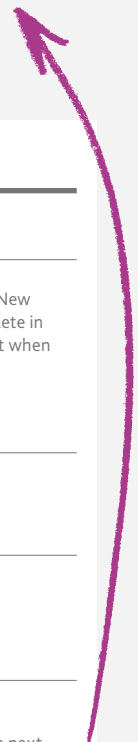


# Our risks and how we manage them

The tables below show the principal risks we face. The risks facing our London and Retail businesses are broadly the same and relate to property investment and development risks. The risks facing Trillium are different and are stated separately.

UK Government is our largest single customer



Risk description	Impact	Mitigation
<i>Property investment risks</i>		
<b>Market conditions</b> <ul style="list-style-type: none"> <li>■ Prolonged downturn in tenant demand in the City market</li> <li>■ Reduced consumer spending leading to lower retail sales</li> </ul>	<ul style="list-style-type: none"> <li>■ Threat of voids in the development portfolio</li> <li>■ Threat of cutbacks in retailer opening programme</li> </ul>	<ul style="list-style-type: none"> <li>■ Committed development exposure limited to remaining space in One New Change (due to complete in 2010) and Dashwood House (due to complete in Q4 2008). 20 Fenchurch Street is not committed yet and will only start when market conditions are favourable or a prelet of part is in place</li> <li>■ Pre-letting of key units before committing to development. Sales programme has already divested schemes and locations most likely to suffer adverse impact</li> </ul>
<b>Market cycles</b> <ul style="list-style-type: none"> <li>■ Property markets are cyclical</li> </ul>	<ul style="list-style-type: none"> <li>■ Underperformance of investment portfolio impacting on financial performance</li> </ul>	<ul style="list-style-type: none"> <li>■ Good quality covenants</li> <li>■ Secure income flows under UK lease structure</li> <li>■ Annual investment appraisals</li> </ul>
<b>Property risk</b> <ul style="list-style-type: none"> <li>■ Asset value concentration</li> </ul>	<ul style="list-style-type: none"> <li>■ Poor performance of a single asset having material impact on overall performance</li> </ul>	<ul style="list-style-type: none"> <li>■ Large multi-asset portfolio</li> <li>■ Largest property represents only 5.5% of combined portfolio</li> <li>■ Average investment property lot size of £71.5m</li> <li>■ Retail assets combine a range of diversified income streams</li> </ul>
<b>Tenant risk</b> <ul style="list-style-type: none"> <li>■ Tenant concentration</li> </ul>	<ul style="list-style-type: none"> <li>■ Impact on revenue if a major occupier fails</li> </ul>	<ul style="list-style-type: none"> <li>■ Diversified tenant base</li> <li>■ Government largest single customer representing 9.7% gross rents, the next largest represents 4.1%</li> <li>■ Of our income, 65.1% is derived from tenants which make less than a 1% contribution to rent roll</li> </ul>
<b>Health, safety and environmental risk</b> <ul style="list-style-type: none"> <li>■ Responsibility for the safety of visitors to our properties and our environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>■ Impact on reputation or potential criminal proceedings resulting in financial impact</li> </ul>	<ul style="list-style-type: none"> <li>■ Annual cycle of health and safety audits</li> <li>■ Quarterly Board reporting</li> <li>■ Dedicated specialist personnel for environment and health and safety</li> <li>■ Established policy and procedures including award-winning health and safety system and ISO 14001 certified environmental system</li> <li>■ Active environment programme addressing key areas of impact (energy and waste)</li> <li>■ Residual carbon footprint from common parts of retail shopping centres and our Head Offices are offset with Carbon Neutral Company</li> </ul>
<i>Property development risks</i>		
<b>Site assembly risk</b> <ul style="list-style-type: none"> <li>■ Third-party interests in part of site cannot be acquired</li> </ul>	<ul style="list-style-type: none"> <li>■ Unable to progress development either in time, at all, or within budget</li> </ul>	<ul style="list-style-type: none"> <li>■ Policy of buying into all or part of future development sites early as income-producing investments</li> <li>■ Experience of Compulsory Purchase Order procedures</li> </ul>
<b>Planning risk</b> <ul style="list-style-type: none"> <li>■ Development proposals fail to gain sufficient support and therefore planning consent</li> </ul>	<ul style="list-style-type: none"> <li>■ Unable to progress developments in a timely manner</li> </ul>	Development expertise including: <ul style="list-style-type: none"> <li>■ Skilled development management teams</li> <li>■ Public consultation and change management capabilities</li> <li>■ Long-standing relationships with key development stakeholders</li> <li>■ Reputation</li> </ul>
<b>Construction risk</b> <ul style="list-style-type: none"> <li>■ Construction cost overruns or poor management of construction</li> <li>■ New and different procurement methodologies and contract forms for London and UCD</li> <li>■ Construction cost inflation</li> <li>■ Supplier capacity and capability</li> </ul>	<ul style="list-style-type: none"> <li>■ Returns are eroded by cost overruns or project completion is delayed</li> <li>■ Different risk profiles and unfamiliar terms and conditions</li> <li>■ Cost in excess of assumptions in appraisal</li> <li>■ Lack of competitive tension</li> <li>■ Poor performance by suppliers</li> </ul>	<ul style="list-style-type: none"> <li>■ Transfer of risk to specialist contractors</li> <li>■ Skilled project management teams</li> <li>■ Use of specialist advisers and growing in-house familiarity</li> <li>■ Adequate provision in appraisals</li> <li>■ Forward purchase of high inflation risk items</li> <li>■ Closer, more open relationship with the supply chain</li> </ul>



All development schemes completed on budget and on time, subject to one project delayed by three weeks