BRIXTON

16 March 2009

BRIXTON plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

- Net rental income +6.8% to £77.4m; like-for-like and excluding empty rates +2.3%
- Investment or underlying profit before tax -8.8% to £42.5m; excluding empty rates -0.5% to £46.3m
- Adjusted or underlying earnings per share -8.7% to 15.7p; excluding empty rates -1.2% to 17.0p
- Adjusted NAV per share -46.8% to 290p (2007: 545p)
- Portfolio value £1,799m; valuation deficit -27.2%; -26.4% on IPD basis cf IPD –26.0%[1] (2007: +0.7%); equivalent yield +160bp to 7.0%
- Transactional rental growth +3.2%; valuers ERV growth -0.2% cf IPD 0.0%[1]
- IFRS loss before tax £768.8m; IFRS loss per share 283.0p (includes revaluation deficit of £673.4m)
- Compliant with covenants under borrowing agreements as at end of 2008
- Given current economic conditions and the outlook for financial markets, we continue to explore all options to strengthen the balance sheet and provide additional financial flexibility, including potential disposals, debt renegotiations and an equity raising. In this context, the Board has taken the prudent decision not to recommend a final dividend. Therefore, the 2008 dividend will be restricted to the interim dividend per share of 4.9p already paid.

[1] IPD UK Annual Industrial Index

Peter Dawson, Brixton's Chief Executive, commented:

"Despite the turmoil in the financial and capital markets, Brixton had a good operational performance in 2008. We believe that Brixton's assets, which are located predominantly in prime West London locations, remain highly attractive.

Our priority going forward is to drive income growth and cash flow through proactive asset management and attentive customer service. We will focus on increasing our occupancy levels and letting space on current market terms.

We also continue to explore all options to provide the Group with additional financial flexibility and maximise shareholder value. These options include reducing our indebtedness through asset disposals, renegotiating the terms of our debt financing and raising additional equity."

	2008 £m	2007 £m
Net rental income	**77.4**	72.5
Investment profit (1)	**42.5**	46.6
(Loss)/profit before taxation	**(768.8)**	58.2
Adjusted earnings per share (2)	**15.7p**	17.2p
Basic (loss)/earnings per share	**(283.0p)**	22.1p
Dividend per share	**4.9p**	13.6p
Properties	**1,604.9**	2,184.7
Net borrowings	**862.2**	804.1
Adjusted net assets	**787.1**	1,474.2
Adjusted net asset value per share (3)	**290p**	545p
Asset cover ratio (times)	**1.86**	2.72
Gearing		
Net debt/property	**54%**	37%
Net debt/equity	**110%**	55%
Interest cover (times)	**1.9**	2.2

(1) Excluding net (loss)/profit on investment properties, changes in fair value of derivative financial instruments and exceptional items

(2) Excluding valuation and exceptional items and their tax effect (see note 8 to Preliminary Results) in accordance with UK property industry practice

(3) Excluding deferred tax on revaluation surpluses and fair value of derivative financial instruments

Enquiries

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A pdf download of the Preliminary Announcement document is available from 7am (UK time) today on the Company's website (www.brixton.plc.uk). A pdf download of presentation slides will be available shortly before 9.30am. Peter Dawson, Chief Executive, and Steven Owen, Deputy Chief Executive, will be hosting a presentation at 9.30am today at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED.

Live audio of the presentation can also be accessed via telephone on the following numbers:

UK Freephone: 0800 634 5205
International: + 44 208 817 9301

This press release contains "forward-looking statements" regarding the belief or current expectations of Brixton plc, its directors and other members of its senior management about Brixton plc's businesses, financial performance and results of operations. Generally, words such as, but not limited to, "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Brixton plc and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied by the forward-looking statements. These forward-looking statements speak only as at the date of this presentation. Except as required by applicable law, Brixton plc expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in Brixton plc's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in this press release on the price at which shares or other securities in Brixton plc have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

Chairman's Statement

Introduction

The extreme turmoil in global financial markets, the subsequent reduction in the availability of credit, and the worsening economic outlook in the UK led to widespread declines in UK commercial property values in 2008. These declines accelerated in the fourth quarter at a much greater rate than many, including ourselves, had anticipated. It is widely expected that there will be further falls in 2009.

Since 2006, the Board has taken various measures to strengthen the Group's financial position, including selling non-core secondary properties, restricting new acquisitions to prime strategic assets, and curtailing new development activity.

However, the unprecedented speed and extent of recent valuation declines presents Brixton with a number of challenges regarding the current capital structure, as has been reflected in the recent share price performance. The Board is acutely focused on addressing these challenges and continues to explore its options to strengthen the balance sheet and provide the Group with additional financial flexibility. We will make an announcement as soon as appropriate.

We hold prime industrial and warehouse property in strategic locations.

We continue to believe that our portfolio is fundamentally attractive, focused on prime strategic locations, able to perform resiliently in the current environment and well placed to benefit from the inevitable future recovery in economic conditions.

Brixton owns nearly 19 million square feet of industrial and warehouse property in the UK. Approximately 72% of the portfolio (by value) is located in the strategic markets of Heathrow and Park Royal, where land supply is constrained and tenants are typically locationally sensitive. We believe that this market specialisation and geographic focus best positions the Group to deliver attractive returns to shareholders over the long term.

Brixton's operating performance was good in 2008.

Brixton demonstrated the resilience of its underlying operating business in 2008 generating a net annualised increase in income for the year from lettings, lease renewals and rent reviews of £3.6m, approximately three times the net new income generated in 2007 (£1.2m). Investment or underlying profit fell £4.1m to £42.5m, reflecting mainly the impact of empty rates of £3.8m. Adjusted earnings per share fell 8.7% to 15.7p, or 1.2% to 17.0p excluding the impact of empty rates.

The imposition of empty rates in England and Wales could not have happened at a worse time for the business community as operating cashflows are reduced when cash preservation for working capital is a priority for many companies. Empty rates affects businesses when they are downsizing their operations as they will not be able to obtain relief for space that they no longer occupy under their lease commitments. At a time when demand for space has slowed empty rates is an additional burden which is further exacerbated when insolvencies occur as the loss of rental income from a tenant is then compounded by the liability for empty rates.

Our income continues to be well spread. Brixton's top twenty tenants represent 31% of the rent roll and no single non-Government tenant accounts for more that 2.3% of rental income. Because of the worsening economic environment, the annualised loss of rent in 2008 was £4.2m or 4.0% of the rent roll, of which half related to Entertainment UK Ltd (a subsidiary of Woolworths).

Our vacancy rate (by income) was 17.3% at December 2008, or 10.6% if developments are excluded. Managing our vacancy rate is a key priority for the Board as we focus on maximising income growth.

Balance sheet

In line with prevailing market conditions, Brixton's portfolio recorded a valuation deficit of 27.2% in 2008 and 19.2% in the second half of the year. The wholly owned portfolio is now valued at £1,605m, while the total portfolio (including our share of joint ventures) is valued at £1,799m. This means that our portfolio has now fallen 33.4% since the market peak in June 2007. As a result, our adjusted NAV per share fell 46.8% to 290p.

The Group remains compliant with all covenants under its borrowing agreements. However, given widespread expectations of further property value falls, our balance sheet covenants of asset cover ratio and gearing are likely to come under pressure.

Focus on strengthening the balance sheet and maximising our financial flexibility.

As a consequence, the Board is currently exploring a range of options to address this issue. These options include asset disposals, the formation of new joint ventures, renegotiations of our borrowing agreements, as well as a potential equity raising.

In the context of strengthening the Group's balance sheet, and also in light of the lack of reform to empty rates legislation, the Board has decided that it would be prudent to restrict the 2008 dividend to the 4.9p per share already paid at the interim. The Board intends to keep its dividend policy for future years under review.

We have a cohesive team in place to take Brixton forward.

On 2 March 2009, the Board appointed Peter Dawson as Chief Executive. Formerly Brixton's Investment Director, Peter has been with the Group since 1997 and served on the Board since 2007. He has a detailed knowledge of the business and is the right person to lead the Group through these challenging market conditions and into the next phase of its development. He will be supported by a very high quality and experienced executive team including Steven Owen, Deputy Chief Executive and Steve Lee, Operations Director.

Peter replaces Tim Wheeler who will be leaving Brixton after twenty-four years, the last nine of which were as Chief Executive. On behalf of the Board I am delighted to welcome Peter in his new role and would like to thank Tim for his contribution to Brixton.

Outlook and priorities for the next year

While market conditions remain extremely difficult, we are confident in the resilience of the business and the long-term strength of the underlying portfolio. We are focused on meeting the immediate challenge to protect against further valuation falls and strengthen our balance sheet. We also intend to drive income growth through the effective management of our vacancy level.

Finally, I would like to thank all our staff for their hard work and commitment to the Company.

Louise Patten, Chairman

Chief Executive's Review

Having only been appointed as Chief Executive on 2 March 2009, I am pleased to have this early opportunity to report to you on Brixton's performance during 2008 and also to outline our future strategy. Despite the turmoil in the financial and capital markets Brixton had a good operational 2008. However, we are acutely aware of the challenges that we face.

