# Press Release

**9 November 2011**

## Half year results

The Directors of Great Portland Estates plc announce the results for the Group for the six months ended 30 September 2011.

### Highlights:

- Portfolio valuation up 3.9%[1] since March 2011
- 12 month total property return of 17.3% outperforming IPD's Central London index of 16.1%
- Rental value growth of 2.5%[1] (2.7% West End offices, 4.3% West End retail)

- EPRA[2] net assets per share up 5.0% to 378 pence
- Net assets of £1,167.9 million up 5.0% from March 2011
- EPRA[2] profit before tax of £10.4 million down 30.7% on 2010, as anticipated given our development and refurbishment activities
- EPRA[2] earnings per share of 3.4 pence down 24.4% on 2010
- After revaluation surplus, reported profit before tax of £79.1 million (2010: £115.8 million)
- Interim dividend per share of 3.2 pence (2010: 3.1 pence)
- Gearing remains low at 40.5%. Significant cash and undrawn facilities totalling £250 million at 30 September
- New £73 million (our share: £36.5 million) seven year, non-recourse bank financing (in the Great Ropemaker Partnership) announced today

- Three schemes currently on site (305,500 sq ft, 9.7% of our portfolio), 34.9% pre-let. Completions from Autumn 2012
- Pipeline enhanced through acquisition of major West End site at Rathbone Place, W1
- Total committed capital expenditure of £84.1 million
- Total development programme of 3.3 million sq ft, flexible start dates

- New property acquisitions[3] totalling £195.8 million completed since March 2011
- Disposals of £65.0 million (our share) during the half year at a 6.2% profit to book value. A further £41.6 million sold since 30 September
- 35 new leases signed securing annual income of £8.6 million (our share: £8.0 million) covering 186,800 sq ft, with market lettings at 5.3% ahead of valuers' rental values
- £6.7 million of lettings under offer (our share: £3.7 million) at 0.3% above rental values
- Void levels[1] stable at 3.2% and delinquencies low at less than 0.1% of rent roll

[1] On a like for like basis and including share of joint ventures
[2] In accordance with EPRA guidance (see note 7)
[3] Includes share of joint ventures and purchase of 200 & 214 Gray's Inn (completed on 18 October)

Toby Courtauld, Chief Executive, said:

*"Economic conditions and business sentiment have worsened since the summer with sovereign debt crises dominating the economic landscape. Within this more challenging environment, London's commercial property markets continue to out-perform the rest of the UK, benefiting from an excess of demand for assets over supply, and a vacancy rate of around 1% for West End Grade A office space. Despite this, we expect secondary and over-priced assets to see a price correction as buyers become more discerning.*

*In our occupational markets, unsurprisingly, demand for space has reduced over the last quarter. So too has the level of expected new supply as development finance remains scarce. As a result, once sustainable economic growth returns, an impending supply crunch will strongly favour London's landlords.*

*Within this context, GPE is well placed; we have a low level of on-site development risk, but a pipeline of opportunity few can match and all of it in central London; our investment portfolio is almost fully occupied, let off low average rents and rich with opportunities for growth; and our low gearing and financial flexibility will enable us to exploit further investment opportunities as we find them.*

*We remain confident that our disciplined, nimble approach and our prudent capital structure will underpin the long term prospects of the Group."*

**Contacts:**

**Great Portland Estates plc** **44 (0) 20 7647 3000**
Toby Courtauld, Chief Executive
Nick Sanderson, Finance Director

**Finsbury Group** **44 (0) 20 7251 3801**
James Murgatroyd
Gordon Simpson

The results presentation will be broadcast live at 9.30am today on:

http://www.gpe.co.uk/investors/presentations.

A conference call facility will be available to listen to the presentation at 9.30am today on the following number: +44 (0)20 7162 0025; conference ID 906377.

https://eventreg1.conferencing.com/webportal3/reg.html?Acc=568669&Conf=1754388

**Disclaimer**

This announcement contains certain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-thinking statements.

Any forward-looking statements made by or on behalf of Great Portland Estates plc ("GPE") speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. GPE does not undertake to update forward-looking statements to reflect any changes in GPE's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Information contained in this presentation relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

# Half Year Results

## Our Market

**Introduction**
Since we published our final results in May 2011 much has changed: sovereign debt crises across the Eurozone and in the United States have dominated the economic landscape, whilst stock markets have fallen in anticipation of lower GDP growth than previously forecast. Business sentiment has deteriorated reflecting the greater uncertainty to the economic outlook.

Within this weaker market context, London's economy continues to offer a more compelling economic story than the UK as a whole, in large part due to its status as a global city. Indeed, it continues to benefit from its relative safe-haven status following events such as the Arab uprisings earlier this year. Similarly, investor concerns surrounding the Eurozone, London's diversified economy and its deep and highly skilled pool of labour all serve to enhance further its relative attraction.

However, we are by no means complacent about the challenges ahead. One of the enduring strengths of the GPE business model is our ability to remain fleet of foot in positioning both our portfolio and our capital structure to meet the market conditions of the day. Throughout this report you will find examples of this nimble approach, continuing our strategy that has enabled us to outperform throughout this crisis.

**Occupational Markets**
Whilst most commentary on the central London leasing markets continues to paint a broadly positive picture, we expect most rental growth forecasts to be pared back as prospective tenants take a more cautionary outlook in their expansion plans. However, for the reasons explained below, we expect the West End to perform more strongly than the City over the next few years for the first time since the rental recovery that began during the second half of 2010.

**West End**
Despite broader economic uncertainties, office leasing activity in the West End was higher in the three months to September than during the previous quarter and some 2.3% higher than the same period last year. With limited new supply coming on stream, the volume of office space in the market to let was some 26% lower at the end of September 2011 than twelve months earlier and, with the office vacancy rate at only 5.9%, current supply levels are now 25% below the long term average, according to Knight Frank.

Whilst the aggregate demand for office space is reported to be up compared to this time last year, we do not anticipate an increase in the actual take up of space whilst the current level of economic uncertainties prevail. But with a low vacancy rate and limited new supply coming on stream over the next few years, we expect office rents to remain stable in the near term and, absent a further significant deterioration in economic conditions, the medium term outlook remains positive, particularly for well located properties.

The West End retail market (comprising 22.6% of our West End portfolio by value) has continued its strong performance. Retail sales in central London have consistently out-performed the UK as a whole, posting year-on-year growth through much of 2011. The West End is now the world leader in the number of flagship stores, according to the New West End Company, and demand for good sized units from retailers remains strong. The most recently available data shows that for the month of September, year-on-year retail sales in the West End were 3.4% higher versus a 0.3% increase for the rest of the UK. A slowdown in sales is possible if the Eurozone crisis curbs tourist retail spend.

**City and Southwark**
Office leasing levels in the City were higher in the three months to September than the previous three months, although we expect the full year to be down on the very high levels of 2010. In addition, given the current heightened concerns in financial markets, we expect a reduction in the overall level of tenant demand in the near term. Although higher than in the West End, the City office vacancy rate, at 7.7% in September, remains low compared to the long run average. This, combined with our expectation that a significant number of proposed developments will be deferred or cancelled, in part due to the lack of speculative development finance or pre-lets, will provide some support to rents particularly for good quality buildings in central locations.

CB Richard Ellis' City prime index show rents growing over the first half and we expect this trend to moderate in the near term.

**Investment Markets**
Central London real estate continues to attract a diverse group of investors including UK institutions, private investors, international organisations, property companies, private equity funds and sovereign wealth funds. Across London, there remains a material surfeit of buyers to sellers (estimated at £16.8 billion of buyers versus £5.0 billion of assets on the market to sell), with a marked contrast between the City and West End. Much of the supply is in the City (£3.8 billion) whilst the depth of demand for well located West End properties remains extremely strong.

## Lead indicators

We monitor numerous lead indicators to help identify key trends in our market place:

| Selected Lead Indicators | Trends in period March – September 2011 |
|---|---|
| **Property Capital Values** | |
| Equity prices | Down |
| Bond prices | Up |
| Changes in new lending by major UK and European banks | Down |
| Transaction volumes in Central London direct real estate investment markets | Down |
| Direction of pricing on IPD based derivative contracts | Down |
| **Rental Values** | |
| UK GDP growth | Up |
| West End London retail sales | Up |
| Business confidence levels in the Central London economy | Down |
| UK output from the financial and business services sector | Down |
| UK finance and business services employment statistics | Down |

Since the spring of 2011, the majority of the property capital indicators have turned negative given the global financial market volatility resulting from the Eurozone sovereign debt crisis and weakening outlook for economic growth. We expect that this market uncertainty will prevail for some while yet, although the central London property investment market is anticipated to continue to benefit from its perceived safe haven status and ongoing sterling weakness. However, the rental value indicators are more balanced and we sense that rental values for sensibly priced, well located buildings will remain steady in the near term.

## Our business

***Our business is accompanied by graphics (see Appendix 1)***

## Investment management

During the course of the first half, we committed more than £265.8 million (our share: £195.8 million, £186.4 million net of costs) to new acquisitions, continuing our strategy of acquiring assets with the potential for strong absolute and relative performance through the medium term. In September, we purchased the Royal Mail Group's ("RMG") site at Rathbone Place, W1 and in October, the Great Ropemaker Partnership ("GRP"), our joint venture with BP Pension Fund, bought 200 & 214 Gray's Inn Road, WC1. As described below, these two purchases have different but compelling investment cases, and both are set to benefit from the opening of Crossrail (expected in 2018). We have also continued to recycle capital out of maturing or non-core properties, taking advantage of strong investor demand to dispose of four properties for a total of £65.0 million (our share), at a blended net initial yield of 4.3% and 6.2% ahead of March 2011 book values.

Whilst we expect our recycling activity to increase in the months ahead, we continue to unearth interesting opportunities for new investment. With the heightened level of stress in the capital and banking markets since the summer, we expect to see an increase in accretive acquisition opportunities over the next twelve months as financial institutions continue to work through their distressed real estate positions and real estate investors revisit their investment strategies.

In September, we completed the acquisition of a major 2.3 acre freehold West End site from RMG. The site is in the core of London's West End between Rathbone Place, W1 and Newman Street, W1, 50 metres north of Oxford Street. Vacant possession will be delivered in June 2013 whereupon we expect to commence a major mixed-use redevelopment. We have now withdrawn the previous planning application submitted by RMG in May 2011 and are currently working on a new proposal for the site, expecting to submit a new application during 2012.

We paid RMG £120 million in cash for their freehold interest and have leased back the entire site to RMG until June 2013, with GPE receiving total net rent of £4.6 million over the 20 month leaseback period. The price paid, net of the leaseback rent, equates to a capital value of only £300 per sq ft (using the net lettable area assumed by the RMG planning application). RMG will share in the potential future profits should we redevelop the site via an overage arrangement after we have received a priority profit equating to a compounding 12% return on all capital expended. If available, the next 1.5% (or £10 million if higher) of return will be paid to RMG, with any surplus thereafter split 80:20 in our favour.

In September, GRP announced that it had exchanged contracts to acquire 200 & 214 Gray's Inn Road, WC1 for £132.8 million, reflecting a capital value of £455 per sq ft and a net initial yield of 6.4%. 200 Gray's Inn Road is a 246,500 sq ft, Grade A office building arranged over 10 floors that offers highly specified and efficient office space. It is held virtual freehold and is leased to four tenants including Carlton Communications Ltd and ITN at £8.4 million per annum. 214 Gray's Inn Road comprises 45,500 sq ft of predominantly car parking and back up accommodation for 200 Gray's Inn Road and is mainly let to ITN until 2023 at a rent of £0.5 million per annum. It is held on a long lease expiring in June 2174 at a peppercorn rent. GRP completed the purchases on 18 October and has subsequently negotiated a non-recourse debt financing of £73 million (our share: £36.5 million) to part fund this investment. Our £33.3 million equity investment in the Gray's Inn Road properties is expected to generate an initial annualised cash on cash yield of around 8.4% for the Group.

