and any subsequent movement in the capital reserves 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.

**Pensions** The Group contributes to a defined benefit pension plan which is funded with assets held separately from those of the Group. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

**Capitalisation of Interest** Interest associated with direct expenditure on properties under development (including major refurbishments) is capitalised. Direct expenditure includes the purchase cost of a site or property if it was acquired specifically for development, but does not include the acquisition cost or valuation of properties held as investments. 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** An interest rate swap is accounted for as a hedge when it alters the risk profile of an existing underlying exposure, typically a floating rate bank loan.

## 2 Turnover and Segmental Analysis

Rent receivable by location:

	2003 £m	2002 £m
West End – Offices North of Oxford Street	20.2	18.3
– Other Offices	12.5	13.4
– Retail	12.0	11.8
– Other	0.5	0.5
City and Holborn – Offices	16.7	16.9
– Retail	0.8	1.0
Outside London – Offices	7.9	10.0
– Retail	0.8	1.0
– Other	0.9	–
Shopping Centres	0.3	12.4
	<b>72.6</b>	<b>85.3</b>

Rent receivable is stated exclusive of value added tax, and arose wholly from continuing operations in the United Kingdom. No operations were discontinued during the year.

	2003 £m	2002 £m
<b>3 Administration Expenses</b>		
Administration expenses		
Other	6.4	5.4
Exceptional items		
Costs of early repayment of debenture	0.3	0.3
	<b>6.7</b>	<b>5.7</b>

Included within administration expenses are fees charged by the auditors comprising audit fees of £0.1 million (2002: £0.1 million) and taxation fees of £0.3 million (2002: £0.2 million).

## 4 Employee Information

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

	2003 Number	2002 Number
Head office and administration	45	49
On-site property management	–	15
	<b>45</b>	<b>64</b>

#### 4 Employee Information (continued)

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

	2003 £m	2002 £m
Wages and salaries	3.6	3.6
Social security costs	0.4	0.4
Other pension costs	0.4	0.7
	4.4	4.7
Less: recovered through service charges	-	(0.4)
	4.4	4.3

The directors received fees of £264,000 (2002: £265,000) and other emoluments of £1,104,000 (2002: £1,116,000), and pension contributions have been made for directors of £134,000 (2002: £102,000). The emoluments, share options and pension benefits of the directors are set out in detail within the Directors' Remuneration Report on pages 41 to 46.

#### 5 Interest Receivable

	2003 £m	2002 £m
Short-term deposits	0.9	1.5
Other	0.8	0.3
	1.7	1.8

#### 6 Interest Payable

	2003 £m	2002 £m
Bank loans and overdrafts	5.6	8.0
Other	19.3	34.1
	24.9	42.1

#### 7 Exceptional Interest Costs

	2003 £m	2002 £m
Premium on purchase/early repayment of debenture	66.6	28.2
Provision for swap costs	3.6	-
Cost of swap cancellation	-	2.1
	70.2	30.3

#### 8 Tax on (Loss)/Profit on Ordinary Activities

	2003 £m	2002 £m
Current tax		
UK corporation tax	-	0.4
Tax underprovided in previous years	0.2	-
Total current tax	0.2	0.4
Deferred tax	(13.9)	(2.5)
Tax on (loss)/profit on ordinary activities	(13.7)	(2.1)

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

	2003 £m	2002 £m
(Loss)/profit on ordinary activities before tax	<b>(34.2)</b>	2.4
Tax on (loss)/profit on ordinary activities at standard rate of 30%	<b>(10.3)</b>	0.7
Accounting losses arising in the year not relievable against current tax	<b>9.7</b>	-
Expenses not deductible for tax purposes	<b>0.2</b>	0.2
Income not taxable	<b>(0.1)</b>	-
Capital allowances	-	(1.2)
Pension contributions in excess of pensions charge	<b>(0.2)</b>	(0.3)
Sale of investment properties covered by capital losses	<b>0.7</b>	1.0
Tax underpaid in previous years	<b>0.2</b>	-
	<b>0.2</b>	0.4

Taxation on capital gains of approximately £14 million would have arisen if the Group's investment properties had been sold for their book value at the balance sheet date.

#### 9 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 profit dealt with in the accounts of the Company was £93.3 million (2002: £24.1 million).