In 2008 we created £3.6m worth of net new income, on an annualised basis, from new lettings, rent reviews and lease renewals which compares with £1.2m for 2007 and is the highest figure we have achieved in any of the last 5 years.

We have exceeded the valuers' ERVs (Estimated Rental Values) on the rents achieved on our lettings, rent reviews and lease renewals by 3.2% (3.7% from lettings alone). This compares with an average enhancement over valuers' estimates of 3.7% pa from our portfolio over the last 5 years.

As a consequence of market conditions, the volume of lettings decreased to around 750,000 sq ft (from 1.15m sq ft in 2007) but it produced the same amount of annualised income - £7.1m - as the previous year and reflected a net increase in annualised income of £2.2m. Most of the activity was focused on our completed development programme, whilst the leasing of second hand space slowed.

The importance of continuing to improve and strengthen our relationships with our customers was again demonstrated in 2008 and we completed several significant lettings to key existing customers including the Metropolitan Police, The Royal Mail and Jack Wills.

Our headline void at December 2008 fell to 17.3% from 18.7% at June 2008. This was up from 15.4% at the end of 2007 due to the completion of our three remaining developments that were on site during the first half of 2008. If developments are excluded the underlying void rate was 10.6%. If the headline void of 17.3% is adjusted to take into account those insolvencies where the space involved had not yet been returned by the end of 2008, the headline void would be 19.9% by income and the underlying void rate of 10.6% would be 13.5%. This adjustment for insolvencies includes that of our third largest tenant, Entertainment UK, although the rent is currently being paid by the administrators.

One of the key objectives for 2009 is to increase our income and occupancy levels by letting vacant property which had a rental value of £22m at the end of 2008.

Due to the global market turmoil, the reduction in the supply of finance and weakening economic conditions there have been widespread declines in UK commercial property values in 2008. This accelerated in the fourth quarter of 2008 and it is widely expected that there will be further reductions in commercial property values in the UK during 2009. This has already been evidenced through declines in capital values and the IPD Monthly All Property Index of -3.0% in January. The valuation process continues to be conducted against a background of limited transactional evidence particularly in the prime London industrial markets.

It is anticipated that more investments will be traded this year: particularly between distressed, rather than willing, sellers and opportunist well funded purchasers which will provide more evidence of realisable prices. However, these transactions are likely to be below current balance sheet valuations. The transactional transparency should be welcomed and may help improve liquidity in the sector.

As we face the reality of a significantly weaker property market, our immediate priority is to continue to actively pursue a range of options to improve our financial flexibility and we will report further details as soon as is appropriate.

We are seeking to dispose of assets where we believe management initiatives have been substantially completed or where they no longer meet our strategic objectives. We are also considering creating new joint ventures to release capital to enable us to strengthen our balance sheet.

In our Interim Management Statement in November 2008 we outlined our covenants relating to our borrowings. As at 31 December 2008 we were in full compliance with these covenants further details of which are contained in the Financial Review.

Our focus going forward is to maximise income growth, reduce our indebtedness and improve our financial flexibility to maximise shareholder value. With a combination of our quality portfolio in prime strategic locations, our proactive asset management capability and our customer focus we believe we are ready and able to meet the continuing challenges of the economy in 2009 and beyond.

Peter Dawson, Chief Executive

Business Review

Strategy

Our strategy is to concentrate our portfolio in industrial and warehousing property in prime strategic UK locations with an emphasis on West London. We aim to meet our customers' needs for industrial and warehousing property whilst maximising returns for our shareholders.

Market specialisation

Brixton is a single sector focused UK real estate investment trust (REIT) and is the largest operator in the West London industrial and warehouse market.

We concentrate on strategic locations where land supply is constrained, where demand is likely to be the strongest and where returns are expected to be in excess of our target for an acceptable level of risk.

Property is a long term investment and we believe our strategic aims should create a durable business model with attractive long term economics.

We believe it is through specialisation in a certain sector and well selected markets that superior capital allocation decisions can be made and outperformance generated over the longer term. The markets that have been selected are part of or adjacent to areas of significant economic generation being London, Heathrow or Manchester. Our occupiers are typically locationally sensitive because of their need to service their customers within those areas.

Within our chosen markets we seek to provide for our customers:

- The best choice of quality properties.
- The flexibility to have their lease on terms that suit their business needs.
- A high level of customer service.

Prime industrial property portfolio

We own nearly 90 estates with over 1,300 units and approximately 860 customers (direct tenants). Units range in size from approximately 1,000 sq ft to over 450,000 sq ft. 78% of our portfolio is in Greater London with Heathrow comprising 37% and Park Royal representing 35% of the total portfolio. The table on page 7 shows the analysis of the portfolio by our key regions.

Due to the simplicity of industrial buildings there is generally less obsolescence in the type of industrial parks that Brixton owns in Greater London than in the other commercial property sectors and we have a preference to upgrade buildings through refurbishment and only redevelop where buildings become functionally obsolete and returns are expected to be greater.

Our top 100 tenants make up 64% of our total income and our top 20 tenants, with many of whom we have long term relationships, include The Royal Mail, Delifrance, BSkyB, Heinz, Morgan Stanley, B&Q and British Airways.

Income growth

Our strategy is to drive income growth through proactive asset management and attentive customer service. We will focus on increasing our occupancy levels and letting space on current market terms. Given the decline in the economy this may result in future lettings being less than the previous valuation's ERV in certain markets.

Customer service and asset management

B-Serv is Brixton's wholly owned subsidiary responsible for asset management and customer service and was established in 2001.

The management of the lease expiry and break profile is a key part of our asset management strategy. Through providing the combination of the right properties, a flexible approach to leasing and excellent customer service we can work with our customers to persuade them to remain in our properties and mitigate the effect of vacancies. Our service culture fosters closer relationships with our customers and provides opportunities to enhance value in all market conditions.

Customer satisfaction has improved from around 50% before B-Serv was launched to levels consistently in excess of 80%.

In December 2008 Brixton launched a new dedicated leasing centre operated by B-Serv whereby potential occupiers have the choice of dealing with our appointed agents or contacting us directly. Whichever option is chosen we offer lease flexibility and a range of options.

Joint ventures

Joint ventures enable Brixton to leverage its skills, increase its occupational market share and use capital more effectively.

Brixton operates two distinct joint venture vehicles, Equiton and Heathrow Big Box.

Equiton was set up in 1999 and we are discussing with our partners the options for this vehicle which invests in smaller lot size, multi-let industrial and warehousing estates in the South East. It presently comprises 42 industrial and warehouse estates totalling 2.8m sq ft with 227 tenants and produces rental income of £19.8m per annum.

Heathrow Big Box is a 50:50 joint venture set up in 2004 with the Prudential. It comprises two prime industrial warehousing estates, Heathrow Corporate Park and Axis Park, totalling 1.2m sq ft with 13 tenants and currently produces rental income of £14.5m per annum.

Portfolio

Brixton owns and/or manages approximately 19 million sq ft in over 1,300 units (Brixton share at the end of 2008 worth £1.8 billion) in nearly 90 estates. Greater London makes up 78%, by value, of the whole portfolio.

Brixton's portfolio can be analysed as follows:-

	Value		No. of Estates	No. of tenants	Total size m sq ft++	Headline void rate*	Underlying void rate*	Passing rent	ERV
	£m	**%**				**%**	**%**	**£m**	**£m**
Heathrow	674	37	23	130	5.3	20.6	10.5	37.1	49.5
Park Royal	629	35	12	170	5.0	13.3	6.9	33.8	41.7
Rest of Greater London	104	6	16	100	1.2	17.0	17.0	6.7	8.6
Total Greater London	**1,407**	**78**	**51**	**400**	**11.5**	**17.2**	**9.6**	**77.6**	**99.8**
Rest of South East	252	14	33	230	4.3	13.6	12.2	18.0	22.6
Total South East	**1,659**	**92**	**84**	**630**	**15.8**	**16.6**	**10.1**	**95.6**	**122.4**
Manchester+	140	8	2	230	3.0	24.0	15.9	9.3	12.5
Overall total	**1,799**	**100**	**86**	**860**	**18.8**	**17.3**	**10.6**	**104.9**	**134.9**

+ Trafford Park is shown as 1 estate but encompasses 23 distinct holdings
++ Includes area of developments where planning consent obtained
* By income

Investment Portfolio
Top 20 investments in descending order by value

	Size 000 sq ft	Total Income £m pa	Total ERV £m pa	Date of Acquisition
London NW10, Park Royal, Premier Park	845	8.3	9.4	1999
Greenford, Greenford Park	971	8.1	10.5	1999
Manchester, Trafford Park	2,771	8.7	11.9	2004
Slough, Axis Park	675	7.8	8.0	2000
Southall, Great Western Industrial Park	771	7.2	8.4	1999
Heathrow, Heathrow Corporate Park	548	6.7	7.0	2000
Brentford, West Cross Industrial Park	503	5.7	6.4	1998
Greenford, Metropolitan Park	768	5.5	7.5	2000
Basingstoke, Kingsland Business Park	796	4.7	6.1	1997
Heathrow, Heathrow Gateway	354	3.8	3.7	2007
Wembley, Northfields Industrial Estate	356	1.8	1.7	2004
Radlett, Ventura Park	593	3.7	4.4	1998
Heathrow, The Heathrow Estate	309	1.9	3.5	2002
Heathrow, Polar Park	280	1.6	3.3	2001
Heathrow, Poyle 14	308	2.4	3.4	2006
London W3, Acton Park Estate	243	2.3	2.9	1963
Heathrow, X2	234	-	2.9	2002
London W3, Acton, Westway Estate	352	2.6	3.1	1938
London W3, Victoria Industrial Estate	214	2.1	2.6	1999
Greenford, Rockware Avenue	489	1.5	1.9	2007

These properties represent 70% by value of the total portfolio (including joint ventures at 100%).