Prior to the summer, our Great Capital Partnership joint venture ("GCP") sold three properties in accordance with its strategy to focus on its core West End holdings, raising total proceeds of £91.9 million (our share: £45.9 million). In April, it sold 201/207 Kensington High Street, W8 for £12.8 million, in line with its March 2011 book value. In July, 26/40 Kensington High Street, W8 was sold for £62.5 million (10.5% ahead of the March 2011 book value and reflecting a net initial yield of circa 4.5%) and 67/75 Kingsway, WC2 was sold to for £16.6 million (9.0% ahead of the March 2011 book value and representing a net initial yield of 3.6%). Other non-core GCP assets may be sold in the medium-term.

These sales followed the disposal by GPE of 192/194 Oxford Street, W1 for £19.1 million in April, subsequent to the restructuring of the retail leases. Since September, we have sold a further £41.6 million of properties and have over £180 million worth of stock in the market.

**Our joint ventures**
Our seven joint ventures continue to perform well during an active period of development and refurbishment activity across a number of properties, combined with the sales and acquisitions detailed above. We categorise the joint ventures into three types:

- access to new properties (24.1% of GPE's net property value). The relevant joint ventures here are The Great Capital Partnership with Capital and Counties Properties, The Great Victoria Partnership with Liverpool Victoria Friendly Society, The Great Star Partnership with Starwood Capital and The Great Wigmore Partnership with Scottish Widows plc;
- risk sharing on development projects and/or large lot size properties (4.8% of GPE's net property value). The key joint ventures here are the 100 Bishopsgate Partnership with Brookfield and the Great Ropemaker Partnership with BP Pension Fund; and
- bank work out arrangements (5.9% of GPE's net property value) with Eurohypo in relation to our Marcol House and Newman Street developments.

Overall our joint ventures represent a significant proportion of the Group's business. Excluding the recent purchase by GRP on Gray's Inn Road, they made up 34.8% of the portfolio valuation, 39.6% of net assets and 33.4% of rent roll at 30 September 2011 (at 31 March 2011; 38.3%, 40.4% and 36.5% respectively).

**Asset management**
Our asset management team has continued to deliver strong results, despite the more challenging market environment:

- 35 new leases were agreed during the first half (2010: 49 leases), generating annual rent of £8.6 million (our share: £8.0 million; 2010: £4.0 million), including the agreement for lease to Double Negative for the pre-let of our major refurbishment at 160 Great Portland Street, W1;
- 74.9% of all tenancies by area, with lease breaks or expiries in the six months to 30 September 2011, were retained or re-let;
- currently a further 24 lettings are under offer accounting for £6.7 million per annum in rent (our share: £3.7 million);
- eight rent reviews of £1.4 million (our share: £0.8 million; 2010: £0.8 million) were settled during the half year, some 4% ahead of ERV at the rent review date; and
- total space covered by new lettings, reviews and renewals during the first half was 217,500 sq ft (2010: 204,000 sq ft).

These asset management successes maintained a low EPRA vacancy rate of 3.2% at 30 September 2011, consistent with the level at 31 March 2011. Leasing activity was encouraging with 14 market lettings in the first half at rents 5.3% ahead of the valuer's March 2011 estimates. The further 21 smaller lettings, 21.7% of total lettings by value, were below the March 2011 ERV because they were short term leases to allow the Group the flexibility for future redevelopment.

In the six months to 30 September 2011, 66 leases covering around 182,000 sq ft of space with a rental value of £5.9 million were subject to lease expiry or tenant break. After stripping out the 18.0% where we are refurbishing the space or need vacant possession to enable development, tenants were retained for 35.7% of this space by area and by the end of September we had leased or put under offer a further 39.2%.

## Development

### Projects on site

We had five schemes on site as at 30 September 2011: Marcol House, 289/295 Regent Street, W1 where we have a target completion date for October 2012; 160 Great Portland Street, W1 pre-let to Double Negative Limited which is scheduled to be handed over to the tenant in shell condition in March 2012; 24/25 Britton Street, EC1 pre-let in full to Kurt Geiger on a 15 year lease at £1,500,000 per annum; 23/24 Newman Street, W1 where 14 of the 16 private flats have been sold since September in line with March valuation and the lease for the affordable housing has completed; and Wigmore Street, W1 where demolition is complete and practical completion is set for June 2013.

### Completed projects

One project was completed during the first half of the financial year at 184/190 Oxford Street, W1, achieving a profit on cost of 24.7% (at 30 September). The space has now been handed over to Aldo, who will pay £920,000 per annum on a ten year term.

### Leasing

The principal leasing deal during the first half of the financial year was the pre-letting of 160 Great Portland Street, W1 to Double Negative Limited. On completion of the project in March 2012, the tenant will take a 20 year term certain lease at an initial rent of £4,785,000 per annum after an initial rent free of 29.7 months and receive a capital contribution from GPE of £1,015,000. There is a minimum uplift at the first rent review (at year 5) to £4,985,000 per annum. In addition, GPE will accept a surrender of Double Negative's 21,800 sq ft lease at 45 Mortimer Street, W1 where they currently pay £861,800 per annum, equivalent to £39.50 per sq ft. CBRE estimate this space has a current annual rental value of £1,298,200 or £59.50 per sq ft.

### Project preparation

Good progress has been made in preparing projects for potential starts.

At 100 Bishopsgate, EC2, the 100 Bishopsgate Partnership (our 50:50 joint venture with Brookfield Properties) has achieved resolution to grant planning consent for revisions to the scheme which could allow an increase in net lettable area from 815,000 sq ft to 945, 000 sq ft. In addition, demolition and site enabling works are underway to prepare the site for a potential pre-letting, which will be required before construction commences.

At Hanover Square, W1, we achieved planning consent from Westminster City Council for our 205,400 sq ft new build, mixed use development. Site preparation works undertaken by GPE now mean that the development agreement with Crossrail for this site is unconditional and we will acquire part of the site from them on completion of their works, scheduled for 2015.

### Pipeline

We continue with preparation of a number of our pipeline projects, including Fetter Lane, EC4 and City Tower, EC2 for potential starts over the next 18 months, market conditions permitting.

Our current pipeline consists of 23 projects, where our development team continues to make progress on site assembly, planning permissions, vacant possession and third party matters.

## Valuation

***Valuation is accompanied by graphics (see Appendix 2)***

The valuation of the Group's properties as at 30 September 2011, including our share of gross assets in joint venture, was £1,824.6 million, up 3.9% or £63.5 million on a like-for-like basis, net of capital expenditure, since 31 March 2011. The acquisition of the RMG site at Rathbone Place, W1 increased the half year end portfolio value by £126.0 million. Wholly-owned properties were valued at £1,189.3 million and the Group had seven joint ventures which owned properties valued at £635.3 million (our share) at 30 September 2011.

The second quarter saw a like-for-like valuation increase of 0.5%, lower than the 3.6% recorded in the first quarter. The overall valuation rise was due to an improvement in rental values, particularly in the first quarter with largely static investment yields.

The key drivers behind the Group's valuation movement for the six month period were:

- Rental value growth – Since the start of the financial year, rental values have grown 2.5%. Office rental values have increased by 2.2%, with retail rental values rising by 3.9%. Growth in rental values was stronger in the first quarter at 2.1% compared to 0.5% growth in the second quarter;
- Asset management – During the period, 43 new leases, rent reviews and renewals were completed securing £8.8 million (our share) of annual income and reducing voids which supported valuation growth over the period; and
- Development properties – Growth of 5.3% increased their valuation to £298.7 million.

Including rent from pre-lets and leases currently in rent free periods, the adjusted initial yield of the investment portfolio at 30 September 2011 was 4.0%, 40 basis points lower than at the start of the financial year. The "topped up" initial yield of the core investment portfolio, excluding developments and land held for redevelopment, is 4.9%.

Our Rest of West End portfolio produced the strongest performance by geographic sector over the first half, increasing in value by 8.6% on a like-for-like basis. City and Southwark assets saw a 2.3% uplift in values and the North of Oxford Street properties grew by 0.9%. Our joint venture properties rose in value by 2.1% compared to a 4.5% rise for the wholly-owned portfolio over the half year.

The Group delivered a total property return ("TPR") for the 12 months of 17.3%, compared to the central London IPD benchmark of 16.1%.

## Our financial position

***Our financial position is accompanied by graphics (see Appendix 3)***

**Financial results**
Overall, the financial results are in line with our expectations as valuation uplifts have increased net assets and, as we highlighted in our March 2011 results, the preparation of our portfolio for increased development and refurbishment activity has resulted in a reduced level of earnings. Recent acquisitions, combined with development and asset recycling activity, have increased the Group's net debt over the last six months. However, leverage ratios remain at conservative levels and our financing position is strong.

**Net asset value**
EPRA net assets per share ("NAV") at 30 September 2011 was 378 pence per share, an increase of 5.0% in the last six months, largely because of the rise in value of the property portfolio. At 30 September 2011, the Group's net assets were £1,167.9 million, up from £1,112.7 million at 31 March 2011.

The main factors behind the 18 pence per share increase in NAV from the 31 March 2011 value were:

- the rise of 21 pence per share arising from the revaluation of the property portfolio. Of this amount, the revaluation of our holdings in Hanover Square (following the signing of the masterplan development agreement and the grant of planning permission) boosted NAV by around 6 pence and development properties by a further 5 pence;

- EPRA earnings for the half year of 3 pence per share enhanced NAV;
- the final dividend of 5 pence paid in July 2011 reduced NAV; and
- other items including LTIP share purchases and pension provisions reduced NAV by 1 pence.

Triple net assets per share ("NNNAV") was 375 pence per share at 30 September 2011 compared to 362 pence per share at 31 March 2011 (up 3.6%). The difference between EPRA net assets per share and NNNAV was the negative mark to market of financial liabilities of 3 pence, mainly arising from the valuation of interest rate hedging derivatives in our joint ventures. There was no net movement in deferred tax provisions during the period.

**Income statement and earnings per share**
EPRA profit before tax at £10.4 million was 30.7% lower than the same period last year. The key reasons behind this fall were reduced joint venture profits and higher property costs, both largely driven by our increase in development and refurbishment activity.

Leasing activity remains healthy and rental income from wholly owned properties and joint venture fees for the period were £24.7 million and £2.1 million respectively, generating a combined income of £26.8 million, up 14.0% on last year. This increase resulted from solid asset management activity, including £0.3 million from the lettings at 184/190 Oxford Street and the receipt of the remainder of Telewest UK Limited lease surrender of £4.7 million in April, and increased joint venture transaction fees from property sales by GCP.

Property expenses in the period were £3.8 million (2010: £1.6 million). This increase is due to void costs on properties being held vacant ahead of development or refurbishment and third party costs related to our management of joint ventures.

Administration costs were £10.0 million, an increase of £1.4 million on last year, predominantly due to costs associated with an aborted property purchase.

EPRA profit from joint ventures was £3.7 million, down £3.0 million on last year. Of this amount, £2.2 million and £0.3 million relate to the loss of rents at 100 Bishopsgate and Wigmore Street respectively as vacant possession was achieved last year ahead of the commencement of development works.