#### 10 Dividends

	2003 £m	2002 £m
Interim at 3.42p on 203,093,515 shares (2002: 3.33p on 203,041,984 shares)	<b>6.9</b>	6.8
Proposed final at 6.83p on 203,093,515 shares (2002: 6.67p on 203,041,984 shares)	<b>13.9</b>	13.5
	<b>20.8</b>	20.3

The final dividend will be payable on 17 July 2003 to shareholders on the register at 13 June 2003.

#### 11 Earnings per Share

Earnings per share are based on the loss attributable to ordinary shareholders of £20.5 million (2002: profit of £4.5 million) and on the weighted average of 203,092,527 shares in issue (2002: 207,994,455 shares). There is no impact on earnings per share of conversion of the convertible bonds, or share options.

The directors believe that earnings per share before deferred tax arising on capital allowances exceeding depreciation, exceptional items and profits or losses on sales of investment properties provide a more meaningful measure of the Group's performance. Accordingly, earnings per share on that adjusted basis have been disclosed on the face of the profit and loss account and calculated as follows:

	2003 (Loss)/Profit After Tax £m	2003 Earnings per Share Pence	2002 Profit After Tax £m	2002 Earnings Per Share Pence
Basic	<b>(20.5)</b>	<b>(10.1)</b>	4.5	2.1
Deferred tax	<b>(4.7)</b>	<b>(2.3)</b>	(2.8)	(1.3)
Exceptional items	<b>49.8</b>	<b>24.5</b>	21.5	10.3
Loss on sale of investment properties	<b>2.4</b>	<b>1.2</b>	3.2	1.6
Adjusted	<b>27.0</b>	<b>13.3</b>	26.4	12.7

<b>12 Investment Properties</b>	Freehold £m	Leasehold over 900 Years £m	Leasehold 50-250 Years £m	Total £m
Book value at 1 April 2002	813.9	114.8	147.4	1,076.1
Add: Included in prepayments and accrued income	-	-	-	-
Market value at 1 April 2002	813.9	114.8	147.4	1,076.1
Additions at cost	10.7	0.2	-	10.9
Disposals	(212.5)	(0.2)	(2.9)	(215.6)
	612.1	114.8	144.5	871.4
Deficit on revaluation	(77.1)	(10.3)	(4.0)	(91.4)
Market value at 31 March 2003	535.0	104.5	140.5	780.0
Less: Included in prepayments and accrued income	(0.3)	(0.2)	(0.1)	(0.6)
Book value at 31 March 2003	534.7	104.3	140.4	779.4
				£m
Movement in revaluation reserve:				
Deficit on revaluation				(91.4)
Add: Included within prepayments and accrued income at 1 April 2002				-
Less: Included within prepayments and accrued income at 31 March 2003				(0.6)
Movement in revaluation reserve (note 23)				(92.0)

The freehold and leasehold investment properties were valued on the basis of Open Market Value by CB Hillier Parker as at 31 March 2003 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The historical cost of investment properties at 31 March 2003 was £539.0 million (2002: 645.2 million).

<b>13 Investments</b>	Investment in own shares £m
Group	
At 1 April 2002	-
Additions	1.7
At 31 March 2003	1.7

The investment in the Company's own shares at 31 March 2003 had a market value of £1.6 million and comprised 747,765 shares with a nominal value of 50p each, representing 0.4% of the shares in issue, acquired at a cost of £2.21 each. The shares, which are held by the Great Portland Estates PL.C. LTIP Employee Share Trust, will vest in certain senior employees of the Group if performance conditions are met, as described on pages 42 and 43.

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Investment in own shares £m	Total £m
<b>Company</b>				
At 1 April 2002	599.3	867.4	-	1,466.7
Additions	-	-	1.7	1.7
Disposals	(1.5)	-	-	(1.5)
Deficit on revaluation	(190.5)	-	-	(190.5)
Movement in loans	-	(0.2)	-	(0.2)
At 31 March 2003	407.3	867.2	1.7	1,276.2

Shares in subsidiary undertakings are carried at valuation. The historical cost of the shares in subsidiary undertakings at 31 March 2003 was £148.7 million (2002: £150.3 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 registered in England and operate in the United Kingdom:

	Principal Activity		Principal Activity
B & H S Management Limited	Property management	J.L.P. Investment Company Limited	Property investment
Collin Estates Limited	Property investment	Knighton Estates Limited	Property investment
Courtana Investments Limited	Property investment	Petra Investments Limited	Property investment
G.P.E. (80 Bishopsgate) Limited	Property investment	Pontsarn Investments Limited	Property investment
G.P.E. (88/104 Bishopsgate) Limited	Property investment	34/43 Russell Street Limited*	Property investment
G.P.E. (61 St. Mary Axe) Limited	Property investment	90 Fetter Lane Limited*	Property investment
Ilex Limited	Property investment		
Jekyll Properties Limited*	Property investment	*Held by a subsidiary undertaking	

