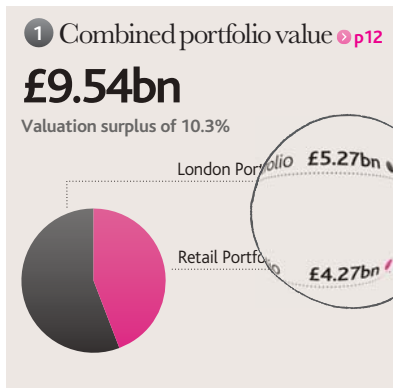


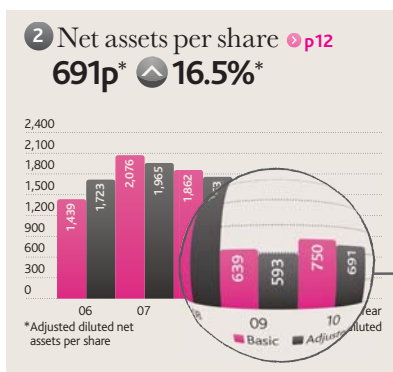
Business review

How do we value our property assets?



What is a valuation?

A valuation is an estimate of the financial value of a property at a particular point in time. A valuation is based on what a willing buyer would pay a willing seller, in the opinion of the valuer. The valuer has full access to the relevant information on each property in the way that a buyer would. Our properties are revalued every six months, covering both investment properties and developments.



Why is a valuation so important?

Clear, accurate and timely valuations promote transparency in commercial property. In the UK, we have a highly transparent property market and a well-regarded valuation industry. Our system of frequent valuations conducted by external valuers compares well with many overseas markets, where shareholders often have to rely on annual Directors' valuations.

How do valuations affect our measures of financial performance?

The valuation is a vital component in helping shareholders assess the value of our Company **1**. It puts a price on all our assets as to their worth. This also helps a shareholder see how well they have performed every six months. Given this close relationship between asset valuations and financial performance, valuations have a significant effect on a company's net assets per share*. This is a key indicator of our performance **2**.

3 Net surplus/(deficit) on revaluation of investment properties [p94](#)

	440.3	(130.8)
4	(32.5)	(130.8)
4	746.0	(4,113.4)
4	(10.6)	(92.3)
	1,142.2	(3,841.7)

Where else can I see the impact of the valuation in the report and accounts?

Changes to the value of our portfolio are visible in a number of places in the Financial Statements, including the income statement **3**, balance sheet **4** and a number of notes. As we have already highlighted, these changes are most clearly visible in our net asset per share measure*.

4 Valuation surplus [p111](#)

		(0.8)
		1.1
		746.0
197.0		
789.2		8,044.3

How are valuations calculated?

Published by the Royal Institution of Chartered Surveyors (RICS), 'The Red Book' provides valuation standards, mandatory rules and best practice guidance for all RICS members undertaking valuations. Our external valuers follow the standards, rules and guidance set out in this publication. When valuing, our external valuers will assess the market value for an asset on the basis that a potential transaction has taken place on the valuation date, using the 'willing buyer, willing seller' criteria.

5 A note from the Audit Committee [p72-73](#)

Who values our portfolio?

Our valuers are Knight Frank LLP, one of the major valuers in our industry. They have a national network of offices and the expertise required to value office, retail, retail warehouse and other types of property anywhere in the UK.

We monitor the independence of our valuers in three key ways. First, the total fees paid to Knight Frank by us constitute less than 5% of their total fee income **5**. Second, our valuers and our external auditors – PricewaterhouseCoopers (PwC) – are in independent communication throughout the valuation process. Third, our Audit Committee Chairman and external auditors attend key valuation meetings to ensure independence is observed. For more on valuation and corporate governance please see [p72 and 73](#).

* Net asset value per share is calculated by deducting our total liabilities (e.g. debt) from our total assets (e.g. properties) and dividing the result by the number of ordinary shares in issue.