Income Security

The diversity, security and resilience of the income profile is demonstrated by the following:

Diversity

Rent roll analysis

Sector	
Transport & Distributors	20%
Support Services	15%
Food & Beverages	14%
General Retailers	12%
Government Bodies	7%
Engineering & Electronic	6%
Media	5%
Automotive	4%
IT Hardware & Software	3%
Construction & Building Materials	3%
Health, Personal & Pharmaceutical	3%
Telecommunications Services	3%
Banks	2%
Other	3%
Total	**100%**

Tenant concentration	
Top 10 tenants	21%
11-20 tenants	10%
21-100 tenants	33%
Remainder	36%
	100%

Top 20 tenant customers

	% of Total Rent roll (JVs at share)	Sq ft Occupied 000's (JVs at 100%)	Number of Units
Royal Mail Group Limited	5.5%	764	6
Delifrance (UK) Limited	2.3%	254	5
Entertainment UK Limited (in administration)	2.0%	233	1
Kerry Group Plc	1.9%	230	5
BSkyB Limited	1.7%	111	3
HJ Heinz Company Limited	1.6%	171	1
Wincanton plc	1.5%	489	1
Morgan Stanley UK Group	1.5%	246	1
CEVA Freight (UK) Limited	1.4%	130	1
Panavision Europe Limited	1.3%	141	5
Kuehne + Nagel Drinkflow Logistics Limited	1.2%	133	1
AK Worthington Limited	1.2%	366	4
Brake Bros Limited	1.1%	110	1
B&Q plc	1.0%	159	1
Expeditors International (UK) Limited	1.0%	97	1
Exel UK Limited	1.0%	135	2
H&M Hennes & Mauritz UK Limited	0.9%	86	1
British Airways plc	0.9%	165	1
Tetley GB Limited	0.9%	49	2
Jack Wills Limited	0.8%	78	2

Security Average unexpired lease term: 7.1 years (2007: 7.3 years)
49% and 22% of income secured for next 5 and 10 years (2007 year end: 54% and 22%) assuming worst case scenario i.e. that tenants leave at earliest break or lease expiry opportunity

The following table shows the maximum amount of rent (ignoring insolvencies) that could be lost over the next 5 years.

Expiry and break profile

	Passing rents: worst case scenario* £m	%
2009	13.9	13.3
2010	10.9	10.4
2011	9.7	9.3
2012	7.4	7.1
2013	11.3	10.8

(* assumes all tenants leave at earliest break or lease expire opportunity)

Our track record in managing the lease expiry and break profile is set out in the table below, which shows that the actual void rates for the years 2003 to 2008 inclusive were significantly less than the potential void rates for those years.

	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %
Actual underlying void rate at start of year (by income)	9.8	11.0	11.7	11.5	11.7	9.7
Worst case expiries and breaks in the year	9.8	10.7	9.7	17.6	11.8	11.9
Potential underlying void rate at the year end	19.6	21.7	21.4	29.1	23.5	21.6
Actual underlying void rate at the year end	11.0	11.7	11.5	11.7	9.7	10.6

One of the benefits of the B-Serv customer service model is in retaining tenants on lease breaks or lease expiry as shown by the following table.

	2008	2007
	Passing Rent	
	%	
Breaks not exercised	80	94
Leases renewed at expiry	55	63
Average of breaks not exercised/leases renewed	67	73

Resilience		**2008**	**2007**	**2006**
Insolvencies	No.	26	22	24
Annualised loss of rent	£m	4.2	0.4	0.4
Bad debt provision	£m	0.5	0.3	0.6

The annualised loss of rent relates to tenants in any form of insolvency after allowing for any re-letting of such space. At December 2008 the annualised loss of rent of £4.2m was 4.0% of the rent roll. Included in this figure is £2.1m which relates to Entertainment UK Ltd, a subsidiary of Woolworths plc and our third largest tenant, who went into administration in November 2008 although the rent is currently being paid by the administrators.

Operational Performance

Income growth

During 2008 we created a net annualised increase of income from new lettings of £2.2m. This comprised £7.1m of annualised rent from new lettings, offset by a decrease from space returned of £4.9m annualised.

The net increase in rent generated from rent reviews and lease renewals was £1.4m annualised providing a total increase in income for the year from lettings, lease renewals and rent reviews of £3.6m. This was a sound performance during a testing year and compares favourably with our 5 year average increase in new net income of £2.2m annualised.

New Net Income (£m pa)

	2008	2007
Lettings	**7.1**	7.1
Space returned	**(4.9)**	(7.1)
Net lettings	**2.2**	0.0
Rent Reviews	**1.1**	0.8
Lease Renewals	**0.3**	0.4
Total	**3.6**	1.2

Combining all our portfolio income activities the total increase each year is demonstrated below.

Total New Net Income (£m)

	2008	2007	2006	2005	2004
Total increase	**3.6**	1.2	2.8	1.8	1.4

A summary of our key lettings during 2008 is shown below. Approximately 70% by income of these lettings are from our development programme. The second hand leasing market has continued to slow, but the demand for

our new prime units in Park Royal proved resilient with good rental levels being achieved. Demand has also slowed in Heathrow and there is more competition from other developers' completed schemes.

Key 2008 lettings

Location	Tenant	Size ('000 sq ft)	Rent (£ psf)	Lease length (years)	Break (years)	Rent free period (months)
Basingstoke, Kingsland, Horizon**						
Unit 3	RFI Global Services	11	9.00	15	5	7
Gatwick, Old Brighton Road						
Unit B1	Spacers International Packers	16	8.25	10	5	5
Greenford, Greenford Park**						
Unit 1	H&M Hennes & Mauritz	86	11.43	10	3.5/7	6
Unit 4	Jack Wills	57	11.50	10	3.5/7	6
Units 15 & 16 / Unit 14	Media Control (Europe)	7/5	12.90/12.55	9.75/10	5	8/6
Heathrow, Heathrow International						
Units 8 & 9	Williams and Hill Forwarding	23	11.25	5	-	7
Heathrow, Polar Park**						
Unit 3	Metropolitan Police	60	13.25	20	-	12
London, Haringey, Crusader						
Units 4 & 5b	Wasabi Co.	11	8.40	5	3	3
Park Royal, Oakwood						
Units 1 / 1a	FDS Informal Foods	16	10.75	10	-	6
Park Royal, Premier Park**						
Unit 1	A. Fulton Company	28	11.75	15	5/10	6
Unit 4	IT Pharma	14	12.00	15	-	9
Unit 9	InHealth Sterile Services	19	11.75	17	-	9
Units 10 & 11	Next Group	29	11.70	15	10	6
Unit 12	HR Owen	21	11.75	15	10	7
Unit 13	Pentagon Glass	7	12.80	10	5	6
Units 20-23	Royal Mail	57	11.75 – 12.00***	20	15	10
Radlett, Ventura Park						
Unit C	Malibu Health Products	21	8.25	10	5	3
Uxbridge, Riverside Way*						
Riverside House	ET Enterprises	25	8.75	15	10	15
Weybridge, Brooklands*						
Unit A303	Pyramid Visuals	11	9.75	10	-	6

* Equiton Fund ** New Developments *** Tenant requested non-disclosure of specific rent

Rental value growth

During 2008 we achieved rents on our lettings, rent reviews and lease renewals that were 3.2% in excess of our valuers' applicable ERVs for the units concerned. This compares with an average enhancement of 3.7% per annum over the last 5 years. In 2008 lettings alone outperformed the applicable ERVs by 3.7%.

During 2008 our valuers marginally reduced our ERVs by -0.2%. However, in Park Royal there was an increase during the year of 2.4% whereas at Heathrow we saw ERVs decrease by 3.2%. The decline at Heathrow was mainly focused on the larger units within our portfolio. The transactional rental growth at Park Royal and Heathrow was 3.6% and 1.3% respectively.

To put our rental growth performance into context, IPD's UK Annual Industrial Index for 2008 shows rental falls of 0.0%. Our average ERV growth over the last 5 years is 2.6% compared to IPDs UK Annual Industrial Index of 1.0% over the last 5 years.

Our track record on recent lettings means that in the absence of a prolonged downturn we should be well positioned to achieve income growth from our rent review and lease renewal activities.