	2003 £m	2002 £m
<b>14 Debtors</b>		
Group		
Rental debtors	5.0	5.6
Corporation tax	2.8	6.7
Other debtors	5.3	3.9
Prepayments and accrued income	4.0	1.6
Deferred taxation	9.3	-
	<b>26.4</b>	<b>17.8</b>

Included within prepayments and accrued income is £2.8 million (2002: £1.2 million) in respect of pension contribution payments made in advance of their recognition in the profit and loss account, of which £2.8 million (2002: £1.2 million) falls due after more than one year.

The deferred taxation asset arises from the accounting loss in the year ended 31 March 2003 and has been recognised on the basis of future estimated taxable profits against which it will be offset.

	2003 £m	2002 £m
<b>Company</b>		
Amounts owed by subsidiary undertakings	220.0	51.6
Corporation tax	0.3	2.3
Other debtors	0.2	0.1
Prepayments and accrued income	0.1	-
	<b>220.6</b>	<b>54.0</b>

	2003 £m	2002 £m
<b>15 Creditors: Amounts Falling Due Within One Year</b>		
Group		
Accruals and rents in advance	22.6	26.4
Other taxes and social security costs	1.6	1.9
Other creditors	3.5	3.0
Proposed dividend	13.9	13.5
	<b>41.6</b>	<b>44.8</b>
Company		
Amounts owed to subsidiary undertakings	652.5	474.1
Accruals	5.8	5.6
Other taxes and social security costs	0.1	0.2
Other creditors	0.1	0.1
Proposed dividend	13.9	13.5
	<b>672.4</b>	<b>493.5</b>

## 16 Debenture Loans

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
First mortgage debenture stock				
£24 million 11¾ per cent. debenture stock 2009/14	27.1	27.2	23.5	23.5
£60.5 million 11¼ per cent. debenture stock 2021*	-	130.0	60.5	130.0
£100 million 7¼ per cent. debenture stock 2027	97.7	97.7	97.7	97.7
£100 million 5¾ per cent. debenture stock 2029	98.9	98.9	98.9	98.9
	<b>223.7</b>	353.8	<b>280.6</b>	350.1

\*At 31 March 2002, the nominal value outstanding of this debenture was £130 million and its coupon 10¾ per cent. During the year ended 31 March 2003, it became an unsecured loan, its coupon was raised to 11¼ per cent., and £69.5 million was redeemed.

Certain of the freehold and leasehold properties are charged to secure the other first mortgage debenture stock.

## 17 Convertible Loans

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
5¼ per cent. convertible bonds 2008	58.0	58.0	58.0	58.0
Costs of issue	(0.9)	(1.1)	(0.9)	(1.1)
	<b>57.1</b>	56.9	<b>57.1</b>	56.9

The bonds, which are unsecured, are convertible by the bondholder at any time until 2008 at a price of £3.10 per share, and redeemable by the Company in 2008 at par.

## 18 Bank and Other Loans

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Unsecured loan notes 2007	5.9	6.7	5.9	6.7

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

## 19 Derivatives and Other Financial Instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found in the Financial Review on pages 24 to 27. The disclosures below exclude short-term debtors and creditors.

### Interest rate profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 March 2003 was as follows:

	2003 £m	2002 £m
Fixed rate financial liabilities	280.8	410.7
Floating rate financial liabilities	5.9	6.7
	<b>286.7</b>	417.4

All financial liabilities were in sterling. The fixed rate financial liabilities carried a weighted average interest rate of 6.8 per cent. (2002: 7.8 per cent.), and the weighted average period for which the rate was fixed was 19.7 years (2002: 20.3 years). The floating rate financial liabilities comprised unsecured loan notes, details of which are given in note 18.

### Interest rate profile of financial assets

The Group held the following financial assets as at 31 March 2003:

	2003 £m	2002 £m
Sterling cash deposits	103.5	83.4

The sterling cash deposits were all held as part of the financing arrangements of the Group, and comprised deposits placed on money markets for up to three months at fixed rates and cash. The weighted average interest rate on the deposits was 3.6 per cent. (2002: 4.0 per cent.).

### Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2003 was as follows:

	2003 £m	2002 £m
In more than two years but not more than five years	63.0	-
In more than five years	223.7	417.4
	286.7	417.4

### Borrowing facilities

Undrawn committed borrowing facilities available to the Group at 31 March 2003 were as follows:

	2003 £m	2002 £m
Expiring in one year or less	15.0	40.0
Expiring in between one and two years	175.0	-
Expiring in more than two years	20.0	195.0
	210.0	235.0

### Fair values of financial assets and financial liabilities

	2003 Book Value £m	2003 Fair Value £m	2002 Book Value £m	2002 Fair Value £m
Long-term borrowings	286.7	298.3	417.4	485.8
Interest rate swaps	3.6	5.1	-	2.5

The fair values of the Group's fixed asset investments and cash and short-term deposits are not materially different from those at which they are carried in the financial statements.

Market values have been used to determine the fair value of listed long-term borrowings, and interest rate swaps have been valued by reference to market rates of interest. The fair values of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

The cumulative aggregate losses on financial instruments for which hedge accounting has been used that are unrecognised at the balance sheet date are £1.5 million (2002: losses of £2.5 million). Changes in the fair value of hedging instruments are not recognised in the accounts until the hedged position matures. The movement in these unrecognised gains and losses is as follows:

	Net (gains)/losses £m
Unrecognised losses on hedging instruments at 1 April 2002	2.5
Losses recognised in the year	(5.9)
Losses arising that were not recognised in the year	4.9
Unrecognised losses on hedging instruments at 31 March 2003	1.5
Of which:	
Losses expected to be recognised in the year to 31 March 2004	0.9
Losses expected to be recognised in the year to 31 March 2005 or later	0.6

## 20 Provisions for Liabilities and Charges

	Deferred tax £m	Provision for swap costs £m	Total £m
<b>Group</b>			
At 1 April 2002	15.2	-	15.2
(Released)/arising during the year	(4.6)	3.6	(1.0)
At 31 March 2003	10.6	3.6	14.2

The provision for deferred tax comprises £10.2 million in respect of capital allowances exceeding depreciation, and £0.4 million of other timing differences.

	Provision for swap costs £m
<b>Company</b>	
At 1 April 2002	-
Arising during the year	3.6
At 31 March 2003	3.6

## 21 Share Capital

	2003 Number	2003 £m	2002 Number	2002 £m
<b>Ordinary shares of 50p each</b>				
Authorised	300,000,000	150.0	300,000,000	150.0
Allotted, called up and fully paid				
At 1 April 2002	203,041,984	101.5	214,249,114	107.1
Purchased	-	-	(11,207,130)	(5.6)
Exercise of share options	51,531	-	-	-
At 31 March 2003	203,093,515	101.5	203,041,984	101.5

At 31 March 2003, there were no remaining options to subscribe for shares in the Company under the 1988 Executive Share Option Scheme. At 31 March 2002, there were 51,531 existing options, all of which were originally granted on 23 June 1995, were exercisable at a price of 164.95p, and were exercised in the year ended 31 March 2003.

## 22 Share Premium Account

	2003 £m	2002 £m
At 31 March 2003 and at 1 April 2002	24.8	24.8

The exercise of share options in the year did not generate a material share premium.

	Other Reserves			Revaluation Reserve £m	Profit and Loss Account £m
	Capital Redemption Reserve £m	Acquisition Reserve £m	Total £m		
<b>23 Reserves</b>					
<b>Group</b>					
At 1 April 2002	16.4	8.6	25.0	445.9	104.6
Realised on disposal of properties	-	-	-	(98.5)	98.5
Deficit on revaluation	-	-	-	(92.0)	-
Retained loss for the year	-	-	-	-	(41.3)
At 31 March 2003	16.4	8.6	25.0	255.4	161.8
<b>Company</b>					
At 1 April 2002	16.4	8.6	25.0	430.8	114.8
Deficit on revaluation	-	-	-	(190.5)	-
Retained profit for the year	-	-	-	-	72.5
At 31 March 2003	16.4	8.6	25.0	240.3	187.3

<b>24 Reconciliation of Movements in Shareholders' Funds</b>	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
(Loss)/profit for the financial year	<b>(20.5)</b>	4.5
Dividends	<b>(20.8)</b>	(20.3)
	<b>(41.3)</b>	(15.8)
Purchase of shares	-	(30.3)
Other recognised gains and losses relating to the year (net)	<b>(92.0)</b>	(99.5)
Net decrease in shareholders' funds	<b>(133.3)</b>	(145.6)
Opening shareholders' funds	<b>701.8</b>	847.4
Closing shareholders' funds	<b>568.5</b>	701.8