Underlying net finance costs were 26.0% higher at £6.3 million (2010: £5.0 million) due to the increased Group net debt position and an increase in the Group's weighted average cost of debt following the drawdown of the £159.7 million private placement notes on 30 June 2011.

Revaluation gains and EPRA profits enabled the Group to report an accounting profit after tax of £79.1 million (2010: £115.8 million). Basic EPS for the six months was 25.6 pence, compared to 37.3 pence for 2010.

EPRA earnings per share were 3.4 pence (2010: 4.5 pence), 24.4% lower than last year and in line with our expectations.

**Results of joint ventures**
The Group's net investment in joint ventures was £462.9 million, up from £449.8 million at 31 March 2011, largely due to valuation increases of £17.0 million and capital expenditure on Marcol House, Wigmore Street and 100 Bishopsgate, offset by the £31.0 million of distributions, primarily from GCP following property sales.

Our share of joint venture net rental income was £11.8 million, down from £13.6 million for the same period last year, as a result of loss of rents as vacant possession was achieved as described above. The underlying joint venture profits are stated after charging £2.1 million of GPE management fees (2010: £1.6 million).

Our share of non-recourse net debt in the joint ventures fell to £157.3 million at 30 September 2011 from £164.9 million at 31 March 2011 due to an increase in cash balances and scheduled amortisation of the GSP bank loan.

**Financial resources and capital management**
Cash flows from operating activities were £3.3 million, compared to £26.5 million last year. This reduction was predominantly due to one off movements in working capital in 2010. Group consolidated net debt was £473.2 million at 30 September 2011, up from £349.1 million at 31 March 2011 as a consequence of the Rathbone Place site acquisition and capital expenditure on developments, partly mitigated by disposals and operational cash

flow. Group net gearing rose to 40.5% at 30 September 2011 from 31.4% at 31 March 2011 as higher debt levels prevailed over the portfolio valuation rise. Interest cover was 2.9x at 30 September 2011 (31 March 2011: 4.0x).

Including the non-recourse debt in the joint ventures, total net debt was £630.5 million (31 March 2011: £514.0 million) equivalent to a loan to value ratio of 34.6% at 30 September 2011 (31 March 2011: 31.1%).

In early November, our GRP joint venture successfully completed a £73 million (our share: £36.5 million) non-recourse, seven year debt financing to part fund the purchase of 200 & 214 Gray's Inn Road. The loan was provided by RBS and Deka, the latter being a new lender to the Group. Pro forma for this purchase (and associated debt financing) and our sales since 30 September 2011, our net gearing and see through loan to property value ratios are 39.4% and 35.3% respectively.

Our debt financing strategy remains focused on the following key objectives:

- combining conservative financial leverage with operational flexibility;
- accessing diversified funding sources with an appropriate spread of maturities; and
- achieving low interest costs and maintaining strong liquidity.

The use of both unsecured and secured debt instruments to achieve these objectives remains an important part our debt financing strategy.

In March, we agreed to issue £159.7 million of sterling and US dollar unsecured private placement notes. In June, we drew down on these notes and the funds were immediately used to reduce amounts drawn on the Group's £200 million revolving credit facility which matures in July 2012. We subsequently cancelled £150 million of this facility in July 2011. Having swapped our obligations under the US dollar notes to sterling, the private placement notes have a weighted average fixed interest rate of 5.32%. However, we have hedged these fixed coupons into a capped arrangement and are currently bearing interest on these notes at 3.9%.

The Group, including its joint ventures, is operating with substantial headroom over its bank, private placement note and debenture covenants. The financial covenants on the unsecured private placement notes are identical to those over our £350 million unsecured revolving credit facility which matures in November 2015.

At 30 September 2011, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £250.2 million. The Group's weighted average interest rate, including joint venture debt, for the period was 4.5%, an increase of 20 basis points compared to the year to 31 March 2011. This was mainly due to the impact of drawing down on our private placement notes in June 2011. At 30 September 2011, 70% of the Group's total debt (including non-recourse joint venture debt) was at fixed or hedged rates (31 March 2011: 57%).

**Cash collection and tenant delinquencies**

The quarterly cash collection profile has been healthy throughout 2011. We secured over 98% of rent after seven working days following the September quarter day, compared with the March and June quarters earlier this year at 92% and 95% respectively. Tenants on monthly payment terms represent around 5.8% of our rent roll. Only one of our tenants, an engineering consultancy in a property in Southwark, went into administration in the period, accounting for 0.09% of total rent roll.

**Taxation**

The tax charge in the income statement for the half year is £nil (2010: £1.0 million) as a result of the tax free nature of much of the Group's income and other allowances being available to set against non-REIT profits. The charge in 2010 resulted from the REIT conversion charge on the purchase of 35 Portman Square, W1. The low level of underlying taxable profits for the half year meant the Group's underlying effective tax rate was 0% (2010: 0%). The Group complied with all relevant REIT tests for the half year to 30 September 2011.

**Dividend**

The Board has declared an interim dividend of 3.2 pence per share (2010: 3.1 pence) which will be paid in January 2012. 1.8 pence per share of this interim dividend will be a REIT Property Income Distribution (PID) in respect of the Group's tax exempt property rental business. Further information on the tax treatment of dividends can be found on the Group's website at www.gpe.co.uk/investors/reits/

**Outlook**

Economic conditions and business sentiment have worsened since the summer with sovereign debt crises dominating the economic landscape. Within this more challenging environment, London's commercial property markets continue to out-perform the rest of the UK, benefiting from an excess of demand for assets over supply, and a vacancy rate of around 1% for West End Grade A office space. Despite this, we expect secondary and over-priced assets to see a price correction as buyers become more discerning.

In our occupational markets, unsurprisingly, demand for space has reduced over the last quarter. So too has the level of expected new supply as development finance remains scarce. As a result, once sustainable economic growth returns, an impending supply crunch will strongly favour London's landlords.

Within this context, GPE is well placed; we have a low level of on-site development risk, but a pipeline of opportunity few can match and all of it in central London; our investment portfolio is almost fully occupied, let off low average rents and rich with opportunities for growth; and our low gearing and financial flexibility will enable us to exploit further investment opportunities as we find them.

We remain confident that our disciplined, nimble approach and our prudent capital structure will underpin the long term prospects of the Group.

# Group income statement

For the six months ended 30 September 2011

| Year to 31 March 2011 Audited £m | | Notes | **Six months to 30 September 2011 Unaudited £m** | Six months to 30 September 2010 Unaudited £m |
|---|---|---|---|---|
| 73.6 | Total revenue | 2 | **29.9** | 26.4 |
| 63.7 | Net rental income | 3 | **24.7** | 21.9 |
| 4.1 | Joint venture fee income | 10 | **2.1** | 1.6 |
| 67.8 | Rental and joint venture fee income | | **26.8** | 23.5 |
| (4.0) | Property expenses | 4 | **(3.8)** | (1.6) |
| 63.8 | **Net rental and related income** | | **23.0** | 21.9 |
| (17.3) | Administrative expenses | | **(10.0)** | (8.6) |
| 46.5 | **Operating profit before surplus on investment property and results of joint ventures** | | **13.0** | 13.3 |
| 131.3 | Surplus from investment property | 8 | **44.8** | 70.0 |
| 97.9 | Share of results of joint ventures | 10 | **22.7** | 41.3 |
| 275.7 | **Operating profit before financing costs** | | **80.5** | 124.6 |
| (11.6) | Net finance costs | 5 | **(0.6)** | (6.2) |
| (3.1) | Loss on cancellation of derivatives | | **(0.8)** | (1.6) |
| 261.0 | **Profit before tax** | | **79.1** | 116.8 |
| (0.9) | Tax | 6 | **–** | (1.0) |
| 260.1 | **Profit for the period** | | **79.1** | 115.8 |
| 83.8p | **Basic and diluted earnings per share** | 7 | **25.6p** | 37.3p |
| 16.0p | **EPRA earnings per share** | 7 | **3.4p** | 4.5p |

All results are derived from continuing operations in the United Kingdom.

# Group statement of comprehensive income

For the six months ended 30 September 2011

| Year ended 31 March 2011 Audited £m | | **Six months to 30 September 2011 Unaudited £m** | Six months to 30 September 2010 Unaudited £m |
|---|---|---|---|
| 2.0 | Fair value movement on derivatives in joint ventures in effective hedging relationships | **0.5** | (0.2) |
| 3.1 | Loss on cancellation of derivatives | **0.8** | 1.6 |
| (0.2) | Actuarial deficit on defined benefit scheme | **(0.3)** | (1.7) |
| 4.9 | Net gain/(loss) recognised directly in equity | **1.0** | (0.3) |
| 260.1 | Profit for the period | **79.1** | 115.8 |
| 265.0 | **Total comprehensive income for the period** | **80.1** | 115.5 |

# Group balance sheet

At 30 September 2011

| Year to 31 March 2011 Audited £m | | Notes | **30 September 2011 Unaudited £m** | 30 September 2010 Unaudited £m |
|---|---|---|---|---|
| | **Non-current assets** | | | |
| 1,049.5 | Investment property | 8 | **1,217.8** | 868.9 |
| 1.2 | Plant and equipment | 9 | **1.1** | 1.3 |
| 449.8 | Investment in joint ventures | 10 | **462.9** | 402.6 |
| 1,500.5 | | | **1,681.8** | 1,272.8 |
| | **Current assets** | | | |
| 21.7 | Trade and other receivables | 11 | **20.4** | 13.3 |
| 3.0 | Cash and cash equivalents | | **5.1** | 7.8 |
| 24.7 | | | **25.5** | 21.1 |
| 1,525.2 | **Total assets** | | **1,707.3** | 1,293.9 |
| | **Current liabilities** | | | |
| 31.5 | Trade and other payables | 12 | **31.7** | 24.5 |
| 0.1 | Corporation tax payable | | **–** | 0.2 |
| 31.6 | | | **31.7** | 24.7 |
| | **Non-current liabilities** | | | |
| 352.1 | Interest-bearing loans and borrowings | 13 | **478.6** | 293.1 |
| 28.5 | Obligations under finance leases | | **28.5** | 2.0 |
| 0.3 | Pension liability | | **0.6** | 1.9 |
| 380.9 | | | **507.7** | 297.0 |
| 412.5 | **Total liabilities** | | **539.4** | 321.7 |
| 1,112.7 | **Net assets** | | **1,167.9** | 972.2 |
| | **Equity** | | | |
| 39.1 | Share capital | 14 | **39.1** | 39.1 |
| 218.1 | Share premium | | **218.1** | 218.1 |
| 16.4 | Capital redemption reserve | | **16.4** | 16.4 |
| (1.5) | Hedging reserve | | **(0.7)** | (3.0) |
| 844.6 | Retained earnings | | **907.7** | 706.2 |
| (4.0) | Investment in own shares | 15 | **(12.7)** | (4.6) |
| 1,112.7 | **Total equity** | | **1,167.9** | 972.2 |
| 359p | **Net assets per share** | 7 | **379p** | 313p |
| 360p | **EPRA net assets per share** | 7 | **378p** | 316p |