The following table shows our rent review profile over the next 5 years based on current passing rent.

Rent review profile

	Passing rent £m	Passing rent %
2009	11.5	11.3
2010	18.9	18.6
2011	7.3	7.2
2012	13.0	12.8
2013	8.4	8.3

Vacancies

Brixton references vacancies or voids to income, as well as area, as we believe that the former is a more accurate reflection of the underlying economic position. The following table shows our void rates since December 2006.

	Adjusted 10 March 2009	10 March 2009	Adjusted Dec 2008	Dec 2008	June 2008	Dec 2007	Dec 2006
By income							
Headline	20.3%	17.3%	19.9%	17.3%	18.7%	15.4%	14.6%
Underlying (excluding developments)	14.2%	10.8%	13.5%	10.6%	10.5%	9.7%	11.7%
By area							
Headline	19.3%	16.6%	19.0%	16.3%	16.0%	13.3%	13.6%
Underlying (excluding developments)	14.6%	11.7%	14.1%	11.2%	10.1%	9.5%	11.8%

If the headline figure as at December 2008 of 17.3% is adjusted to take into account those insolvencies (including that of our third largest tenant, Entertainment UK) where the space involved had not yet been returned by the end of 2008, then the headline void would be 19.9% by income and the underlying void of 10.6% would be 13.5%.

Our objective is to increase our occupancy levels but the future direction of this depends on the depth of the recession and how this impacts the level of tenant demand and the number of tenant insolvencies. The sales programme may also impact our void level.

We continue to proactively promote our quality portfolio and take a balanced approach to the creation of new income and value from all our leasing, rent reviews and lease renewal activities.

Development

During the first half of 2008 we completed our three remaining developments that were on site, being Greenford Park, X2 at Heathrow and Premier Park at Trafford Park.

Currently we have no developments under construction on site and do not plan to commence construction of any new speculative developments until market conditions become more favourable.

We continue to closely monitor local market prospects to determine when this may be. In the meantime we are pursuing negotiations for planning on our longer term schemes, such consents still remaining one of the main barriers to entry to any competitor in the West London industrial market. However, we do have flexibility in our development programme and we have a number of sites – totalling some 86 acres – where we have existing planning or expect favourable resolution for development and where we are actively seeking prelets.

Since 2005, we have completed 1.7 million sq ft of developments of which approximately 50% are let producing income of £9.1m. The ERV of the unlet developments is £9.5m of which £6.8m relates to the schemes completed between October 2007 and April 2008.

Our focus for 2009 will be to generate additional new income from our completed developments and to secure prelets on our undeveloped sites.

Valuation

The valuation of the Group's properties by CB Richard Ellis and King Sturge as at 31 December 2008 was £1,799m (including £194m for Brixton's share of joint venture properties) compared with £2,449m (including £264m for Brixton's share of joint venture properties) for the portfolio at the end of 2007. After adjusting for capital expenditure the valuation deficit was £673.4m, a decrease of 27.2%, the same as on a like-for-like basis and -26.4% on IPD's standing investment basis which compares with the 26.0% deficit shown by the IPD UK Annual Industrial Index. Since the highpoint of values at June 2007 the total deficit on the portfolio is 33.4%

The table below shows the performance produced by the portfolio in 2008 analysed by our key markets. These figures include the effect of any transactions and developments in the period whereas the IPD published data does not (the standing investment returns).

Valuation deficits in Brixton's markets

	Overall 2008	H2 2008	Valuers' ERV 2008 growth	Brixton's transactional rental growth in excess of ERV 2008
Heathrow	-27.6%	-20.8%	-3.2%	1.3%
Park Royal	-24.5%	-15.7%	2.4%	3.6%
Rest of Greater London	-26.5%	-18.7%	2.2%	13.4%
Total Greater London	**-26.1%**	**-18.4%**	**-0.5%**	**3.2%**
Rest of South East	-30.9%	-21.5%	0.8%	3.4%
Total South East	**-26.9%**	**-18.9%**	**-0.3%**	**3.2%**
Manchester	-30.9%	-22.7%	0.3%	1.8%
Overall	**-27.2%**	**-19.2%**	**-0.2%**	**3.2%**

The valuation deficits produced by our joint ventures for the year were 26.0% for Heathrow Big Box and 27.6% for Equiton.

The comment we made regarding the paucity of comparable industrial investment transactions in the 2008 Half Year Report is also relevant for the full year. In Park Royal we believe that there were no significant investment deals and that in the prime core Heathrow industrial market there were three completed, keenly priced acquisitions with equivalent yields as low as 5.1% (worth c £78m) against the backdrop of a more difficult investment and occupational market. In 2007 there were £560m of comparable investment transactions in Greater London - nearly 80% in Park Royal and Heathrow.

It is anticipated that more stock will be sold this year as a result of the matching of generally distressed, rather than willing sellers, and opportunist well-funded purchasers. Realisable prices on this basis are likely to be less than balance sheet valuations but transactional transparency should be welcomed and may indeed improve liquidity in this sector.

The valuation performance in 2008 can be looked at in context with the performance of the portfolio over the last five years and the table below demonstrates this together with the ERV and transactional rental growth achieved.

Valuation and rental growth performance

	Valuation surplus/(deficit)	Valuers' ERV growth	Brixton's transactional rental growth in excess of ERV
2008	-27.2%	-0.2%	3.2%
2007	0.7%	5.0%	5.1%
2006	12.3%	3.8%	4.6%
2005	14.1%	4.0%	4.2%
2004	7.5%	0.4%	1.5%

The table below shows the yield profile of the portfolio from the initial yield through to the reversionary yield at the end of 2008. It demonstrates the potential increase in yield of 1.2% from letting up voids together with the reversion of 0.3% from the let portfolio. The combined income from voids and reversions amounts to £29.2m, which represents a total reversion of 27%.

Portfolio Yields*

Initial yield	5.2%
Rent frees	0.2%
Income at risk**	0.2%
Adjusted initial yield	5.6%
Reversions from let portfolio	0.3%
Voids	1.2%
Reversionary yield	7.1%

* Yields shown are after allowing normal purchasers costs.
** Tenants insolvent but rent still being paid.

The reversionary yield of 7.1% equates to an ERV of £134.9m.

The following table shows the basis points ("bp") movement in net yields during the year.

Net Yield movements

Whole portfolio*	**Dec 08**	Dec 07	Change
Initial	5.2%	3.9%	+130bp
Equivalent	7.0%***	5.4%	+160bp
Reversionary	7.1%	5.4%	+170bp
Let/income producing portfolio**			
Initial	6.8%	5.0%	+180bp
Equivalent	7.0%***	5.4%	+160bp
Reversionary	7.2%	5.5%	+170bp

* The net initial yield includes the value of undeveloped sites, unlet developments and portfolio vacancies. No income for these elements is applied in this calculation or allowed if there are rent-free periods. Income is also excluded where the valuers assume tenant insolvencies will shortly lead to a void. Normal purchasers' costs are also allowed for.
** The net initial yield excludes vacant units, units in rent free periods and development sites. Income is also excluded where the valuers assume tenant insolvencies will shortly lead to a void. Normal purchasers costs are also allowed for.
*** 7.3% on the IPD quarterly in advance basis

In the 18 months since the high point of values in mid 2007 our net equivalent yield has moved out by 200bp to 7.0%.

Reversionary potential and average rents*

	Dec 2008	June 2008	Dec 2007
% reversionary	**7.0%**	9.6%	9.9%
Average ERVs (£psf)	**8.84**	8.88	8.79
Average passing rents (£psf)	**8.26**	8.10	8.00

(* applicable to let portfolio owned at end of respective period)

The reversionary potential of the let portfolio equates to £7.3m of income (the 7.0% shown in the table above) and equivalent to the 0.3% reversion from the let portfolio shown in the Portfolio Yields table above.

Financial Review

The results for 2008 have been impacted by the very challenging financial market conditions particularly during the last quarter of the year. This is shown in the loss before tax which, under IFRS, includes the significant decrease in property values arising in the year. Investment profit or underlying profit before tax was £42.5m, a reduction of £4.1m over the previous year. Excluding the charge of £3.8m for empty rates in 2008, investment profit was £46.3m and adjusted earnings per share were 17.0p.

Results

	2008	2007	
Net rental income	**£77.4m**	**£72.5m**	**+ 6.8%**
Investment profit	**£42.5m**	**£46.6m**	**- 8.8%**
(Loss) / profit before tax	**(£768.8m)**	**£58.2m**	**n/a**
Adjusted earnings per share	**15.7p**	**17.2p**	**- 8.7%**
Basic (loss) / earnings per share	**(283.0p)**	**22.1p**	**n/a**
Dividend per share	**4.9p**	**13.6p**	**- 64.0%**

Net rental income in 2008 was £77.4m, an increase of £4.9m or 6.8% over the 2007 figure. An analysis of this increase is as follows:

	£m
Acquisitions (net of sales)	**6.6**
Lettings - investments	**3.6**
- developments	**3.1**
Rent reviews and renewals	**1.7**
Voids - expiries / breaks	**(4.2)**
- insolvencies	**(1.4)**
Reduction in surrender premiums	**(1.6)**
Empty rates	**(3.7)**
Other outgoings	**0.8**
Increase in net rental income	**4.9**

The increase in like-for-like net rental income, excluding empty rates, compared with 2007 was £1.6m or 2.3%.