<b>25 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities</b>	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Operating profit	<b>61.6</b>	76.2
Decrease in stock of trading properties	<b>1.9</b>	5.0
Increase in debtors	<b>(0.4)</b>	(2.2)
Decrease in creditors	<b>(3.9)</b>	(6.5)
Net cash inflow from operating activities	<b>59.2</b>	72.5

<b>26 Analysis of Cash Flows</b>	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	<b>1.6</b>	1.8
Interest paid	<b>(24.6)</b>	(57.0)
	<b>(23.0)</b>	(55.2)
<b>Taxation</b>		
Corporation tax paid	<b>(0.1)</b>	(5.7)
Corporation tax refunded	<b>3.8</b>	0.5
	<b>3.7</b>	(5.2)
<b>Net cash inflow from capital expenditure</b>		
Payments to acquire investment properties	<b>(10.8)</b>	(27.8)
Receipts from sales of investment properties	<b>210.5</b>	358.3
Payments to acquire investments	<b>(1.7)</b>	-
	<b>198.0</b>	330.5
<b>Management of liquid resources</b>		
Cash (placed on)/withdrawn from short-term deposit	<b>(18.3)</b>	11.8
	<b>(18.3)</b>	11.8
<b>Net cash outflow from financing</b>		
Redemption of loans – nominal value	<b>(130.8)</b>	(101.0)
– premium on redemption	<b>(66.6)</b>	(28.2)
Repayment of bank loans	-	(175.0)
Purchase of shares	-	(30.3)
	<b>(197.4)</b>	(334.5)

<b>27 Reconciliation of Net Cash Flow to Movement in Net Debt</b>	<b>2003</b>	<b>2002</b>
	<b>£m</b>	<b>£m</b>
Increase/(decrease) in cash in the year	1.8	(0.8)
Cash placed on/(withdrawn from) short-term deposit	18.3	(11.8)
Cash outflow from redemption of loans	130.8	276.0
Change in net debt arising from cash flows	150.9	263.4
Other non-cash movements	(0.1)	0.1
Movement in net debt in the year	150.8	263.5
Net debt at 1 April 2002	(334.0)	(597.5)
Net debt at 31 March 2003	(183.2)	(334.0)

<b>28 Analysis of Net Debt</b>	<b>At 1 April 2002</b>	<b>Cash Flow</b>	<b>Non-Cash Changes</b>	<b>At 31 March 2003</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash	-	1.8	-	1.8
Short-term deposits	83.4	18.3	-	101.7
Debt due after one year	(417.4)	130.8	(0.1)	(286.7)
	(334.0)	150.9	(0.1)	(183.2)

### **29 Capital Commitments**

At 31 March 2003 there were outstanding contracts of Group undertakings for capital expenditure amounting to £16.0 million (2002: £10.0 million).

### **30 Pension Commitments**

The Group contributes to a defined benefit pension plan, the assets of which are held by trustees separately from the assets of the Company. The contributions relating to the Plan are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the Attained Age funding method. The most recent valuation of the Plan was conducted as at 1 April 2002, using the following main assumptions:

- rate of salary increases – 5 per cent. per annum;
- rate of increase in deferred pensions – 2.75 per cent. per annum;
- rate of increase in pensions in payment, subject to indexation at the lower of RPI and 5 per cent. per annum – 2.75 per cent. per annum;
- discount rate pre-retirement – 7 per cent. per annum;
- discount rate post-retirement – 5.5 per cent. per annum;
- inflation – 2.75 per cent. per annum; and
- asset valuation – market value.

The valuation showed that the market value of the Plan's assets at 1 April 2002 amounted to £9.1 million and the actuarial value of the accumulated fund was sufficient to cover 90 per cent. of the benefits which had accrued to the members of the Plan at that date, allowing for expected future increases in earnings. Following the valuation, the Group's contributions have been paid at a rate of 5.5 per cent. of pensionable salaries plus pensions in payment (in aggregate equating to 28.6 per cent. of pensionable salaries at the valuation date). In addition, a special lump sum was paid in the year of £1.2 million (2002: £0.9 million) to accelerate the improvement in the Plan's funding level.