# Group statement of cash flows

For the six months ended 30 September 2011

| Year to 31 March 2011 Audited £m | | Notes | **Six months to 30 September 2011 Unaudited £m** | Six months to 30 September 2010 Unaudited £m |
|---|---|---|---|---|
| | **Operating activities** | | | |
| 275.7 | Operating profit before financing costs | | **80.5** | 124.6 |
| (223.7) | Adjustments for non-cash items | 16 | **(66.0)** | (111.0) |
| 18.6 | (Increase)/decrease in receivables | | **(1.7)** | 23.2 |
| 2.7 | (Decrease)/increase in payables | | **(2.6)** | (4.6) |
| 73.3 | **Cash generated by operations** | | **10.2** | 32.2 |
| – | Tax paid | | **(0.1)** | – |
| (11.7) | Interest paid | | **(6.8)** | (5.7) |
| 61.6 | **Cash flows from operating activities** | | **3.3** | 26.5 |
| | **Investing activities** | | | |
| – | Purchase of interests in joint ventures | | – | (14.8) |
| 28.8 | Distributions from joint ventures | | **31.0** | – |
| (259.2) | Purchase and development of property | | **(138.9)** | (35.3) |
| – | Purchase of fixed assets | | **(0.1)** | – |
| 114.1 | Sale of properties | | **27.8** | 28.4 |
| (116.3) | **Cash flows from investing activities** | | **(80.2)** | (21.7) |
| | **Financing activities** | | | |
| 73.1 | Borrowings (repaid)/drawn | | **(33.0)** | (7.0) |
| – | Issue of Sterling and US Dollar private placement notes | | **158.9** | – |
| – | Purchase of derivatives | | **(2.7)** | – |
| (29.3) | Funds to joint ventures | | **(18.8)** | (13.6) |
| (5.7) | Purchase of shares for employee share plans | | **(10.9)** | (5.6) |
| (26.1) | Equity dividends paid | | **(14.5)** | (16.5) |
| 12.0 | **Cash flows generated/(utilised) in financing activities** | | **79.0** | (42.7) |
| (42.7) | Net increase/(decrease) in cash and cash equivalents | | **2.1** | (37.9) |
| 45.7 | Cash and cash equivalents at 1 April | | **3.0** | 45.7 |
| 3.0 | **Cash and cash equivalents at balance sheet date** | | **5.1** | 7.8 |

# Group statement of changes in equity

For the six months ended 30 September 2011 (unaudited)

| | Share Capital £m | Share Premium £m | Hedging reserve £m | Capital redemption reserve £m | Retained Earnings £m | Investment in own shares £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| Total equity at 1 April 2011 | **39.1** | **218.1** | **(1.5)** | **16.4** | **844.6** | **(4.0)** | **1,112.7** |
| Profit for the period | – | – | – | – | **79.1** | – | **79.1** |
| Fair value movement on derivatives in joint ventures in effective hedging relationships | – | – | – | – | **0.5** | – | **0.5** |
| Loss on cancellation of derivatives | – | – | **0.8** | – | – | – | **0.8** |
| Actuarial deficit on defined benefit scheme | – | – | – | – | **(0.3)** | – | **(0.3)** |
| Employee Long-Term Incentive Plan and Share Matching Plan charge | – | – | – | – | – | **1.8** | **1.8** |
| Purchase of shares for employee share plans | – | – | – | – | – | **(10.9)** | **(10.9)** |
| Transfer to retained earnings | – | – | – | – | **(0.4)** | **0.4** | – |
| Dividends | – | – | – | – | **(15.8)** | – | **(15.8)** |
| **Total equity at 30 September 2011** | **39.1** | **218.1** | **(0.7)** | **16.4** | **907.7** | **(12.7)** | **1,167.9** |

# Group statement of changes in equity

For the period ended 30 September 2010 (audited)

| | Share Capital £m | Share Premium £m | Hedging reserve £m | Capital redemption reserve £m | Retained Earnings £m | Investment in own shares £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| Total equity at 1 April 2010 | 39.1 | 218.1 | (4.6) | 16.4 | 608.0 | (0.3) | 876.7 |
| Profit for the period | – | – | – | – | 115.8 | – | 115.8 |
| Fair value movement on derivatives in joint ventures in effective hedging relationships | – | – | – | – | (0.2) | – | (0.2) |
| Loss on cancellation of derivatives | – | – | 1.6 | – | – | – | 1.6 |
| Actuarial deficit on defined benefit scheme | – | – | – | – | (1.7) | – | (1.7) |
| Employee Long-Term Incentive Plan and Share Matching Plan charge | – | – | – | – | – | 1.2 | 1.2 |
| Purchase of shares for employee share plans | – | – | – | – | – | (5.6) | (5.6) |
| Transfer to retained earnings | – | – | – | – | (0.1) | 0.1 | – |
| Dividends | – | – | – | – | (15.6) | – | (15.6) |
| **Total equity at 30 September 2010** | 39.1 | 218.1 | (3.0) | 16.4 | 706.2 | (4.6) | 972.2 |

# Group statement of changes in equity

For the year ended 31 March 2011 (audited)

| | Share capital £m | Share premium £m | Hedging reserve £m | Capital redemption reserve £m | Retained earnings £m | Investment in own shares £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| Total equity at 1 April 2010 | 39.1 | 218.1 | (4.6) | 16.4 | 608.0 | (0.3) | 876.7 |
| Profit for the year | – | – | – | – | 260.1 | – | 260.1 |
| Loss on termination of derivatives | – | – | 3.1 | – | – | – | 3.1 |
| Actuarial deficit on defined benefit scheme | – | – | – | – | (0.2) | – | (0.2) |
| Fair value movement on derivatives in joint ventures in effective hedging relationships | – | – | – | – | 2.0 | – | 2.0 |
| Purchase of shares for employee share plans | – | – | – | – | – | (5.7) | (5.7) |
| Employee Long-Term Incentive Plan and Share Matching Plan charge | – | – | – | – | – | 1.9 | 1.9 |
| Dividends to shareholders | – | – | – | – | (25.2) | – | (25.2) |
| Transfer to retained earnings | – | – | – | – | (0.1) | 0.1 | – |
| Total equity at 31 March 2011 | 39.1 | 218.1 | (1.5) | 16.4 | 844.6 | (4.0) | 1,112.7 |

# Notes forming part of the half year results

**1 Basis of preparation**
The financial information contained in this report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The full financial statements for the year ended 31 March 2011 were prepared under IFRS and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006, and, together with an unqualified audit report in accordance with section 495 of the Companies Act 2006 which did not draw attention to any matters by way of emphasis, have been delivered to the Registrar of Companies.

The annual financial statements of Great Portland Estates plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The Group has only one reportable operating segment as disclosed in the Groups latest annual audited financial statements. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

The Group's performance is not subject to seasonal fluctuations.

**Going concern**
Details of the market in which the Group operates, together with factors likely to affect its future development and performance are set out in the 'Our market' and 'Our business' sections of this report. The financial position of the Group, its liquidity position and borrowing facilities are described in 'Our financial position' and in the notes of the half year results.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year results.

**2 Total revenue**

| Year to 31 March 2011 £m | | **Six months to 30 September 2011 £m** | Six months to 30 September 2010 £m |
|---|---|---|---|
| 42.7 | Gross rental income | **19.5** | 21.2 |
| (0.4) | Amortisation of capitalised lease incentives | **0.6** | 0.9 |
| 21.5 | Surrender premium net of capitalised lease incentives | **4.7** | – |
| 5.7 | Service charge income | **3.0** | 2.7 |
| 4.1 | Joint venture fee income | **2.1** | 1.6 |
| 73.6 | | **29.9** | 26.4 |

**3 Net rental income**

| Year to 31 March 2011 £m | | **Six months to 30 September 2011 £m** | Six months to 30 September 2010 £m |
|---|---|---|---|
| 42.7 | Gross rental income | **19.5** | 21.2 |
| (0.4) | Amortisation of capitalised lease incentives | **0.6** | 0.9 |
| (0.1) | Ground rents payable | **(0.1)** | (0.2) |
| 42.2 | Rental income before surrender premium | **20.0** | 21.9 |
| 21.5 | Surrender premium net of capitalised lease incentives | **4.7** | – |
| 63.7 | | **24.7** | 21.9 |

**4 Property expenses**

| Year to 31 March 2011 £m | | **Six months to 30 September 2011 £m** | Six months to 30 September 2010 £m |
|---|---|---|---|
| (5.7) | Service charge income | **(3.0)** | (2.7) |
| 6.9 | Service charge expenses | **4.0** | 3.7 |
| 2.8 | Other property expenses | **2.8** | 0.6 |
| 4.0 | | **3.8** | 1.6 |

## 5 Net finance costs

| Year to 31 March 2011 £m | | Six months to 30 September 2011 £m | Six months to 30 September 2010 £m |
|---|---|---|---|
| 4.4 | Interest on bank overdrafts and loans | **2.3** | 1.5 |
| – | Interest on private placement notes | **1.6** | – |
| 8.0 | Interest on debentures | **4.1** | 4.1 |
| 0.4 | Interest on obligations under finance leases | **0.6** | 0.1 |
| 12.8 | Gross finance costs | **8.6** | 5.7 |
| (0.1) | Less: capitalised interest at an average interest rate of 3.6% | **(0.6)** | – |
| 12.7 | | **8.0** | 5.7 |
| (2.2) | Interest income on joint venture balances | **(1.7)** | (0.7) |
| 1.1 | Fair value movement on derivatives | **(5.7)** | 1.2 |
| 11.6 | | **0.6** | 6.2 |

## 6 Tax

| Year to 31 March 2011 £m | | Six months to 30 September 2011 £m | Six months to 30 September 2010 £m |
|---|---|---|---|
| | **Current tax** | | |
| 1.1 | UK corporation tax | – | 1.1 |
| (0.2) | Tax overprovided in previous years | – | (0.1) |
| 0.9 | Tax charge for the period | – | 1.0 |

The difference between the standard rate of tax and the effective rate of tax arises from the items set out below:

| Year to 31 March 2011 £m | | Six months to 30 September 2011 £m | Six months to 30 September 2010 £m |
|---|---|---|---|
| 261.0 | Profit before tax | **79.1** | 116.8 |
| 73.1 | Tax charge on profit at standard rate of 26% (2010: 28%) | **20.6** | 32.7 |
| (53.3) | Non-taxable revaluation surplus | **(16.1)** | (25.2) |
| (21.7) | REIT tax-exempt rental income and gains | **(4.8)** | (8.1) |
| 1.1 | REIT conversion charge in respect of corporate acquisition | – | 1.1 |
| (0.2) | Previous years' corporation tax | – | (0.1) |
| 1.9 | Other | **0.3** | 0.6 |
| 0.9 | Tax charge for the period | – | 1.0 |

During the period £nil (2010: £nil) of deferred tax was credited directly to equity in respect of the Group's pension fund. The Group's deferred tax at 30 September 2011 is £nil (2010: £nil).

A deferred tax asset of £8.4 million (2010: £8.6 million), mainly relating to tax losses carried forward at 30 September 2011 and contingent share awards, was not recognised because it is uncertain whether future taxable profits against which these losses can be offset will arise. As a REIT, the Group is broadly exempt from corporation tax in respect of its rental profits and chargeable gains relating to its property rental business. The Group is otherwise subject to corporation tax.

**7 Earnings and net assets per share**
Adjusted earnings and net assets per share are calculated in accordance with the guidance issued by the European Public Real Estate Association (EPRA).