Administration expenses reduced by £1.1m or 13.3% to £7.2m reflecting lower staff costs whilst the Group's share of joint venture investment profits fell by £0.7m due principally to a performance fee paid to Brixton for 2007.

Net interest payable increased by £9.4m to £31.8m over the previous year's figure, reflecting the effect of the acquisitions in 2007. Interest capitalised on developments decreased from £10.1m to £9.3m due to the completion of several development schemes. Income or interest cover for 2008 was 1.9 times compared with 2.2 times for 2007.

The calculation of investment profit is shown below:

	2008 £m	2007 £m
Net rental income	**77.4**	**72.5**
Administration expenses	**(7.2)**	**(8.3)**
Net interest payable	**(31.8)**	**(22.4)**
Share of joint ventures' investment profit	**4.1**	**4.8**
Investment profit	**42.5**	**46.6**

Adjusted earnings per share were 15.7p compared with 17.2p for 2007 reflecting the fall in investment profit. The deficit of £673.4m on the revaluation of the property portfolio and the deficit of £138.3m on the valuation of derivative financial instruments were the principal drivers behind the loss before tax of £768.8m. Basic earnings per share showed a loss of 283.0p compared with a positive result of 22.1p for 2007.

Dividend and dividend policy

Given the current economic and financial markets outlook, the lack of reform to the empty rates legislation and the increase in the second half of 2008 of £3.0m in the annualised loss of rent from tenant insolvencies the Board has concluded that it is in shareholders' best interests to restrict the dividend for 2008 to the 4.9p per share interim dividend already paid. This decision was a difficult one for the Board as it brings to an end 40 years of unbroken dividend increases. The decision not to recommend a final dividend for 2008 should be seen in the context of the process of exploring all options to provide additional financial flexibility and strengthen the balance sheet.

With regard to 2009, the Board intends to maintain, subject to available resources, the dividend at 4.9p per share or the minimum PID requirement under the REIT regime if greater.

This decision, together with the dividend policy for future years, will be kept under review.

Cash Flow

Net cash flows from operating activities showed an inflow of £12.3m including the final payment of £21.2m for the REIT entry charge. Ignoring this amount the cash inflow was £33.5m which compares with a cash inflow in 2007 of £36.1m.

Sales of properties and subsidiary undertakings raised £0.1m compared with £9.2m in 2007 whereas spend on property acquisitions and developments totalled £20.0m, compared with £306.7m for 2007.

Balance Sheet

As at 31 December 2008, the value of the Group's portfolio, including its share of joint ventures, was £1,799m. During 2008 capital expenditure on wholly owned properties amounted to £23.1m of which £18.7m was on developments. Capital commitments at the year end amounted to £58.7m, but only £2.8m of this was contracted.

Adjusted NAV per share at the year end was 290p, compared with 545p at 31 December 2007, a decrease of 46.8% due mainly to the deficit of 248p per share arising from the revaluation of the Group's portfolio.

	2008 £m	2007 £m	
Basic net asset value per balance sheet	**608.1**	**1,432.6**	
Adjustments:			
Deferred tax on revaluation surpluses	**4.6**	**5.7**	
Fair value of derivative financial instruments	**174.4**	**35.9**	
Adjusted net asset value	**787.1**	**1,474.2**	
Basic NAV per share from IFRS balance sheet	**224p**	**529p**	
Adjusted NAV per share	**290p**	**545p**	**-46.8%**
Net debt / property	**54%**	**37%**	
Net debt / equity	**110%**	**55%**	

Note: Adjusted net asset value ("NAV") per share is a UK property industry measure which excludes deferred tax relating to the revaluation of investment properties and the fair value of derivative financial instruments.

Finance

Net debt at the year end excluding interest rate derivatives was £862.2m compared with £804.1m in 2007, an increase of £58.1m reflecting capital expenditure on developments and the final instalment of the REIT conversion charge. Net debt/equity was 110% at the end of last year (2007: 55%), based on adjusted net assets and the ratio of net debt/property was 54% (2007: 37%). Net debt/equity based on IFRS net assets was 142% at the end of 2008 (2007: 56%).

The main financial risks for the Group are liquidity risk, interest rate risk and covenant risk. The Group maintains a mixture of short term funding through, typically, 5 year unsecured bank facilities and longer term funding through the unsecured bond market. All of the Group's on-balance sheet debt is unsecured and all of its wholly owned properties are unencumbered.

At the end of 2008 the Group had £415m of committed, bilateral bank facilities available of which £168m were undrawn. Bank facilities continue to be an important source of short term finance for the Group providing it with flexibility on competitive terms to fund its current and future business requirements. The weighted average maturity of all borrowings at the end of 2008 was 5.1 years with 40% of gross debt repayable after more than 5 years and 43% repayable in 1 to 2 years. It is the Group's policy to extend and spread maturities whenever possible as part of the process of managing its funding risk.

The following table shows the Company's debt and facility maturity profile as at the end of 2008.

	2009 £m	**2010 £m**	**2011 £m**	**2012 £m**	**2015 £m**	**2019 £m**
Undrawn facilities	60	103	5	-	-	-
Bank debt drawn	-	102	30	115	-	-
Bonds	-	275	-	-	145	210
Total Company	**60**	**480**	**35**	**115**	**145**	**210**

The two joint ventures in which the Company has invested have non-recourse bank loans maturing in 2009. The Company's share of these loans is £105m and discussions are being held with regard to the renewal of these facilities.

We set out detail in the Interim Management Statement of November 2008 the principal covenants in relation to our bank facilities and bonds. At 31 December 2008 the Company complied with all of its covenants under these agreements. The key covenants are:

	Actual	**Covenant**
Bank Facilities		
Interest cover	1.9 times	Min 1.2 times
Asset cover ratio	1.86 times	Min 1.67 times
Bonds		
Net debt/equity		
2010 bonds	142%	Max 175%
2015 and 2019 bonds	110%	Max 175%

If property values keep falling we are at risk of breaching our bank and bond covenants. For example, a 10% fall in property values from December 2008 would result in a breach of the asset cover ratio covenant. However, we are taking steps to mitigate this risk and improve our financial flexibility.

The average cost of Group debt at the end of 2008 was 4.5% or 4.7% including share of joint ventures' debt compared with 5.3% and 5.5% respectively at the end of 2007. At the year end 73% of the Group's debt was at fixed or capped rates compared with 63% at the end of 2007.

The Company raises finance at both fixed and floating rates of interest. It uses interest rate derivatives on a non-speculative basis to manage its exposure to floating rate debt in order to protect it against adverse interest rate movements and also to reduce the level of fixed rate debt when it considers that it can benefit from falls in short term interest rates. It does not operate with any pre-determined ratios of fixed to floating rate debt but management constantly review the interest rate profile against existing and forecast market conditions.

The hedging strategies used in the joint ventures are subject to the agreement of the joint venture partners and the banks who provide the finance.

The market value of our net debt as at the end of 2008 was £730.0m compared with a book value of £862.2m. This reduction of £132.2m compares with £13.5m at the end of 2007 and is equivalent to 49p per share. This amount is not recognised in the balance sheet unlike the fair value provision of derivative financial instruments which increased by £138.3m to £173.2m at the end of 2008, equivalent to 64p per share. Of this increase, £123.2m arose in the second half of 2008 and this was due to the significant reduction in short and long term interest rates in November and December. Since the beginning of 2009 long term rates have increased from

the low point of December 2008 and as at the end of February 2009 the fair value provision of derivative financial instruments had reduced by £78.3m to £94.9m. On a pro forma basis this reduces the net debt/equity ratio based on IFRS net assets to 123% from 142% at the end of 2008. Increases in short and long term rates from current levels will further reduce the fair value of these instruments.

Going concern

The Group's cash flow forecasts show that it has adequate resources available to continue in operational existence for the foreseeable future. In preparing these forecasts the Directors have taken into account the following matters that give rise to a material uncertainty:

- the potential breaches of various financing covenants if there are continued reductions in property valuations
- the successful completion of one or more of the options being explored to provide additional financial flexibility including potential disposals, debt renegotiations and an equity raising.

Having taken into account the above matters the Directors have concluded, based on the cash flow forecasts, that it is appropriate to prepare the Preliminary results on a going concern basis. Further details on the above uncertainty and the options being pursued are included in the Chairman's Statement on pages 3 to 4, the Chief Executive's review on page 5 and in the Financial Review on pages 14 to 18.

Risk Management

The Board is responsible for setting the Company's risk strategy by assessing, evaluating and managing the risks to its business. The table below summarises the main risks and the steps taken to mitigate these.