The total normal cost for the Group of £0.3 million (2002: £0.7 million), including amounts payable to personal pensions, is included in administration expenses. A prepayment of £2.8 million (2002: £1.2 million), representing the excess of employer contributions over accumulated pension costs, is included within current assets.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2002 and updated by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the Plan at 31 March 2003. Plan assets are stated at their market value at 31 March 2003.

	At 31 March 2003 %	At 31 March 2002 %
<b>Main assumptions:</b>		
Rate of increase in salaries	<b>4.75</b>	5.00
Rate of increase of pensions in payment	<b>2.50</b>	2.75
Discount rate	<b>5.50</b>	6.00
Inflation assumption (Limited Price Indexation)	<b>2.50</b>	2.75

Following the full actuarial valuation as at 1 April 2002, the 2003 mortality assumptions were updated to reflect increased life expectancy.

The assets and liabilities of the Plan and the expected rates of return were:

	Long-term rate of return % p.a.	At 31 March 2003 £m	Long-term rate of return % p.a.	At 31 March 2002 £m
Equities	<b>7.00</b>	<b>6.4</b>	7.00	6.8
Bonds	<b>4.50</b>	<b>2.5</b>	5.25	2.3
Total market value of assets		<b>8.9</b>		9.1
Present value of Plan liabilities		<b>(12.2)</b>		(10.2)
Shortfall in the Plan		<b>(3.3)</b>		(1.1)
Related deferred tax asset		<b>1.0</b>		0.3
Net pension liability		<b>(2.3)</b>		(0.8)

If these net pension liabilities were to be recognised in the group financial statements, the effect on net assets and profit and loss reserve would be as follows:

	At 31 March 2003 £m	At 31 March 2002 £m
<b>Net Assets</b>		
As currently stated	<b>568.5</b>	701.8
Net pension liability	<b>(2.3)</b>	(0.8)
Net reversal of prepaid pension contribution	<b>(2.4)</b>	(0.9)
As restated	<b>563.8</b>	700.1
<b>Profit and Loss Reserve</b>		
As currently stated	<b>161.8</b>	104.6
Net pension liability	<b>(2.3)</b>	(0.8)
Net reversal of prepaid pension contribution	<b>(2.4)</b>	(0.9)
As restated	<b>157.1</b>	102.9

The net return on the Plan for the year ended 31 March 2003 comprised:

	2003 £m
Expected return on Plan assets	<b>0.6</b>
Interest on Plan liabilities	<b>(0.6)</b>
Net return	-

The movement in the deficit in the Plan in the year ended 31 March 2003 comprised:

	<b>2003 £m</b>
Deficit in Plan at beginning of year	<b>(1.1)</b>
Current service cost	<b>(0.3)</b>
Contributions	<b>1.7</b>
Net return on assets	<b>-</b>
Actuarial loss	<b>(3.6)</b>
<b>Deficit in Plan at end of year</b>	<b>(3.3)</b>

The amount charged to operating profit in 2003 comprised entirely current service costs. The Plan is closed to new entrants and the service cost is, therefore, expected to increase as a percentage of salaries as the membership approaches retirement.

The amount recognised in the Statement of Total Recognised Gains and Losses (STRGL) in the year ended 31 March 2003 would have been:

	<b>2003 £m</b>
Actual return less expected return on assets	<b>(2.2)</b>
Experience gains and losses on liabilities	<b>0.2</b>
Changes in assumptions	<b>(1.6)</b>
<b>Actuarial loss</b>	<b>(3.6)</b>

The £2.2 million by which the actual return fell short of the expected return represented 24% of Plan assets; the £0.2 million of experience gains and losses on liabilities represented 2% of Plan liabilities; and the £3.6 million actuarial loss which would have been recognised in the STRGL was 30% of the size of Plan liabilities.

### **31 Directors' Interests**

From 1 April 2002 to his retirement as a director of the Company on 17 July 2002, Paul Gittens was a trustee and member of the pension plan to which the Group contributes. There are no other interests in contracts which are required to be disclosed under the Companies Act 1985.

# Notice of Meeting

**Notice** is hereby given that the forty-sixth Annual General Meeting of Great Portland Estates plc will be held at Le Méridien, 21 Piccadilly, London W.1., on Tuesday, 15 July 2003 at 11.30 am, for the purposes set out below, with the Board available from 11.00 am to meet shareholders and answer questions:

- 1 To receive and adopt the accounts for the year ended 31 March 2003.
- 2 To authorise the payment of a final dividend.
- 3 To approve the Directors' Remuneration Report.
- 4 To re-elect David Godwin as a director of the Company.
- 5 To re-elect John Edgcumbe as a director of the Company.
- 6 To reappoint Robert Noel as a director of the Company.
- 7 To reappoint Kathleen O'Donovan as a director of the Company.
- 8 To reappoint Ernst & Young LLP as auditors, and to authorise the directors to agree their remuneration.