**Weighted average number of ordinary shares**

| Year to 31 March 2011 No. of shares | | **Six months to 30 September 2011 No. of shares** | Six months to 30 September 2010 No. of shares |
|---|---|---|---|
| 312,676,149 | Issued ordinary share capital at 1 April | **312,676,149** | 312,676,149 |
| (2,381,988) | Investment in own shares | **(3,318,349)** | (2,281,896) |
| 310,294,161 | Basic and diluted weighted average number of ordinary shares | **309,357,800** | 310,394,253 |

**Basic, diluted and adjusted earnings per share**

| Year to 31 March 2011 Earnings per share pence | | **Six months to 30 September 2011 Profit after tax £m** | **Six months to 30 September 2011 Earnings per share pence** | Six months to 30 September 2010 Profit after tax £m | Six months to 30 September 2010 Earnings per share pence |
|---|---|---|---|---|---|
| 83.8 | Basic and diluted | **79.1** | **25.6** | 115.8 | 37.3 |
| (42.3) | Surplus from investment property | **(44.8)** | **(14.5)** | (70.0) | (22.6) |
| (26.8) | Surplus from joint venture property | **(20.0)** | **(6.4)** | (35.3) | (11.3) |
| 0.4 | Movement in fair value of derivatives | **(5.7)** | **(1.8)** | 1.2 | 0.4 |
| (0.1) | Movement in fair value of derivatives in joint ventures | **1.0** | **0.3** | 0.7 | 0.2 |
| 1.0 | Loss on cancellation of derivatives | **0.8** | **0.2** | 1.6 | 0.5 |
| 16.0 | EPRA earnings | **10.4** | **3.4** | 14.0 | 4.5 |

**Net assets per share**

| 31 March 2011 Net assets per share pence | | **30 September 2011 Net assets £m** | **30 September 2011 No. of shares million** | **30 September 2011 Net assets per share pence** | 30 September 2010 Net assets £m | 30 September 2010 No. of shares million | 30 September 2010 Net assets per share pence |
|---|---|---|---|---|---|---|---|
| 359 | Basic and diluted | **1,167.9** | **308.3** | **379** | 972.2 | 310.2 | 313 |
| 3 | Fair value of financial liabilities | **(11.9)** | – | **(4)** | 16.1 | – | 5 |
| 362 | Diluted triple net assets | **1,156.0** | **308.3** | **375** | 988.3 | 310.2 | 318 |
| (3) | Fair value of financial liabilities | **11.9** | – | **4** | (16.1) | – | (5) |
| (1) | Fair value of derivatives | **(8.4)** | – | **(3)** | 0.2 | – | – |
| 2 | Fair value of derivatives in joint ventures | **6.3** | – | **2** | 9.0 | – | 3 |
| 360 | EPRA net assets | **1,165.8** | **308.3** | **378** | 981.4 | 310.2 | 316 |

## 8 Investment property

### Investment property

| | Freehold £m | Leasehold £m | Total £m |
|---|---|---|---|
| Book value at 1 April 2011 | **625.3** | **320.9** | **946.2** |
| Acquisitions | **125.9** | **–** | **125.9** |
| Costs capitalised | **5.7** | **3.4** | **9.1** |
| Disposals | **–** | **(19.0)** | **(19.0)** |
| Transfer from investment property under development | **–** | **34.6** | **34.6** |
| Net valuation surplus | **24.2** | **11.7** | **35.9** |
| Book value at 30 September 2011 | **781.1** | **351.6** | **1,132.7** |

### Investment property under development

| | Freehold £m | Leasehold £m | Total £m |
|---|---|---|---|
| Book value at 1 April 2011 | **68.7** | **34.6** | **103.3** |
| Costs capitalised | **7.4** | **–** | **7.4** |
| Transfer to investment property | **–** | **(34.6)** | **(34.6)** |
| Net valuation surplus | **9.0** | **–** | **9.0** |
| Book value at 30 September 2011 | **85.1** | **–** | **85.1** |
| **Book value of total investment property at 30 September 2011** | **866.2** | **351.6** | **1,217.8** |

| | **30 September 2011 £m** | 30 September 2010 £m |
|---|---|---|
| Net valuation surplus on investment property | **44.9** | 54.9 |
| (Loss)/profit on sale of investment properties | **(0.1)** | 15.1 |
| Surplus from investment property | **44.8** | 70.0 |

The investment and properties were valued on the basis of Market Value by CB Richard Ellis, external valuers, as at 30 September 2011 in accordance with the seventh edition of the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation has been primarily derived using comparable recent market transactions on arm's length terms. CBRE have advised us that the total fees paid by the Group represent less than five per cent of their total revenue in any year. The book value of investment properties includes £28.5 million (2010: £2.0 million) in respect of the present value of future ground rents net of these amounts the market value of the investment properties is £1,189.3 million. At 30 September 2011 the Group had capital commitments of £15.2 million (2010: £nil million).

## 9 Plant and equipment

| | Leasehold improvements £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2011 | **2.0** | **1.3** | **3.3** |
| Costs capitalised | **–** | **0.1** | **0.1** |
| At 30 September 2011 | **2.0** | **1.4** | **3.4** |
| **Depreciation** | | | |
| At 1 April 2011 | **1.1** | **1.0** | **2.1** |
| Charge for the period | **0.1** | **0.1** | **0.2** |
| At 30 September 2011 | **1.2** | **1.1** | **2.3** |
| Carrying amount at 31 March 2011 | **0.9** | **0.3** | **1.2** |
| Carrying amount at 30 September 2011 | **0.8** | **0.3** | **1.1** |

## 10 Investment in joint ventures

| | Equity £m | Balances with partners £m | Total £m |
|---|---|---|---|
| At 1 April 2011 | **433.9** | **15.9** | **449.8** |
| Investment in joint ventures | **0.3** | – | **0.3** |
| Movement on joint venture balances | – | **20.6** | **20.6** |
| Share of profit of joint ventures | **2.7** | – | **2.7** |
| Share of profit on disposal of joint venture properties | **3.0** | – | **3.0** |
| Share of revaluation surplus of joint ventures | **13.6** | **3.4** | **17.0** |
| Share of results of joint ventures | **19.3** | **3.4** | **22.7** |
| Fair value movements on derivatives taken to equity | **0.5** | – | **0.5** |
| Distributions | **(31.0)** | – | **(31.0)** |
| At 30 September 2011 | **423.0** | **39.9** | **462.9** |

The investments in joint ventures are all resident in the United Kingdom and comprise the following:

| Ownership 31 March 2011 | | **Ownership 30 September 2011** | Ownership 30 September 2010 |
|---|---|---|---|
| 50% | The 100 Bishopsgate Partnership | 50% | 50% |
| 100% | G.P.E. (Marcol House) Limited* | 100% | 100% |
| 50% | The Great Capital Partnership | 50% | 50% |
| 50% | The Great Ropemaker Partnership | 50% | 50% |
| 50% | The Great Star Partnership | 50% | 50% |
| 50% | The Great Victoria Partnership | 50% | 50% |
| 50% | The Great Wigmore Partnership | 50% | 50% |

* G.P.E. (Marcol House) Limited is a joint venture with Eurohypo. Eurohypo has a profit share agreement dependent on the success of the two development schemes held by G.P.E. (Marcol House) Limited. Eurohypo is able to exert influence over the development strategy for the buildings and because these are the only assets held by the entity this influence extends over the whole of the entity's operations. As a result of this arrangement GPE and Eurohypo are considered to have joint control over the business of the entity although GPE has a 100% equity interest. Therefore in accordance with IAS31 G.P.E. (Marcol House) Limited has been treated as a joint venture.

Transactions during the period between the Group and its joint ventures, who are related parties, are set out below:

| 31 March 2011 £m | | **30 September 2011 £m** | 30 September 2010 £m |
|---|---|---|---|
| 31.5 | Movement on joint venture balances during the period | **24.0** | 18.1 |
| (15.9) | Balances (receivable)/outstanding at the period end from joint ventures | **(39.9)** | 5.3 |
| 28.8 | Distributions | **31.0** | – |
| 4.1 | Fee income | **2.1** | 1.6 |

The joint ventures have bank loans with a total nominal value of £360.4 million. The Great Capital Partnership has a £225 million facility which is secured, attracts a floating rate of between 0.75% and 1.15% above LIBOR and expires in 2013. The Great Victoria Partnership has a £56.8 million facility which is secured, attracts a fixed rate of 5.495% and expires in 2012. The Great Star Partnership has an £78.6 million secured credit facility, which attracts a floating rate of 1.90% above LIBOR and expires in 2015. All interest bearing loans are in sterling. At 30 September 2011 the joint ventures had £nil undrawn facilities (2010: £nil).

The Great Capital Partnership has four interest rate swaps and an interest rate collar with notional principal amounts of £143.8 million and £25.0 million respectively. The interest rate swaps and collar expire coterminously with the bank loan in 2013. The weighted average contracted fixed interest rate for the interest rate swaps was 5.27%, and the collar has a floor of 4.845% and a cap of 6.5%. The Great Star Partnership has an interest rate swap with a fixed interest rate of 2.715% and a notional principal amount £39.3 million and an interest rate cap at 4.0% with a notional principal amount £39.3 million. The interest rate swap and cap expire coterminously with the bank loan in 2015. At 30 September 2011 the negative fair value of these derivatives was £12.5 million (our share: £6.3 million), (2010: our share £9.0 million).

The investment properties include £28.4 million (2010: £25.5 million) in respect of the present value of future ground rents, net of these amounts the market value of our share of the total joint venture properties is £635.3 million. At 30 September 2011 the Group's share of joint venture capital commitments was £68.9 million (2010: £2.9 million). At 30 September 2011 the Group had no contingent liabilities in respect of its joint ventures (2010: £nil million).

## 10 Investment in joint ventures (continued)

### Summarised balance sheets

| 31 March 2011 Total £m | | The 100 Bishopsgate Partnership £m | G.P.E. (Marcol House) Limited £m | Great Capital Partnership £m | Great Ropemaker Partnership £m | Great Star Partnership £m | Great Victoria Partnerships £m | Great Wigmore Partnership £m | 30 September 2011 Total £m | 30 September 2010 Total £m |
|---|---|---|---|---|---|---|---|---|---|---|
| 665.1 | Investment property | **62.1** | **107.2** | **241.5** | **35.3** | **82.1** | **87.9** | **47.6** | **663.7** | 614.1 |
| 20.0 | Current assets | **2.5** | **1.1** | **16.1** | **5.9** | **4.5** | **1.8** | **0.7** | **32.6** | 19.0 |
| (15.9) | Balances to/(from) partners | **(21.3)** | **(65.7)** | **96.6** | **(23.9)** | **(15.6)** | **(5.5)** | **(4.5)** | **(39.9)** | 5.3 |
| (179.6) | Bank loans | **–** | **–** | **(112.3)** | **–** | **(38.9)** | **(28.3)** | **–** | **(179.5)** | (179.7) |
| (5.8) | Derivatives | **–** | **–** | **(5.3)** | **–** | **(1.0)** | **–** | **–** | **(6.3)** | (9.0) |
| (18.3) | Current liabilities | **(2.7)** | **(5.3)** | **(5.7)** | **(0.4)** | **(2.8)** | **(2.0)** | **(0.3)** | **(19.2)** | (16.3) |
| (31.6) | Finance leases | **(4.2)** | **–** | **(8.0)** | **(5.2)** | **(11.0)** | **–** | **–** | **(28.4)** | (25.5) |
| 433.9 | Net assets | **36.4** | **37.3** | **222.9** | **11.7** | **17.3** | **53.9** | **43.5** | **423.0** | 407.9 |