Risk	Mitigation
Strategic	
Investment acquisitions and development projects underperform financial objectives	Focused, specialist operator undertaking detailed investment appraisals, including due diligence reviews. Exposure to development is monitored and project phasing reviewed.
Failure to spot business opportunities and to innovate	Detailed knowledge of core markets maintained and coverage and scope of business model reviewed on an ongoing basis.
Market	
Property markets are cyclical. Performance depends on general economic conditions, a combination of supply and demand for floor space as well as overall return aspirations of investors. Constrained credit markets have served to put downward pressure on property valuations as have slower occupational demand with the potential for increased void levels and tenant defaults	The economy and the investment and occupational markets are evaluated as part of the Company's strategy process covering the key areas of investment, development, leasing and asset management and updated regularly throughout the year.
Financial	
Inability to raise finance to implement strategy	Spread of sources and maturities of facilities. Sufficient facilities maintained for spending commitments.
Adverse interest rate movements	Appropriate balance of fixed rate debt maintained based on existing and forecast market conditions. Financial ratios are monitored and reported regularly to the Board.
Failure to comply with covenants in financing agreements	Financial ratios are monitored and reported regularly to the Board. Explore all options to provide additional financial flexibility.
Operational	
Failure to let at expected rental levels or within time projections	Specialist market knowledge. Detailed analysis on each project. Focused marketing campaigns. Dedicated Leasing Centre. Unique B-Serv customer care programme.
Failure of major tenant	Largest non-government tenant only 2.3% of rent roll. Regular monitoring of tenant lease payments.
Loss of key staff	Remuneration structure reviewed and benchmarked. Succession planning for key executive positions.
Environmental liabilities	Environmental policy and procedures in place and environmental audits performed on new acquisitions.
Health and safety system failure	Regular risk assessments, annual audit and performance reviews.

Group Income Statement

Year ended 31 December
(unaudited)

	Notes	**2008 £m**	2007 £m
Gross rental income		**89.8**	82.0
Property outgoings		**(12.4)**	(9.5)
Net rental income	2	**77.4**	72.5
Administration expenses		**(7.2)**	(8.3)
Operating profit before net (loss)/profit on investment properties		**70.2**	64.2
Gain/(loss) arising on sale of properties and subsidiary undertakings	3	**0.1**	(0.3)
Net (deficit)/gain on valuation of investment and investment properties in the course of construction		**(602.8)**	26.6
Net (loss)/profit on investment properties and investment properties in the course of construction		**(602.7)**	26.3
Operating (loss)/profit	4	**(532.5)**	90.5
Interest receivable and other finance income	5	**0.6**	3.6
Exceptional interest income	5	**0.5**	–
Interest payable and other finance costs	6	**(32.4)**	(26.0)
Change in fair value of derivative financial instruments	6	**(138.3)**	(11.1)
Share of (losses)/profits of joint ventures	10	**(66.7)**	1.2
(Loss)/profit before tax		**(768.8)**	58.2
Deferred tax	7	**1.1**	1.6
(Loss)/profit for the financial year attributable to equity shareholders		**(767.7)**	59.8
(Loss)/earnings per share – basic and diluted	8	**(283.0)p**	22.1p
Adjusted earnings per share	8	**15.7p**	17.2p

Group Balance Sheet

Year ended 31 December
(unaudited)

	Notes	**2008 £m**	2007 £m
Non-current assets			
Goodwill		**1.5**	1.5
Investment properties and investment properties in the course of construction	9	**1,604.9**	2,184.7
Plant and equipment		**1.0**	1.2
Investments in joint ventures	10	**74.6**	145.2
		1,682.0	2,332.6
Current assets			
Trade and other receivables	11	**29.1**	26.5
Cash and short term deposits		**13.8**	6.3
		42.9	32.8
Total assets		**1,724.9**	2,365.4
Current liabilities			
Trade and other payables	12	**(43.1)**	(48.1)
Corporation tax liabilities		**(12.5)**	(33.7)
		(55.6)	(81.8)
Non-current liabilities			
Borrowings	13	**(876.0)**	(810.4)
Derivative financial instruments	14	**(173.2)**	(34.9)
Deferred tax provision	16	**(4.6)**	(5.7)
Net retirement benefit obligation		**(7.4)**	–
		(1,061.2)	(851.0)
Total liabilities		**(1,116.8)**	(932.8)
Net assets		**608.1**	1,432.6
Equity			
Called-up share capital		**67.9**	67.7
Share premium account		**93.4**	153.9
Capital redemption reserve		**0.1**	0.1
Retained earnings		**446.7**	1,210.9
Total equity		**608.1**	1,432.6
Net asset value per share	18	**224p**	529p
Adjusted net asset value per share	18	**290p**	545p

Group Cash Flow Statement

Year ended 31 December
(unaudited)

	Notes	**2008 £m**	2007 £m
Cash flows from operating activities			
Operating (loss)/profit		**(532.5)**	90.5
Dividends received from joint ventures		**4.4**	5.2
Adjustments for non-cash items:			
Revaluation deficit/(gain) on investment properties and investment properties in the course of construction		**602.8**	(26.6)
(Gain)/loss on sale of investment properties and subsidiary undertakings		**(0.1)**	0.3
Depreciation, amortisation and other non-cash movements		**2.5**	1.4
Other movements arising from operations:			
(Increase)/decrease in trade and other receivables		**(1.5)**	2.4
Increase in trade and other payables		**1.4**	2.6
Net cash generated from operations		**77.0**	75.8
Interest received from third parties		**0.3**	2.8
Interest paid to third parties		**(43.8)**	(38.7)
Corporation tax paid on REIT entry charge		**(21.2)**	(21.2)
Other corporation tax paid		**–**	(3.8)
Net cash flows from operating activities		**12.3**	14.9
Cash flows from investing activities			
Acquisition and property development		**(20.0)**	(306.7)
Sale of group undertakings		**(0.2)**	(0.4)
Sales of properties		**0.3**	9.6
Capital expenditure on plant and equipment		**(0.4)**	(0.4)
Proceeds from disposals of plant and equipment		**0.1**	0.1
Loans advanced to joint ventures		**(0.5)**	(0.8)
Net cash flows from investing activities		**(20.7)**	(298.6)
Cash flows from financing activities			
Net proceeds from the issue of share capital		**0.3**	0.5
Repayments of borrowings		**(95.2)**	(31.0)
New bank loans raised		**161.0**	208.0
Equity dividends paid		**(50.2)**	(33.0)
Net cash flows from financing activities		**15.9**	144.5
Net increase/(decrease) in cash and short term deposits		**7.5**	(139.2)
Opening cash and short term deposits		**6.3**	145.5
Closing cash and short term deposits		**13.8**	6.3

Group Statement of Recognised Income and Expense

Year ended 31 December
(unaudited)

	2008 **£m**	2007 £m
Income and expenses recognised directly in equity		
Actuarial (losses)/gains on defined benefit pension schemes	**(8.4)**	0.8
Revaluation deficit on investment properties in the course of construction	**–**	(6.0)
Net loss recognised directly in equity	**(8.4)**	(5.2)
(Loss)/profit for the financial year	**(767.7)**	59.8
Total recognised income and expense for the year attributable to equity shareholders	**(776.1)**	54.6

A reconciliation of changes in Group equity is shown in note 17.

Notes to the Preliminary Results
(unaudited)

1 Basis of preparation

The unaudited preliminary financial statements for the year ended 31 December 2008 are not statutory accounts as defined in Section 240 of the Companies Act 1985. The full statutory accounts for 2007 were reported on by the auditors without qualification and have been filed with the Registrar of Companies.

The auditors' report on the statutory accounts for 2008 is likely to contain an emphasis of matter relating to going concern. The matters relating to going concern are described in the going concern section of the Financial Review on page 18 and indicate the existence of a material uncertainty.

2 Net rental income

The Group engages in only one class of business activity, being industrial property investment. All operations are continuing and are located in the UK. All properties are industrial in nature.

Net rental income

	2008 £m	2007 £m
Gross rental income	**89.8**	82.0
Service charge and other income	**9.8**	7.0
Gross property income	**99.6**	89.0
Property outgoings	**(22.2)**	(16.5)
Net rental income	**77.4**	72.5

Property outgoings include £0.3m (2007: £0.1m) in respect of investment properties that did not generate rental income during the year.

3 Gain/(loss) arising on sale of properties and subsidiary undertakings

The gain/(loss) arising on sale of properties and subsidiary undertakings is calculated by reference to book value at the date of sale. In 2008 the gain arising on sale included an exceptional goodwill impairment charge of £nil for goodwill attached to properties disposed (2007: £0.3m).

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting) the following:

		2008 £m	2007 £m
Staff costs		**10.2**	10.7
Less own work capitalised		**(2.6)**	(2.7)
		7.6	8.0
Depreciation		**0.5**	0.6
Goodwill impairment		**–**	0.3
Operating lease payments		**0.8**	0.8
Auditors' remuneration for audit services	- Group	**0.2**	0.2
	- Subsidiaries	**0.2**	0.2

Amounts payable to Ernst & Young LLP during the year in respect of non-audit services totalled £67,000 (2007: £38,000), which related to other advice. The non-audit fees are considered to be immaterial and do not impair the auditors' independence.