As special business, to consider and, if thought fit, to pass the following Resolutions which will be proposed as to those numbered 9 and 10 as Ordinary Resolutions, and those numbered 11 and 12 as Special Resolutions.

## **Ordinary Resolutions**

- 9 That the Articles of Association of the Company be and are hereby amended by deleting the figure "£300,000" in Article 87 and replacing it with the figure "£400,000".
- 10 That the directors be and are hereby authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal value of £33,815,070 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 14 October 2004, whichever is the earlier, 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**

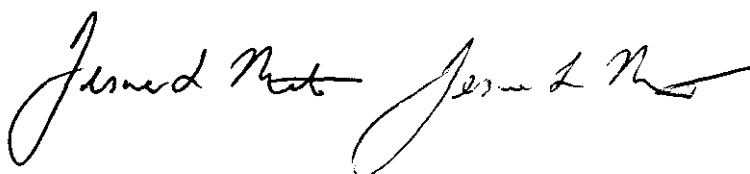
- 11 That subject to Resolution 10 being passed and pursuant to and in accordance with the authority thereby granted, the directors be and are hereby empowered pursuant to Section 95 of the Act and for the purposes of Article 8(B) of the Articles of Association of the Company to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to such authority 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 subparagraph (a) above) of equity securities up to an aggregate nominal value of £5,077,337,

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 14 October 2004, whichever is the earlier, 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.

- 12 That 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 upon or subject to the following conditions:
- a) the maximum number of shares which may be purchased is 30,443,717;
  - b) the maximum price at which shares may be purchased shall be 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 minimum price shall be 50p, being the nominal value of the shares, in both cases 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 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:  
56 Mortimer Street  
London W1W 7RT

By order of the Board



Desna Martin  
Secretary

13 June 2003

Notes

- 1 A member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A form of proxy is enclosed. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.
- 2 The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and Public Holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting:
  - a) a statement of all transactions of each director and of their family interests in each class of the share capital and debentures of the Company and its subsidiaries;
  - b) copies of all contracts of service whereunder directors of the Company are employed by the Company or any of its subsidiaries; and
  - c) copies of the current and proposed new Articles of Association of the Company.
- 3 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 8.00 am on Monday 14 July 2003 shall be entitled to attend or 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.

# Analysis of Ordinary Shareholdings

At 31 March 2003

<b>By Shareholder</b>	Shareholders		Shareholdings	
	Number	%	Number	%
Banks and nominee companies	1,612	36.63	182,753,642	89.99
Individuals	2,629	59.73	16,576,955	8.16
Investment trusts	25	0.57	201,368	0.10
Insurance companies	8	0.18	60,161	0.03
Other limited companies	90	2.05	1,660,925	0.82
Pension funds	7	0.16	779,080	0.38
Other institutions	30	0.68	1,061,384	0.52
	<b>4,401</b>	<b>100.00</b>	<b>203,093,515</b>	<b>100.00</b>
<b>By Size of Holding</b>				
1 – 500	855	19.43	212,711	0.11
501 – 1,000	709	16.11	537,580	0.27
1,001 – 5,000	1,851	42.06	4,453,577	2.19
5,001 – 10,000	361	8.20	2,661,154	1.31
10,001 – 50,000	318	7.23	7,381,388	3.63
50,001 – 100,000	104	2.36	7,618,500	3.75
100,001 – and above	203	4.61	180,228,605	88.74
	<b>4,401</b>	<b>100.00</b>	<b>203,093,515</b>	<b>100.00</b>