### Summarised income statements

| 31 March 2011 Total £m | | The 100 Bishopsgate Partnership £m | G.P.E. (Marcol House) Limited £m | Great Capital Partnership £m | Great Ropemaker Partnership £m | Great Star Partnership £m | Great Victoria Partnerships £m | Great Wigmore Partnership £m | 30 September 2011 Total £m | 30 September 2010 Total £m |
|---|---|---|---|---|---|---|---|---|---|---|
| 29.6 | Net rental income | **0.1** | **0.2** | **6.2** | **0.6** | **2.5** | **2.1** | **0.1** | **11.8** | 13.6 |
| (3.7) | Property and administration costs | **(0.5)** | **(0.2)** | **(0.4)** | **–** | **(0.5)** | **(0.2)** | **(0.1)** | **(1.9)** | (1.7) |
| (11.5) | Net finance costs | **–** | **(0.1)** | **(3.0)** | **(0.8)** | **(1.5)** | **(0.8)** | **–** | **(6.2)** | (5.2) |
| 0.4 | Movement in fair value of derivatives | **–** | **–** | **0.1** | **–** | **(1.1)** | **–** | **–** | **(1.0)** | (0.7) |
| 14.8 | Share of profit of joint ventures | **(0.4)** | **(0.1)** | **2.9** | **(0.2)** | **(0.6)** | **1.1** | **–** | **2.7** | 6.0 |
| 75.3 | Revaluation of investment property | **(11.2)** | **7.9** | **7.2** | **2.2** | **(0.3)** | **2.0** | **5.8** | **13.6** | 31.5 |
| – | Profit on sale of investment property | **–** | **–** | **3.0** | **–** | **–** | **–** | **–** | **3.0** | – |
| 90.1 | Share of results of joint ventures | **(11.6)** | **7.8** | **13.1** | **2.0** | **(0.9)** | **3.1** | **5.8** | **19.3** | 37.5 |

## 11 Trade and other receivables

| 31 March 2011 £m | | **30 September 2011 £m** | 30 September 2010 £m |
|---|---|---|---|
| 6.9 | Trade receivables | **6.7** | 5.9 |
| (0.3) | Allowance for doubtful debts | **(0.1)** | (0.4) |
| 6.6 | | **6.6** | 5.5 |
| 0.8 | Prepayments and accrued income | **2.3** | 0.8 |
| 11.6 | Other trade receivables | **2.8** | 7.0 |
| 2.7 | Derivatives – due in more than one year | **8.7** | – |
| 21.7 | | **20.4** | 13.3 |

## 12 Trade and other payables

| 31 March 2011 £m | | **30 September 2011 £m** | 30 September 2010 £m |
|---|---|---|---|
| 11.6 | Trade payables | **11.8** | 10.7 |
| 19.9 | Non-trade payables and accrued expenses | **19.9** | 13.8 |
| 31.5 | | **31.7** | 24.5 |

## 13 Interest-bearing loans and borrowings

| 31 March 2011 £m | | **30 September 2011 £m** | 30 September 2010 £m |
|---|---|---|---|
| | **Non-current liabilities** | | |
| | **Secured** | | |
| 144.2 | £142.9 million 5 5/8% debenture stock 2029 | **144.2** | 144.2 |
| | **Unsecured** | | |
| 207.9 | Bank loans | **175.2** | 148.7 |
| – | £30.0 million 5.09% private placement notes 2018 | **29.8** | – |
| | $130.0 million 4.81% private placement notes 2018 | **80.7** | – |
| – | $78.0 million 5.37% private placement notes 2021 | **48.4** | – |
| | **Non-current liabilities at fair value** | | |
| – | Derivatives | **0.3** | 0.2 |
| 352.1 | | **478.6** | 293.1 |

The Group has two floating rate revolving credit facilities of £350 million and £50 million. The £350 million facility is unsecured, attracts a floating rate of interest based on a ratchet of between 1.55%-2.30% above LIBOR based on gearing and expires in 2015. The £50 million facility was reduced from a £200 million facility in July 2011 and is unsecured, attracts a floating rate of 0.50% above LIBOR and expires in July 2012. At 30 September 2011 the Group had £223 million (2010: £424 million) of undrawn credit facilities.

The Group issued a mix of sterling and US dollar notes totalling £159.7 million through private placement in June 2011. £111.1 million of the notes mature in 2018 and £48.6 million in 2021. The notes are unsecured and the financial covenants on the notes are consistent with those of the Group's bank facilities. At 30 September 2011, properties with a carrying value of £299.2 million (2010: £322.4 million) were secured under first mortgage debenture stock.

The following table details the notional principal amounts and remaining terms of interest rate derivatives outstanding at 30 September:

| | Average contracted fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| **Cash flow hedges** | **2011 %** | 2010 % | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| **Interest rate swaptions** | | | | | | |
| In excess of five years | **–** | 4.0% | **–** | **100.0** | **–** | **–** |
| **Interest rate swaps** | | | | | | |
| Between two and five years | **1.9%** | 1.9% | **11.0** | **11.0** | **0.3** | **0.2** |
| **Interest rate floor** | | | | | | |
| Between two and five years | **2.5%** | **–** | **159.7** | **–** | **(6.1)** | **–** |
| | **2.5%** | 3.8% | **170.7** | **111.0** | **(5.8)** | **0.2** |

### 13 Interest-bearing loans and borrowings (continued)

The following table details the notional principal amounts and remaining terms of exchange rate derivatives outstanding at 30 September:

| | Average exchange rate | | Foreign currency | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| **Cash flow hedge - cross currency swap** | **2011 rate** | 2010 rate | **2011 US$m** | 2010 US$m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| In excess of five years | **1.604** | – | **208.0** | – | **129.7** | – | **(2.6)** | – |
| | **1.604** | – | **208.0** | – | **129.7** | – | **(2.6)** | – |

The Group operates solely in the United Kingdom, and all of its operating profits and net assets are sterling denominated. It entered into a cross currency swap in order to ensure the US dollar liability stream generated from the US dollar private placement notes was fully hedged into sterling for the life of the transaction. Through entering into the cross currency swap the Group has created a synthetic sterling fixed rate liability exposure for seven and ten years totalling £159.7 million.

***Fair value of financial liabilities***

| 31 March 2011 Book value £m | 31 March 2011 Fair value £m | | **30 September 2011 Book value £m** | **30 September 2011 Fair value £m** | 30 September 2010 Book value £m | 30 September 2010 Fair value £m |
|---|---|---|---|---|---|---|
| 352.1 | 341.1 | Non-current liabilities at amortised cost | **478.3** | **490.2** | 292.9 | 276.8 |
| (2.7) | (2.7) | Non-current assets held at fair value | **(8.7)** | **(8.7)** | – | – |
| – | – | Non-current liabilities held at fair value | **0.3** | **0.3** | 0.2 | 0.2 |
| 349.4 | 338.4 | | **469.9** | **481.8** | 293.1 | 277.0 |

The fair values of the Group's listed long-term borrowings have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures. The fair values of the Group's outstanding notes, interest rate swaps and interest rate floors have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. The fair value of the Group's currency swaps has been estimated on the basis of the prevailing rates at the year end, representing Level 2 fair value measurements as defined by IFRS 7.

The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements.

### 14 Share capital

| Year to 31 March 2011 Number | Year to 31 March 2011 £m | | **Six months to 30 September 2011 Number** | **Six months to 30 September 2011 £m** | Six months to 30 September 2010 Number | Six months to 30 September 2010 £m |
|---|---|---|---|---|---|---|
| | | **Allotted, called up and fully paid** | | | | |
| 312,676,149 | 39.1 | At the beginning and end of the period | **312,676,149** | **39.1** | 312,676,149 | 39.1 |

### 15 Investment in own shares

| Year to 31 March 2011 £m | | **Six months to 30 September 2011 £m** | Six months to 30 September 2010 £m |
|---|---|---|---|
| 0.3 | At the beginning of the period | **4.0** | 0.3 |
| (1.9) | Employee Long-Term Incentive Plan and Share Matching Plan charge | **(1.8)** | (1.2) |
| 5.7 | Purchase of shares for employee share plans | **10.9** | 5.6 |
| (0.1) | Transfer to retained earnings | **(0.4)** | (0.1) |
| 4.0 | At the end of the period | **12.7** | 4.6 |

The investment in the Company's own shares is held at cost and comprises 4,420,922 shares (2010: 2,482,630 shares) held by the Great Portland Estates plc LTIP Employee Share Trust which will vest for certain senior employees of the Group if performance conditions are met.

During the period 554,198 shares (2010: 324,768 shares) were awarded to directors and senior employees in respect of the 2008 LTIP award. The fair value of shares awarded and outstanding at 30 September 2011 was £11.0 million (2010: £10.4 million).

## 16 Adjustment for non-cash movements in the cash flow statement

| Year to 31 March 2011 £m | | **Six months to 30 September 2011 £m** | Six months to 30 September 2010 £m |
|---|---|---|---|
| (131.3) | Surplus from investment property | **(44.8)** | (70.0) |
| 1.9 | Employee Long-Term Incentive and Share Matching Plan charge | **1.8** | 1.2 |
| 3.3 | Amortisation of capitalised lease incentives | **(0.6)** | (0.9) |
| (97.9) | Share of results from joint ventures | **(22.7)** | (41.3) |
| 0.3 | Other items | **0.3** | – |
| (223.7) | Adjustments for non-cash items | **(66.0)** | (111.0) |

## 17 Dividends

The proposed interim dividend of 3.2 pence per share (2010: 3.1 pence per share) was approved by the Board on 9 November 2011 and is payable on 4 January 2012 to shareholders on the register on 18 November 2011. The dividend is not recognised as a liability in the half year report. The final dividend of £15.8 million was paid on 12 July 2011 and is included within the Group Statement of Changes in Equity.

## 18 Operating leases

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

| 31 March 2011 £m | | **30 September 2011 £m** | 30 September 2010 £m |
|---|---|---|---|
| | **The Group as a lessor** | | |
| 37.9 | Less than one year | **41.4** | 39.8 |
| 104.8 | Between one and five years | **106.6** | 109.4 |
| 85.5 | More than five years | **90.5** | 83.1 |
| 228.2 | | **238.5** | 232.3 |

The Group leases its investment properties under operating leases. The weighted average length of lease at 30 September 2011 was 5.4 years (2010: 5.3 years). All investment properties except those under development generated rental income and no contingent rents were recognised in the period (2010: £nil).

# Directors' responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the half-yearly report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the half -yearly report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By the order of the Board

| **Toby Courtauld** | **Nick Sanderson** |
|---|---|
| Chief Executive | Finance Director |
| 9 November 2011 | 9 November 2011 |

# Independent review report to Great Portland Estates plc

**Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of cash flows, the group statement of comprehensive income, the group statement of changes in equity and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**Deloitte LLP**
***Chartered Accountants and Statutory Auditor***
London, UK
9 November 2011

# Directors and shareholders' information

# Directors

**Martin Scicluna**
Chairman, Non-Executive

**Toby Courtauld**
Chief Executive

**Nick Sanderson**
Finance Director

**Neil Thompson**
Portfolio Director

**Charles Irby**
Senior Independent Director

**Jonathan Nicholls**
Non-Executive Director

**Phillip Rose**
Non-Executive Director

**Jonathan Short**
Non-Executive Director

# Shareholders' information

| **Financial calendar** | **2011** |
|---|---|
| Ex-dividend date for interim dividend | 16 November |
| Registration qualifying date for interim dividend | 18 November |
| | **2012** |
| Interim dividend payable | 4 January |
| Announcement of full year results | 23 May* |
| Circulation of Annual Report and Accounts 2012 | 2 June* |
| Annual General Meeting | 5 July* |
| Final dividend payable | 10 July* |

*Provisional.