Notes to the Preliminary Results continued

5 Interest receivable and other finance income

	2008 £m	2007 £m
Interest receivable	**0.2**	3.1
Net financing income arising from retirement benefit schemes	**0.4**	0.5
Interest receivable and other finance income	**0.6**	3.6
Exceptional interest income (see below)	**0.5**	–

The exceptional interest income in 2008 of £0.5m (2007: £nil) relates to the profit arising on the repurchase of £5m nominal of the 5.25% 2015 bond.

6 Interest payable and other finance costs

	2008 £m	2007 £m
Interest on bank loans and overdrafts	**10.6**	2.5
Interest on bonds	**31.1**	33.6
Interest payable	**41.7**	36.1
Less: interest capitalised	**(9.3)**	(10.1)
Interest payable and other finance costs	**32.4**	26.0
Change in fair value of derivative financial instruments:		
Fair value losses on interest rate swaps	**138.3**	11.1
Total interest payable and other finance costs	**170.7**	37.1

Interest was capitalised using the Group's average cost of debt of 4.9% (2007: 5.4%).

7 Tax

	2008 £m	**2007 £m**
Amounts credited to the income statement:		
Deferred tax on revaluation of investment properties	(1.1)	(1.5)
Release of deferred tax in respect of properties sold in the year	–	(0.1)
Total tax credit for the year	(1.1)	(1.6)

Factors affecting the tax credit for the year were as follows:

	2008 £m	2007 £m
Tax (credit)/charge on (loss)/profit before tax at UK corporation tax rate of 28%/30% (2007: 30%)	**(219.1)**	17.5
Effect of:		
Effect of REIT tax exemption	**219.1**	(17.5)
Differences arising from taxation of chargeable gains	**(1.1)**	(1.5)
Release of deferred tax in respect of properties sold in the year	**–**	(0.1)
Total tax credit for the year	**(1.1)**	(1.6)

The rate of corporation tax changed from 30% to 28% at 1 April 2008.

The effective rate of corporation tax on investment profit in the year was nil% (2007: nil%) for the Group.

8 (Loss)/earnings per share

(Loss)/earnings per share and adjusted earnings per share have been calculated, using the weighted average number of shares in issue during the year of 271.3m (2007: 270.4m), as follows:

	2008 (Loss)/ profit after tax £m	**2008 (Loss)/ earnings per share pence**	2007 Profit after tax £m	2007 Earnings per share pence
Basic and diluted	**(767.7)**	**(283.0)p**	59.8	22.1p
Deficit/(gain) on revaluation of investment properties and investment properties in the course of construction	**602.8**	**222.2p**	(26.6)	(9.8)p
Deficit on revaluation of joint venture properties	**70.6**	**26.0p**	3.8	1.4p
Loss on fair value of derivative financial instruments including share of joint ventures	**138.5**	**51.1p**	10.9	4.0p
(Gain)/loss arising on sale of properties and subsidiary undertakings	**(0.1)**	**–**	0.3	0.1p
Deferred tax on investment properties	**(1.1)**	**(0.4)p**	(1.6)	(0.6)p
Exceptional interest income	**(0.5)**	**(0.2)p**	–	–
Adjusted	**42.5**	**15.7p**	46.6	17.2p

Diluted (loss)/earnings per share are the same as basic (loss)/earnings per share.

9 Investment properties and investment properties in the course of construction

	2008 Investment properties £m	**2008 Investment properties in the course of construction £m**	**2008 Total £m**	2007 Investment properties £m	2007 Investment properties in the course of construction £m	2007 Total £m
Opening balance	**2,051.6**	**133.1**	**2,184.7**	1,816.3	37.0	1,853.3
Acquisition of properties	**–**	**–**	**–**	137.4	106.6	244.0
Development and refurbishment expenditure	**17.1**	**6.0**	**23.1**	69.5	7.4	76.9
Total additions	**17.1**	**6.0**	**23.1**	206.9	114.0	320.9
Reclassification	**41.1**	**(41.1)**	**–**	–	–	–
Disposals	**(0.1)**	**–**	**(0.1)**	(10.1)	–	(10.1)
(Deficit)/surplus on valuation	**(577.8)**	**(25.0)**	**(602.8)**	38.5	(17.9)	20.6
Closing balance	**1,531.9**	**73.0**	**1,604.9**	2,051.6	133.1	2,184.7

Investment properties and investment properties in the course of construction were externally valued as at 31 December 2008 by CB Richard Ellis and King Sturge in accordance with the Appraisal and Valuation Standards of RICS on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale. CB Richard Ellis and King Sturge are both accredited independent valuers and are industry specialists in valuing these types of investment properties.

Long leasehold properties which are treated as finance leases and included in investment properties above, amounted to £166.2m (2007: £224.0m).

Investment properties currently being redeveloped at 31 December 2008, included in investment properties above, amounted to £50.6m (2007: £105.9m).

The factors affecting the valuation of the investment properties and investment properties in the course of construction are included in the Business Review on pages 6 to 14.

Notes to the Preliminary Results continued

10 Investments in joint ventures

	2008 £m	2007 £m
Opening balance	**145.2**	148.4
Net investment in joint ventures	**0.5**	0.8
Share of (losses)/profits	**(66.7)**	1.2
Dividends received	**(4.4)**	(5.2)
Closing balance	**74.6**	145.2

At 31 December 2008 and 2007 the Group's investments in joint ventures comprised:

	Joint venture % holding
a) The Heathrow Big Box Industrial and Distribution Fund (a UK property investment partnership with The Prudential Assurance Company Limited)	50%
b) Equiton Industrial Partnership (a UK property investment partnership with SE Ind Unit Trust, and Edger Investments Limited, a wholly owned subsidiary of The Prudential Assurance Company Limited)	30%

The properties owned by the joint ventures were externally valued as at 31 December 2008 by CB Richard Ellis and King Sturge.

The Group's share of income, expenses, assets and liabilities included in the Group results are as follows:

Income statement

	2008 £m	2007 £m
Net rental income	**11.5**	12.2
Administration expenses	**(0.2)**	(0.2)
Net deficit on valuation of investment properties	**(70.6)**	(3.8)
Operating (loss)/profit	**(59.3)**	8.2
Net interest payable	**(7.2)**	(7.2)
Change in fair value of derivative financial instruments	**(0.2)**	0.2
(Loss)/profit before and after tax	**(66.7)**	1.2

Balance sheet

	2008 £m	2007 £m
Investment properties	**183.3**	253.4
Current assets	**4.9**	5.5
Total assets	**188.2**	258.9
Current liabilities	**(112.0)**	(6.0)
Non-current liabilities	**(1.6)**	(107.7)
Total liabilities	**(113.6)**	(113.7)
Group share of joint venture net assets	**74.6**	145.2

The Group's share of total assets as shown in the table above includes a reduction of £12.4m (2007: £12.4m), being the Group's share of unrealised profits arising in prior years on the sale of properties into The Heathrow Big Box Industrial and Distribution Fund and the Equiton Industrial Partnership.

Included within current liabilities for the two limited partnerships are external, non-recourse loans repayable in 2009. The Group's share of these loans at 31 December 2008 is £105.2m (2007: £105.1m included in non-current liabilities).

11 Trade and other receivables

	2008 £m	2007 £m
Current assets		
Rent and sundry receivables	**8.7**	10.7
Prepayments and accrued income	**20.4**	15.8
	29.1	26.5

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management, based on prior experience and their assessment of the current economic environment.

12 Trade and other payables

	2008 £m	2007 £m
Current liabilities		
Accruals and rent in advance	**31.8**	38.0
Other payables	**5.8**	8.5
Other taxes	**5.5**	1.6
	43.1	48.1

13 Borrowings

	2008 £m	2007 £m
Unsecured		
6% Bonds 2010 (nominal £275m)	**274.6**	274.4
5.25% Bonds 2015 (nominal £145m)	**144.4**	149.3
6% Bonds 2019 (nominal £210m)	**209.7**	209.7
Sterling bank loans and overdrafts	**247.3**	177.0
Total unsecured	**876.0**	810.4
Total borrowings:		
Falling due after more than one year	**876.0**	810.4

	2008 £m	2007 £m
Repayment analysis		
One to two years	**376.9**	–
Two to three years	**30.0**	411.4
Three to four years	**115.0**	–
Four to five years	**–**	40.0
Five to ten years	**144.4**	149.3
Ten to fifteen years	**209.7**	209.7
	876.0	810.4

	2008 £m	2007 £m
Interest rate profile (all sterling)		
Fixed/capped	**638.7**	508.4
Floating	**237.3**	302.0
	876.0	810.4

Notes to the Preliminary Results continued

13 Borrowings continued

The weighted average interest rate on Group borrowings as at 31 December 2008 was as follows:

	2008 %	2007 %
Fixed/capped rate borrowings	**5.0**	4.8
On all borrowings	**4.5**	5.3

As at 31 December 2008, the weighted average period for which fixed/capped rate borrowings were fixed/capped was 11 years (2007: 11 years).

