

The year to 31 March 2003 continued the repositioning of the Company in preparation for the impact of the next economic cycle on the property development and investment sectors.

The office development programme narrowed as buildings were completed and only one new scheme started during the year. At the same time strategic positions were taken in several major projects which are expected to come to fruition in the second half of the decade. On the investment side the Company continued to degear, switching away from Central London offices towards the retail and industrial sectors. This process has continued since the year end with the £41m sale of Capital House, London NW1.

Results

The year to 31 March 2003 produced a good level of profits with pre-tax profits up 12 per cent to £25.2m. Diluted earnings per share rose to 59.2p per share (2002: 57.8p). Falling rental levels in Central London resulted in a revaluation deficit for the first time since January 1996. Despite this the Company's adjusted net asset value remained steady at 770p per share (2002: 769p) and the Company's adjusted triple net asset value, (taking

account of the contingent liabilities of deferred tax and the market value of financial instruments) rose 6 per cent to 702p per share (2002: 663p).

The continued level of profits enables the Board to recommend to shareholders a final dividend of 9.00p per share (2002: 8.25p) an increase of 9%. This proposed dividend, together with the interim dividend of 6.00p (2002: 5.50p) paid in December 2002, makes a total dividend of 15.00p per share (2002: 13.75p). This is an increase of 9% on last year. The total dividend is covered over four times by profits after tax.

The future

At a time of cyclical downturn in the London office market we have sought to protect our long term growth record by scaling down our development activity and de-risking our investment portfolio. We have accepted more pedestrian short term returns because we believe our enhanced capacity to take advantage

of any future market weakness will more than compensate in the future. The Company is, in many respects, at a turning point. The sale of over £190m of London and South East offices since January 2002 has significantly reduced the gearing of the Company, strengthening its balance sheet and preparing it to take advantage of the opportunities the start of the next cycle will bring. With gearing at its lowest level since it became a property company and high levels of unutilised cash resources, loan facilities and ungeared investment properties, the Company has the ability to make substantial investment in its chosen sectors. The development programme is de-risked with only one major scheme, at 40 Berkeley Square, London W1, under construction, whilst future schemes are being worked up. Opportunities will come; timing is everything.

John Southwell
Chairman



40 Berkeley Square, London W1