

LIST OF DEFINITIONS

Capital return

The annual valuation movement arising on the Group's portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions, disposals and capital expenditure.

Diluted figures

Reported results adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds.

Earnings/earnings per share (EPS)

Earnings represent the profit or loss for the year attributable to equity shareholders and are divided by the weighted average number of ordinary shares in issue during the financial year to arrive at earnings per share.

Estimated rental value (ERV)

This is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

European Public Real Estate Association (EPRA)

An association of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA published its latest Best Practices Recommendations in August 2011 (www.epra.com/media/EPRA_BPR_2011.pdf). This includes guidelines for the calculation of the following performance measures which the Group has adopted.

In addition, in accordance with EPRA guidelines, Group specific adjustments have been made to adjusted profit and adjusted earnings per share to arrive at the underlying position.

- EPRA earnings per share
Recurring earnings from core operational activities.
- Underlying profit/earnings per share
EPRA profit or earnings per share adjusted for items which are excluded to show the underlying trend. For 2012, these adjustments were for rates credits and the foreign exchange movement.
- EPRA net asset value per share
NAV adjusted to exclude certain items not expected to crystallise in a long-term investment property business model.
- EPRA triple net asset value per share
EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes on revaluations, where applicable.
- EPRA net initial yield (NIY)
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the EPRA property portfolio, increased by estimated purchasers' costs.
- EPRA 'topped-up' net initial yield
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).
- EPRA vacancy rate
Estimated rental value (ERV) of immediately available space divided by ERV of the EPRA portfolio.
- EPRA like-for-like rental income growth
The growth in rental income on properties owned throughout the current and previous years under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either year, surrender premiums and properties acquired or disposed of in either year.

In July 2013, EPRA published guidance on the calculation of the following cost ratios which the Group has also adopted:

- EPRA cost ratio (including direct vacancy costs)
EPRA costs as a percentage of gross rental income less ground rent (including share of joint venture gross rental income less ground rent). EPRA costs include administrative expenses, other property costs, net service charge costs and the share of joint ventures' overheads and operating expenses (net of any service charge costs), adjusted for service charge costs recovered through rents and management fees.
- EPRA cost ratio (excluding direct vacancy costs)
Calculated as above, but with an adjustment to exclude direct vacancy costs.

Fair value movement

An accounting adjustment to change the book value of an asset or liability to its market value.

Ground rent

The rent payable by the Group for its leasehold properties. Under IFRS, these leases are treated as finance leases and the cost allocated between interest payable and property outgoings.

Headroom

This is the amounts left to draw under the Group's loan facilities, i.e. the total loan facilities less amounts already drawn.

Interest cover ratios

- Gross interest cover ratio
Gross property income, excluding surrender premiums, less ground rent divided by interest payable on borrowings less interest receivable and capitalised interest.
- Net interest cover ratio
Net property income, excluding other income, net surrender premiums receivable and reverse surrender premiums payable divided by interest payable on borrowings and non-utilisation fees.

Interest rate swap

A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating rate debt to fixed rates.

Investment Property Databank Limited (IPD)

IPD produces independent benchmarks of property returns. The Group measures its performance against both the Central London Offices Index and the All UK Property Index.

Key Performance Indicators (KPIs)

Activities and behaviours, aligned to both business objectives and individual goals, which measure the Group's performance against appropriate benchmarks.

Lease incentives

Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent free or half rent period, stepped rents, or a cash contribution to fit-out or similar costs.

Loan-to-value ratio (LTV)

Drawn debt divided by the fair value of the property portfolio. Drawn debt is equal to drawn facilities less cash and the unamortised equity element of the convertible bonds.

Mark-to-market

The difference between the book value of an asset or liability and its market value.

NAV gearing

Net debt divided by net assets.