The interest rate for variable rate borrowings is set by reference to LIBOR.

Capital disclosures

The Group's Capital Structure is defined as total equity (comprising called-up share capital, share premium, capital redemption reserve, revaluation reserve and retained earnings) and net borrowings.

The Group's strategy in respect to the use of Capital is detailed in the Risk Management section on page 19 and in the Financial Review on pages 14 to 18.

Maturity of undrawn committed borrowing facilities

	2008 £m	2007 £m
Expiring:		
Within one year	**60.0**	–
One to two years	**102.7**	60.0
More than two years	**5.0**	178.0
	167.7	238.0

14 Derivative financial instruments

The Group's strategy in respect of the use of financial instruments to manage risk is detailed in the Risk Management section on page 19 and in the Financial Review on pages 14 to 18.

At 31 December 2008 the notional amount outstanding under fixed interest rate receivable swaps was £635m (2007: £635m) used to swap the Group's Eurosterling Bonds into floating rate.

The notional amount outstanding under fixed interest rate payable swaps at 31 December 2008 was £570m (2007: £330m).

The notional amount outstanding under capped interest rate payable swaps at 31 December 2008 was £75m (2007: £180m).

The effect of these swaps is included in the interest rate analysis in note 13.

The fair value of swaps entered into is set out in note 15. These amounts are based on market value at the balance sheet dates.

15 Fair value of financial assets and liabilities as at 31 December

	2008 Book value £m	**2008 Fair value £m**	**2008 Fair value adjustment £m**	2007 Book value £m	2007 Fair value £m	2007 Fair value adjustment £m
Financial assets						
Cash and short term deposits	**13.8**	**13.8**	**–**	6.3	6.3	–
Trade and other receivables	**29.1**	**29.1**	**–**	26.5	26.5	–
Total financial assets	**42.9**	**42.9**	**–**	32.8	32.8	–
Financial liabilities						
6% Bonds 2010	**(274.6)**	**(256.9)**	**17.7**	(274.4)	(277.8)	(3.4)
5.25% Bonds 2015	**(144.4)**	**(103.6)**	**40.8**	(149.3)	(140.8)	8.5
6% Bonds 2019	**(209.7)**	**(136.0)**	**73.7**	(209.7)	(201.3)	8.4
Sterling bank loans and overdrafts	**(247.3)**	**(247.3)**	**–**	(177.0)	(177.0)	–
	(876.0)	**(743.8)**	**132.2**	(810.4)	(796.9)	13.5
Interest rate derivatives	**(173.2)**	**(173.2)**	**–**	(34.9)	(34.9)	–
Trade and other payables	**(43.1)**	**(43.1)**	**–**	(48.1)	(48.1)	–
Total financial liabilities	**(1,092.3)**	**(960.1)**	**132.2**	(893.4)	(879.9)	13.5
Total net financial liabilities	**(1,049.4)**	**(917.2)**	**132.2**	(860.6)	(847.1)	13.5
Fair value on a post tax basis			**132.2**			13.5

Fair values have been calculated by using market values at the balance sheet date. The market values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of short term deposits is assumed to approximate to their book values.

The Group's only obligation is to pay interest and repay its bonds and loans at par value on the maturity dates.

Sterling loans of £92.8m (2007: £92.3m) have been made by Group companies to joint ventures. These loans are not interest bearing and the return is dependent on the overall return from the partnerships. The fair value of these loans is assumed to be their book values.

16 Deferred tax provision

	2008 £m	2007 £m
Deferred tax		
Opening balance	**5.7**	7.3
Net credit per income statement (see note 7)	**(1.1)**	(1.6)
Closing balance	**4.6**	5.7

The deferred tax balance at the end of 2007 and 2008 comprises capital gains net of capital losses. The Group has an unrecognised deferred tax asset of £4.1m (2007: £nil) relating to uncrystallised capital losses, which has not been recognised as there is insufficient certainty that the losses can be relieved against future capital gains.

17 Reconciliation of changes in equity

	2008 £m	2007 £m
Opening equity	**1,432.6**	1,409.2
New share capital subscribed	**0.6**	0.5
Employee share-based remuneration	**1.2**	1.3
	1,434.4	1,411.0
Total recognised income and expense	**(776.1)**	54.6
	658.3	1,465.6
Dividends paid	**(50.2)**	(33.0)
Closing equity	**608.1**	1,432.6

Notes to the Preliminary Results continued

18 Net asset value per share

Group

	2008 pence	2007 pence
Net asset value per share	**224**	529
Fair value of derivative financial instruments (including share of joint ventures)	**64**	14
Adjustment to net assets relating to deferred tax on investment properties and the fair value of derivatives	**2**	2
Adjusted net asset value per share	**290**	545

Net asset value per share has been calculated on 271.7m shares in issue at 31 December 2008 (2007: 270.7m) and based on net assets attributable to shareholders of £608.1m (2007: £1,432.6m).

Adjusted net asset value per share has been calculated on the same number of shares in issue but excluding the recognised fair value of Group and joint venture derivatives of £174.4m (2007: £35.9m) and the deferred tax provision on investment properties and the fair value of derivatives of £4.6m (2007: £5.7m).

19 Dividends

Amounts recognised as distributions to equity shareholders in the year are as follows:

	2008 £m	2007 £m
Ordinary dividends		
2006 interim dividend declared of 4.30p per share	**–**	11.6
2006 final dividend declared of 7.90p per share	**–**	21.4
2007 interim dividend declared of 4.80p per share	**13.0**	–
2007 final dividend declared of 8.80p per share	**23.9**	–
2008 interim dividend declared of 4.90p per share	**13.3**	–
	50.2	33.0
Proposed final dividend of nil per share for 2008 (2007: 8.80p per share)	**–**	23.8

20 Future capital expenditure

	2008 £m	2007 £m
The Directors have authorised future capital expenditure, including the Group's share of its joint ventures' capital expenditure, which amounts to:		
Contracted for	**2.8**	8.9
Not contracted for	**55.9**	61.2
	58.7	70.1

Of the £2.8m (2007: £8.9m) contracted capital expenditure £1.4m (2007: £8.3m) relates to obligations to develop investment property and £1.4m (2007: £0.6m) relates to enhancements.

Glossary of Terms

Adjusted earnings per share ("EPS")	Earnings per share based on investment profit
Adjusted net asset value ("NAV") per share	Net asset value per share adjusted to add back deferred tax on investment properties and the fair value of derivative financial instruments
Dividend cover	Adjusted EPS divided by dividend per share
Earnings per share	Profit after taxation divided by the average number of shares in issue during the year
Enterprise value	The sum of the market capitalisation of a company and the market value of its debt
Equivalent yield	The weighted average yield based on the initial yield and the reversionary yield
Estimated Rental Value ("ERV")	The estimated market rental value of space ascribed by the external valuers
Gearing	Net debt expressed as a percentage of shareholders' funds
Initial yield/running yield	The initial return derived from a property calculated by dividing the current rent by the capital value. The net initial yield includes the value of undeveloped sites, unlet developments and portfolio vacancies. No income for these elements is applied in this calculation or allowed if there are rent-free periods. Normal purchasers' costs are also allowed for.
Interest Cover (income cover)	Net rental income divided by net interest expense before capitalised interest
Interest rate swap	An agreement with another party to exchange an interest rate obligation for a predetermined period of time
Investment profit/underlying profit before tax	Profit before tax excluding net profit on investment properties, changes in fair value of derivative financial instruments and exceptional items. It is the recurring measure of profitability for a UK REIT and is based on our rental income activities.
IPD	Investment Property Databank. A global information business supplying independent market indices and portfolio benchmarks to the property industry.
Net asset value per share	Shareholders' funds divided by the number of shares in issue at the year end
Over-rented	Space that is let at a rent above its ERV
Passing rent	The annual contracted rental income receivable which may be more or less than the ERV (see over-rented and reversionary)
Pre-let	A lease signed with a tenant prior to commencement of construction of a development
Real Estate Investment Trust ("REIT")	A quoted company that owns income producing commercial or residential property and which has elected for REIT status under UK tax legislation. Profits and capital gains from its qualifying property rental business are exempt from tax if certain conditions are satisfied e.g. at least 75% of profits are derived from the qualifying property rental business and 90% of those profits, after deductions, are distributed to shareholders.
Return on equity	Share price movement between the ends of the current and previous years plus the dividend per share declared for the current year divided by the share price at the end of the previous year
Reversionary or under-rented	Space where passing rent is below the ERV
Reversionary yield	The anticipated yield once the passing rent reaches the ERV, calculated by dividing the ERV by the capital value
ROEV	Return on Enterprise Value: operating profit (including share of joint ventures' operating profit) divided by the Enterprise Value
Total return on property	Net rental income and capital growth expressed as a percentage of opening book value adjusted for capital expenditure during the year
Total shareholder return	Adjusted NAV per share movement between the ends of the current and previous years plus the dividend per share declared for the current year divided by the adjusted NAV per share at the end of the previous year
WACC	Weighted Average Cost of Capital: the weighted average of the costs of equity and debt capital that finance a company