**Shareholder enquiries**
All enquiries relating to holdings of shares, bonds or debentures in Great Portland Estates, including notification of change of address, queries regarding dividend/interest payments or the loss of a certificate, should be addressed to the Company's Registrars:
Capita Registrars
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300 (from within the UK calls cost 10p per minute plus network extras, lines are open 8.30 am – 5.30 pm Monday to Friday). If you are calling from overseas please dial +44 208 639 3399.

**Website**
The Company has a corporate website which holds, amongst other information, a copy of our latest annual report and accounts, a list of properties held by the Group and press announcements released over the last 12 months. The site can be found on www.gpe.co.uk

**Company Secretary**
Desna Martin
Registered office
33 Cavendish Square
London W1G 0PW
Tel: 020 7647 3000
Fax: 020 7016 5500
Registered Number 596137

**Dividend payments**
As a REIT, dividend payments must be split between PIDs and non-PIDs. Information in respect of the tax consequences for shareholders of receiving dividends can be found on the Company's website at www.gpe.co.uk/investors/reits

**Share dealing service**
An online and telephone dealing service is available for UK shareholders through Capita Deal. For further information on this service, or to buy and sell shares, please contact:

Online dealing - www.capitadeal.com

Telephone dealing – 0871 664 0364 (calls cost 10p per minute plus network extras).

# Glossary

**Earnings per share (EPS)**
Profit after tax divided by the weighted average number of ordinary shares in issue.

**EPRA adjustments**
Standard calculation methods for adjusted EPS and NAV as set out by the European Public Real Estate Association (EPRA) in their Best Practice and Policy Recommendations.

**EPRA vacancy rate**
The element of a property which is unoccupied but available for letting, usually expressed as the ERV of the vacant space divided by the ERV of the total portfolio.

**Estimated rental value (ERV)**
The market rental value of lettable space as estimated by the Company's valuers at each balance sheet date.

**F&BS**
Finance and business services sector.

**IPD**
The Investment Property Databank Limited (IPD) is a company that produces an independent benchmark of property returns.

**IPD central London**
An index, compiled by IPD, of the central and inner London properties in their monthly and quarterly valued universes.

**Like-for-like portfolio**
Properties that have been held for the whole of the period of account.

**Loan to value (LTV)**
Total third party debt (including our share of joint ventures) expressed as a percentage of the market value of the property portfolio (including our share of joint ventures).

**Market value**
The amount as estimated by the Company's valuers for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In line with market practice, values are stated net of purchaser's costs.

**Net assets per share or net asset value (NAV)**
Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

**Net gearing**
Total borrowings less short-term deposits and cash as a percentage of adjusted equity shareholders' funds.

**Net initial yield**
Annual net rents on investment properties as a percentage of the investment property valuation having added notional purchaser's costs.

**Non-PIDs**
Dividends from profits of the Group's taxable residual business.

**Property Income Distributions (PIDs)**
Dividends from profits of the Group's tax-exempt property rental business.

**Portfolio internal rate of return (IRR)**
The rate of return that if used as a discount rate and applied to the projected cash flows from the portfolio would result in a net present value of zero.

**REIT**
UK Real Estate Investment Trust.

**Rent roll**
The annual contracted rental income.

**Return on capital employed (ROCE)**
Return on capital employed is measured as profit before financing costs plus revaluation surplus on development property divided by the opening gross capital.

**Return on shareholders' equity**
The growth in the adjusted diluted net assets per share plus dividends per share for the period expressed as a percentage of the adjusted net assets per share at the beginning of the period.

**Reversionary or under-rented**
The percentage by which ERV exceeds rents passing, together with the estimated rental value of vacant space.

**Reversionary yield**
The anticipated yield, which the initial yield will rise to once the rent reaches the ERV.

**Total property return (TPR)**
Capital growth in the portfolio plus net rental income derived from holding these properties plus profit on sale of disposals expressed as a percentage return on the period's opening value.

**Total shareholder return (TSR)**
The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the period expressed as a percentage of the share price at the beginning of the period.

**Triple net asset value (NNNAV)**
NAV adjusted to include the fair value of the Group's financial liabilities on a diluted basis.

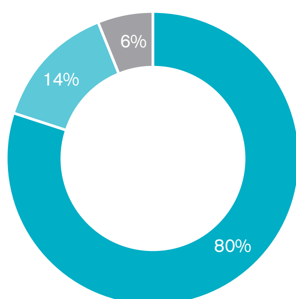
**True equivalent yield**
The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value having taken into account notional purchaser's costs. Assumes rent is received quarterly in advance.

**Weighted average cost of capital (WACC)**
The weighted average pre-tax cost of the Group's debt and the notional cost of the Group's equity used as a benchmark to assess investment returns.

**Weighted average unexpired lease term (WAULT)**
The weighted average unexpired lease term expressed in years.

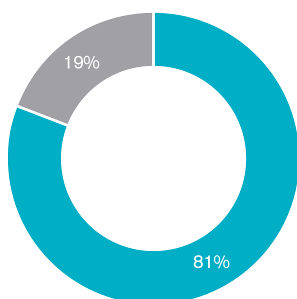
# Appendix 1

## Our locations[1]



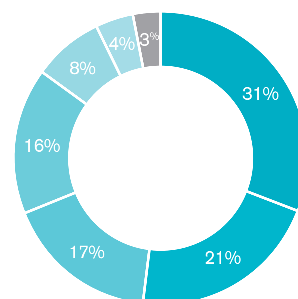

- West End £1,464.9 million
- City £258.1 million
- Southwark £101.6 million

## Our business mix[1]




- Office £1,474.1 million
- Retail £350.5 million

## Tenant diversity[1]

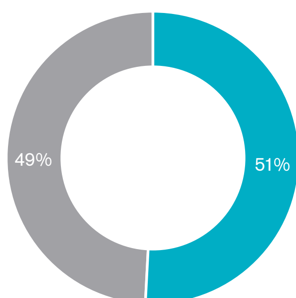



- Retailers and leisure
- Banking and finance
- Media and marketing
- Corporates
- Professional
- Government
- IT and telecoms

1 Includes Group's share of joint ventures.

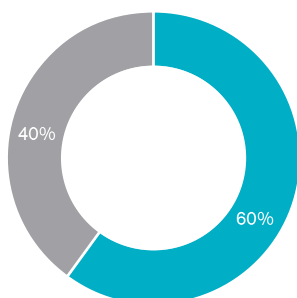
## Joint venture business – contribution to the Group

### Gross property assets[1]



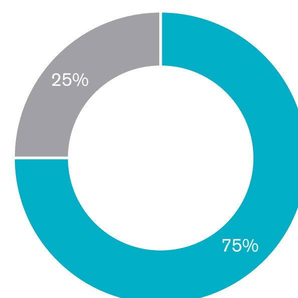

- Wholly-owned £1,189.3 million
- Joint ventures £1,163.4 million

### Net assets[2]




- Wholly-owned £705 million
- Joint ventures £462.9 million

### Net debt[2]




- Wholly-owned £473.2 million
- Joint ventures £157.3 million

1 100% values at 30 September 2011.

2 GPE share.

## Lease profile

At 30 September 2011

| | | | Wholly-owned | | | Share of joint ventures | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Rent roll £m | Reversionary potential £m | Rental values £m | Rent roll £m | Reversionary potential £m | Rental values £m | Total rental values £m |
| London | North of Oxford Street | Office | 23.8 | 0.5 | 24.3 | 1.8 | 0.1 | 1.9 | 26.2 |
| | | Retail | 4.9 | – | 4.9 | 4.2 | 1.2 | 5.4 | 10.3 |
| | Rest of West End | Office | 4.9 | 0.8 | 5.7 | 6.7 | 0.9 | 7.6 | 13.3 |
| | | Retail | 2.6 | 0.5 | 3.1 | 4.0 | 0.4 | 4.4 | 7.5 |
| | Total West End | | **36.2** | **1.8** | **38.0** | **16.7** | **2.6** | **19.3** | **57.3** |
| | City and Southwark | Office | 7.4 | 2.4 | 9.8 | 5.6 | 0.3 | 5.9 | 15.7 |
| | | Retail | 0.8 | 0.5 | 1.3 | – | – | – | 1.3 |
| | Total City and Southwark | | **8.2** | **2.9** | **11.1** | **5.6** | **0.3** | **5.9** | **17.0** |
| Total let portfolio | | | **44.4** | **4.7** | **49.1** | **22.3** | **2.9** | **25.2** | **74.3** |
| Voids | | | | | 1.7 | | | 1.5 | 3.2 |
| Premises under refurbishment | | | | | 10.5 | | | 11.9 | 22.4 |
| **Total portfolio** | | | | | **61.3** | | | **38.6** | **99.9** |

## Rent roll security, lease lengths and voids

At 30 September 2011

| | | | Wholly-owned | | | Joint ventures | | |
|---|---|---|---|---|---|---|---|---|
| | | | Rent roll secure for five years % | Weighted average lease length years | EPRA Vacancy % | Rent roll secure for five years % | Weighted average lease length years | EPRA Vacancy % |
| London | North of Oxford Street | Office | 39.4 | 5.1 | 2.9 | 0.6 | 3.0 | 9.1 |
| | | Retail | 75.5 | 9.1 | – | 78.0 | 8.3 | – |
| | Rest of West End | Office | – | 1.7 | 5.2 | 14.8 | 2.8 | 4.3 |
| | | Retail | 6.1 | 2.3 | 3.5 | 80.8 | 12.9 | – |
| | Total West End | | **36.6** | **5.2** | **3.2** | **46.0** | **6.7** | **4.5** |
| | City and Southwark | Office | 58.4 | 6.0 | 0.7 | 62.1 | 4.8 | 3.7 |
| | | Retail | 72.2 | 8.6 | 1.1 | – | – | – |
| | Total City and Southwark | | **59.8** | **6.3** | **1.1** | **62.1** | **4.8** | **3.8** |
| **Total let portfolio** | | | **40.9** | **5.4** | **2.7** | **50.1** | **6.3** | **4.4** |

## Rental values and yields

At 30 September 2011

| | | | Wholly-owned | | Joint ventures | | Wholly-owned | | Joint ventures | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Average rent £psf | Average ERV £psf | Average rent £psf | Average ERV £psf | Initial yield % | True equivalent yield % | Initial yield % | True equivalent yield % |
| London | North of Oxford Street | Office | 34 | 37 | 27 | 45 | 4.0 | 5.2 | 3.7 | 4.7 |
| | | Retail | 35 | 35 | 73 | 85 | 3.3 | 5.2 | 4.5 | 4.9 |
| | Rest of West End | Office | 35 | 45 | 38 | 42 | 1.2 | 4.7 | 5.0 | 5.3 |
| | | Retail | 45 | 52 | 57 | 63 | 2.3 | 4.8 | 4.6 | 5.1 |
| | Total West End | | **35** | **39** | **45** | **49** | **3.1** | **5.1** | **4.6** | **5.1** |
| | City and Southwark | Office | 27 | 33 | 40 | 40 | 3.9 | 5.9 | 5.8 | 6.3 |
| | | Retail | 21 | 33 | – | 20 | 4.1 | 5.6 | – | 6.1 |
| | Total City and Southwark | | **27** | **34** | **40** | **40** | **3.9** | **5.9** | **5.8** | **6.3** |
| Total portfolio | | | **33** | **37** | **44** | **47** | **3.3** | **5.2** | **4.9** | **5.3** |