# Five Year Record

Based on the Group Accounts for the years ended 31 March

	1999 £m	2000 £m	2001 £m	2002 £m	2003 £m
<b>Net Assets</b>					
Investment properties at professional valuation	1,713.6	1,845.0	1,502.6	1,076.1	<b>780.0</b>
Loans	(765.1)	(762.9)	(693.5)	(417.4)	<b>(286.7)</b>
Other net assets (note A)	104.3	27.0	38.3	43.1	<b>75.2</b>
<b>Net assets</b>	<b>1,052.8</b>	<b>1,109.1</b>	<b>847.4</b>	<b>701.8</b>	<b>568.5</b>
<b>Financed by</b>					
Issued share capital	188.7	178.4	107.1	101.5	<b>101.5</b>
Reserves (note A)	864.1	930.7	740.3	600.3	<b>467.0</b>
Ordinary shareholders' interest	1,052.8	1,109.1	847.4	701.8	<b>568.5</b>
Net assets per share (note A)	334p	386p	396p	346p	<b>280p</b>
Adjusted net assets per share (note B)	339p	393p	404p	353p	<b>285p</b>
<b>Profit and Loss Account</b>					
Rent receivable	115.3	119.8	106.8	85.3	<b>72.6</b>
Ground rents	(1.8)	(2.0)	(1.9)	(1.7)	<b>(1.9)</b>
Net rental income	113.5	117.8	104.9	83.6	<b>70.7</b>
Property and administration expenses	(8.0)	(8.0)	(9.9)	(7.8)	<b>(8.6)</b>
	105.5	109.8	95.0	75.8	<b>62.1</b>
Trading profits/(losses)	1.3	1.0	-	0.4	<b>(0.5)</b>
Operating profit	106.8	110.8	95.0	76.2	<b>61.6</b>
Profit/(loss) on sale of investment properties	2.2	4.7	(12.8)	(3.2)	<b>(2.4)</b>
Profit before interest	109.0	115.5	82.2	73.0	<b>59.2</b>
Interest receivable	4.3	3.0	2.8	1.8	<b>1.7</b>
Interest payable	(56.0)	(58.0)	(55.6)	(42.1)	<b>(24.9)</b>
Exceptional items	-	-	(5.0)	(30.3)	<b>(70.2)</b>
Profit/(loss) before taxation	57.3	60.5	24.4	2.4	<b>(34.2)</b>
Taxation (note A)	(16.6)	(17.0)	(8.2)	2.1	<b>13.7</b>
Profit/(loss) after taxation	40.7	43.5	16.2	4.5	<b>(20.5)</b>
Earnings per share – basic (note A)	10.7p	11.6p	5.9p	2.1p	<b>(10.1)p</b>
Earnings per share – adjusted (note C)	10.8p	11.1p	11.8p	12.7p	<b>13.3p</b>
Dividend per share	9.25p	9.5p	9.75p	10.0p	<b>10.25p</b>

Note A: Restated to reflect the effect of FRS 19 *Deferred Tax*.

Note B: Adjusted to exclude the effect of deferred tax arising from capital allowances exceeding depreciation.

Note C: As note B, but excluding the effect of exceptional items and profit or loss on sale of investments and investment properties.

# Financial Calendar and Shareholders' Information

	<b>2003</b>
Ex-dividend date for 2002/2003 final dividend	11 June
Registration qualifying date for 2002/2003 final dividend	13 June
Annual General Meeting	15 July
2002/2003 final dividend payable	17 July
Announcement of 2003/2004 interim results	20 November
Ex-dividend date for 2003/2004 interim dividend (provisional)	26 November
Registration qualifying date for 2003/2004 interim dividend (provisional)	28 November
	<b>2004</b>
2003/2004 interim dividend payable (provisional)	6 January
Announcement of 2003/2004 full year results (provisional)	May

Note: provisional dates will be confirmed in the 2003/2004 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 IRG plc 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:  
Cazenove  
20 Moorgate,  
London EC2R 6DA  
Tel: 020 7606 1768.

## Capital Gains Tax

The market value of the Company's shares (as adjusted for subsequent scrip and rights issues on the basis that the rights were taken up) was 154.01p at 31 March 1982 for the purposes of UK capital gains tax.

## 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 twelve months. The site can be found on [www.gpe.co.uk](http://www.gpe.co.uk)

## Bankers

Barclays Bank plc  
HSBC Bank plc

## Solicitors

Nabarro Nathanson  
Lacon House,  
Theobald's Road,  
London WC1X 8RW.

## Auditors

Ernst & Young LLP  
Becket House,  
1 Lambeth Palace Road,  
London SE1 7EU.

## Merchant Bankers

Lazard  
50 Stratton Street,  
London W1J 8LL.

## Stockbrokers

Cazenove  
20 Moorgate,  
London EC2R 6DA.

## Company Secretary

Desna Martin BCom CA(Aust)

## Registered Office

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Fax: 020 7631 5169  
Registered Number 596137