The Group views effective risk management as integral to the delivery of superior returns to shar›olders. Principal risks and uncertainties facing the business and the processes through which the Company aims to manage those risks are:

| Risk and impact | Mitigation |
|---|---|
| **Market risk** | |
| Central London real estate market underperforms other UK property sectors leading to poor relative financial results | Research into the economy and the investment and occupational markets is evaluated as part of the Group's annual strategy process covering the key areas of investment, development and asset management and updated regularly throughout the year. |
| Economic recovery falters resulting in worse than expected performance of the business given decline in economic output | Regular economic updates received and scenario planning for different economic cycles.<br>35% of income from committed developments secured. |
| **Investment** | |
| Not sufficiently capitalising on market investment opportunities through difficulty in sourcing investment opportunities at attractive prices, poor investment decisions and mistimed recycling of capital | The Group has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions.<br>Detailed due diligence is undertaken on all acquisitions prior to purchase to ensure appropriate returns.<br>Business plans are produced on an individual asset basis to ensure the appropriate choice of those buildings with limited relative potential performance.<br>Regular review of the prospective performance of individual units and their business plans with Joint Venture partners. |
| **Asset management** | |
| Failure to maximise income from investment properties through poor management of voids, mispricing, low tenant retention, sub-optimal rent reviews, tenant failures and inappropriate refurbishments | The Group's in-house asset management and leasing teams proactively manage tenants to ensure changing needs are met with a focus on retaining income in light of vacant possession requirements for refurbishments and developments. |
| **Development** | |
| Poor development returns relating to:<br>– incorrect reading of the property cycle;<br>– inappropriate location;<br>– failure to gain viable planning consents;<br>– level of development undertaken as a percentage of the portfolio;<br>– level of speculative development;<br>– contractor availability and insolvency risk;<br>– quality of the completed buildings; and<br>– poor development management | See market risk above.<br>Prior to committing to a development the Group conducts a detailed Financial and Operational appraisal process which evaluates the expected returns from a development in light of likely risks. During the course of a development, the actual costs and estimated returns are regularly monitored to signpost prompt decisions on project management, leasing and ownership.<br>35% of income from committed developments secured.<br>Due diligence is undertaken of the financial stability of demolition and main contractors prior to awarding of contracts.<br>Working with agents, potential occupiers' needs and aspirations are identified during the planning application and design stages.<br>All our major developments are subject to BREEAM ratings with a target to achieve a rating of "Very Good" on major refurbishments and "Excellent" on new build properties.<br>Regular review of the prospective performance of individual units and their business plans with Joint Venture partners. |

| Risk and impact | Mitigation |
|---|---|
| **Financial risks** | |
| Limited availability of further capital constrains the growth of the business | Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place.<br>Funding maturities are managed across the short, medium and long term.<br>The Group's funding measures are diversified across a range of bank and bond markets. Strict counterparty limits are operated on deposits. |
| Adverse interest rate movements reduce profitability | Formal policy to manage interest rate exposure by having a high proportion of debt with fixed or capped interest rates through derivatives. |
| Inappropriate capital structure results in sub-optimal NAV per share growth | Regular review of current and forecast debt and gearing levels. |
| **People** | |
| Correct level, mix and retention of people to execute our Business Plan. Strategic priorities not achieved because of inability to attract, develop, motivate and retain talented employees | Regular review is undertaken of the Group's resource requirements.<br>The Company has a remuneration system that is strongly linked to performance and a formal appraisal system to provide regular assessment of individual performance and identification of training needs. |
| **Regulatory** | |
| Adverse regulatory risk including tax, planning, environmental legislation and EU directives increases cost base and reduces flexibility | Senior Group representatives spend considerable time, using experienced advisers as appropriate, to ensure compliance with current and potential future regulations.<br>Lobbying property industry matters is undertaken by active participation of the Executive Directors through relevant industry bodies. |
| Health and safety incidents<br>Loss of or injury to employees, contractors or tenants and resultant reputational damage | The Company has dedicated Health & Safety personnel to oversee the Group's management systems which include regular risk assessments and annual audits to proactively address key Health & Safety areas including employee, contractor and tenant safety.<br>On developments, the Group operates a pre-qualification process to ensure selection of competent consultants and contractors. |

## Portfolio performance to 30 September 2011

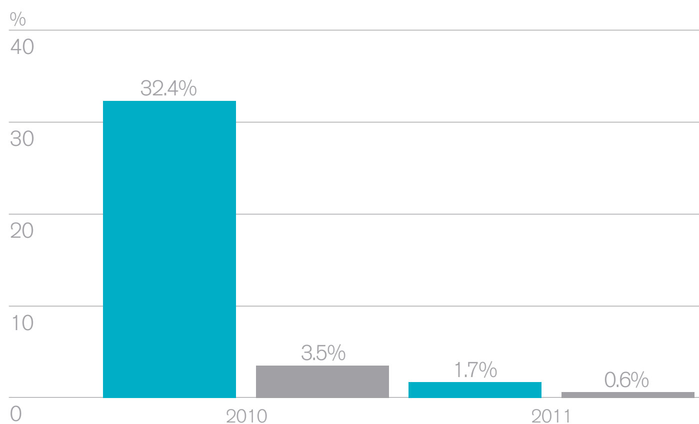
| | | Wholly-owned £m | Share of joint venture £m | Total £m | Proportion of portfolio % | Six month valuation movement % |
|---|---|---|---|---|---|---|
| North of Oxford Street | Office | 426.2 | 73.1 | 499.3 | 27.4 | 0.9 |
| | Retail | 87.3 | 85.0 | 172.3 | 9.4 | 0.9 |
| Rest of West End | Office | 209.7 | 121.6 | 331.3 | 18.2 | 8.2 |
| | Retail | 59.4 | 70.9 | 130.3 | 7.1 | 9.8 |
| **Total West End** | | 782.6 | 350.6 | 1,133.2 | 62.1 | 3.9 |
| City and Southwark | Office | 176.1 | 71.0 | 247.1 | 13.5 | 2.6 |
| | Retail | 19.5 | 0.1 | 19.6 | 1.1 | (1.1) |
| Total City and Southwark | | 195.6 | 71.1 | 266.7 | 14.6 | 2.3 |
| Investment property portfolio | | 978.2 | 421.7 | 1,399.9 | 76.7 | 3.6 |
| Development property | | 85.1 | 213.6 | 298.7 | 16.4 | 5.3 |
| **Total properties held throughout the period** | | **1,063.3** | **635.3** | **1,698.6** | **93.1** | **3.9** |
| Acquisitions | | 126.0 | – | 126.0 | 6.9 | 0.1 |
| **Total portfolio** | | **1,189.3** | **635.3** | **1,824.6** | **100.0** | **3.6** |

## Portfolio characteristics as at 30 September 2011

| | | Investment properties £m | Development properties £m | Total property portfolio £m | Office £m | Retail £m | Total £m | Net internal area sq ft 000's |
|---|---|---|---|---|---|---|---|---|
| North of Oxford Street | | 797.5 | 205.8 | 1,003.3 | 803.0 | 200.3 | **1,003.3** | 1,599 |
| Rest of West End | | 461.6 | – | 461.6 | 331.3 | 130.3 | **461.6** | 753 |
| **Total West End** | | 1,259.1 | 205.8 | 1,464.9 | 1,134.3 | 330.6 | **1,464.9** | 2,352 |
| City and Southwark | | 266.8 | 92.9 | 359.7 | 339.8 | 19.9 | **359.7** | 800 |
| **Total** | | 1,525.9 | 298.7 | 1,824.6 | 1,474.1 | 350.5 | **1,824.6** | 3,152 |
| By use: | Office | 1,185.8 | 288.3 | 1,474.1 | | | | |
| | Retail | 340.1 | 10.4 | 350.5 | | | | |
| **Total** | | **1,525.9** | **298.7** | **1,824.6** | | | | |
| Net internal area sq ft 000's | | 2,755 | 397 | 3,152 | | | | |

## Group key performance indicators

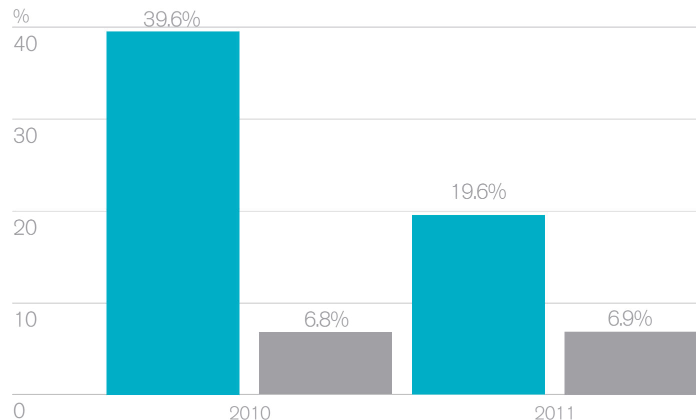
### Total Shareholder Return (TSR)*




### Commentary

The TSR of the Group outperformed the FTSE 350 Real Estate Index by 1.1 percentage points and in absolute terms it was 1.7%.

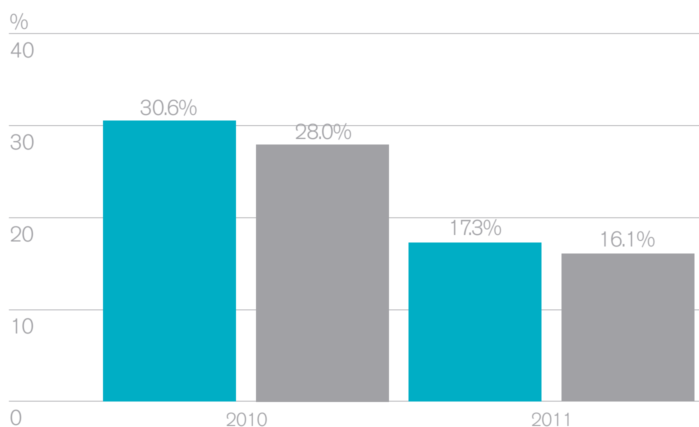
### Adjusted net assets per share growth*




### Commentary

Net assets per share increased by 19.6% over the year as driven by the continued recovery in the property investment market. Our RPI benchmark stayed at broadly the same level as last year causing a 12.7 percentage point relative outperformance for the year.

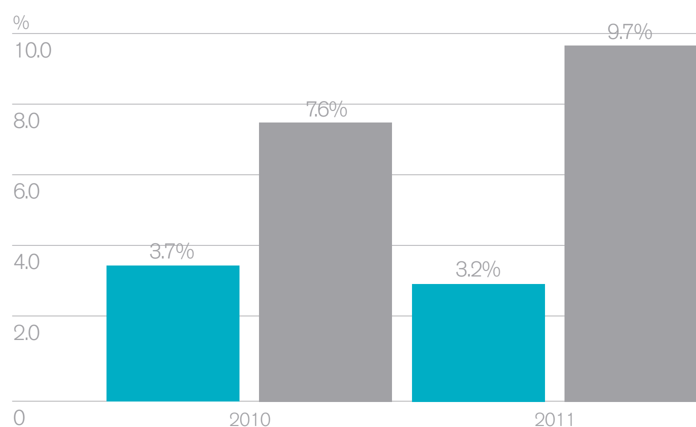
### Portfolio Total Property Return (TPR)*




### Commentary

The Group generated a portfolio TPR of 17.3% in the year whereas the benchmark produced a return of 16.1% resulting in a relative outperformance of 1.0 percentage points.

### EPRA vacancy*




### Commentary

The Group's vacancy rate was 3.2% compared to the benchmark of 9.7% resulting in an outperformance of 6.5 percentage points.

GPE Benchmark

* Year to September.