15 November 2017

Strong operational performance in H1

The Directors of Great Portland Estates plc announce the results for the Group for the six months ended 30 September 2017. Highlights[1] for the six months:

Valuation up; upgraded rental value growth guidance

- Portfolio valuation up 1.0%[2] (developments: up 1.6%[2])
- Rental value growth of 0.7%[2] (0.5% offices, 1.7% retail); yield contraction of 4 bps
- Total property return of 2.4%, with capital return of 1.0% v IPD Central London (quarterly index) of 2.9%
- Upgraded rental value growth guidance for financial year: range now +1.5% to minus 2.5%

Robust financial performance; increased EPRA NAV, earnings and interim dividend

- EPRA[3] NAV per share of 813 pence, up 1.8% over six months
- Net assets of £2,634.8 million (31 March 2017: £2,738.4 million); reduction primarily due to payment of £110 million special dividend in period
- EPRA[3] earnings of £31.6 million, up 11.7% on H1 2016. EPRA[3] EPS of 9.6 pence, up 15.7%
- After revaluation surplus, reported profit after tax of £25.3 million (2016: loss of £62.8 million)
- Total accounting return of 2.6% over six months; interim dividend per share of 4.0 pence, up 8.1%

Leasing ahead of ERV and capturing reversion, driving rent roll to new record

- 37 new lettings (annual rent of £11.3 million, 170,100 sq ft), market lettings 2.4% above March 2017 ERV
- 21 rent reviews securing £8.7 million, 42.9% ahead of passing rent, 8.7% ahead of ERV at the review date
- £3.1 million reversion captured since March 2017; further reversionary potential of 17.0% (£20.2 million)
- Rent roll up 8.8%/18.7% over 6/12 months to £119.2 million; total potential future rent roll growth of 50%
- Vacancy rate reduced to 5.4%, average office rent £52.80 per sq ft, 5.5 years average lease length
- Further £3.2 million of lettings completed since 1 October, market lettings 6.0% above March 2017 ERV; £6.9 million of lettings currently under offer, in-line with March and Sept 2017 ERV

Profitable development completion; 3 near-term schemes, all to benefit from Crossrail; increased flexible medium-term pipeline

- One scheme completed (37,300 sq ft), profit on cost of 15.8%, 10.5% pre-let with good leasing interest
- Two committed schemes (313,400 sq ft), profit on cost of 1.8% (13.8% excluding Rathbone residential), 75.2% pre-let/pre-sold (increasing to 87.5% including space under offer)
- Good progress across three near-term schemes (414,000 sq ft), including recently acquired Cityside House, E1 and new-build planning application submitted at Oxford House, W1; all with potential starts in 2018
- Potential capital expenditure to come across committed and near-term schemes of £248 million
- Flexible medium-term development pipeline increased to 13 schemes, expected 35% area increase on existing 1.0 million sq ft, current 4.6% net initial yield, 3.8 years average lease length, 18.7% reversionary[1]

One acquisition in H1; likely net seller in H2

- Purchase of freehold of Cityside and Challenger House, E1 for £49.6 million, or £320 per sq ft
- £196 million of pre-sale proceeds to come on handover of residential at Rathbone Square, W1 in early 2018
- Further c.£400 million in the market to sell

Strong financial position; low LTV and significant liquidity

- Pro forma[4] loan-to-value of 15.4% (31 March 2017: 18.3%), weighted average interest rate of 2.7%, weighted average debt maturity of 5.7 years, pro forma[4] liquidity of £497 million

[1] All values include share of joint ventures unless otherwise stated [2] On a like-for-like basis [3] In accordance with EPRA guidance
[4] See our Financial Results EPRA and adjusted metrics: we prepare our financial statements using IFRS, however we also use a number of adjusted measures in assessing and managing the performance of the business. These include measures defined by EPRA, which are designed to enhance transparency and comparability across the European real estate sector, see note 8 to the financial statements. For a definition of pro forma debt metrics see Appendix 3.

Toby Courtauld, Chief Executive, said:

"We are pleased to report a good set of results with all our key financial performance measures moving in the right direction and our balance sheet as strong as ever. Another successful leasing performance has driven voids lower and rent roll to a new record whilst a busy period of portfolio activity has delivered increases in both rental and capital values. As a result, we have raised the interim dividend by 8.1% and increased our rental guidance for the financial year.

Today, in spite of the macro-economic and political uncertainties, tenant interest remains healthy across our portfolio with £6.9 million of lettings currently under offer. Moreover, activity and pricing in central London's commercial property market remains robust for prime assets, offering potential opportunities for us to crystallise further surpluses through sales in the near term. Although we can expect some weakness in market rents and secondary yields during this period of uncertainty, demographic growth and the broad spread and depth of the capital's economic activity will help to cement its position as one of only a handful of truly global cities and Europe's business capital, generating demand for our brand of well designed, centrally located, high quality space. Additionally, we can look forward to Crossrail, Europe's largest infrastructure project, near to which 86% of our portfolio sits, opening in late 2018.

With a clear and focussed strategy, we look to our future with confidence; after more than four years of net sales, we have the financial strength to exploit any future market weakness; our investment portfolio is let off low average rents with plenty of near-term reversion to capture; our future development opportunities, covering 40% of our portfolio, are stronger than ever, including three potential starts in 2018; and, our first class, strengthened team is ready to capitalise on this period of uncertainty."

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The results presentation will be broadcast live at 9.00am today on:

www.gpe.co.uk/investors/latest-results

A conference call facility will be available to listen to the presentation at 9.00am today on the following numbers:

UK: 0808 109 0700 (freephone)
International: +44 (0) 20 3003 2666

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-looking 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 announcement 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
Central London's commercial property markets have to date proven resilient in spite of the uncertain political and economic background. Business confidence surveys have recovered from immediate post-EU referendum lows and have stabilised in positive territory, although they remain subdued. Forecast levels of GDP continue to show modest levels of growth. However, there are clear signs of slowing consumer confidence, in part due to increased inflationary pressures and the recent increase in UK base interest rates. Furthermore, levels of political risk continue to be heightened following the summer's snap general election and we can expect confidence to remain low whilst the shape of our future trading arrangements with the EU remain unclear.

Against this unsettled backdrop, activity in London's commercial property markets was maintained over the last six months with healthy transaction levels in both the occupational and investment markets, supporting property valuations. In the near term, we expect the uncertain economic and political environment to weigh on rental levels and yields for secondary properties. However, we remain positive on the long-term prospects for London as a truly global city offering significant attractions for a diverse range of businesses and investors.

Lower but stable economic growth
UK GDP forecasts have decreased very marginally over the period with Oxford Economics forecasting annual GDP growth over the next three years of 1.5%, down from 1.6% in March. However, London is expected to continue to outperform the wider UK economy with annual GDP growth of 1.8% forecast over the next three years. Moreover, the most recent Deloitte UK CFO survey undertaken in September showed a small bounce in business confidence following the post-election drop over the summer, although the proportion of CFOs who think now is a good time to take risk onto their balance sheet still remains well below the long-term average.

Despite the lower economic growth outlook, London's population is forecast to continue growing and Oxford Economics forecast the creation of 115,000 new office-based jobs in inner London over the next five years (down from 129,000 at May 2017). Together, we expect lower levels of growth, combined with some businesses deferring investment decisions in the more uncertain environment, to have an adverse impact on our occupational markets, although relatively low vacancy rates and the limited supply of new space should provide some near-term mitigation.

The attractions of investing in central London real estate, particularly to the overseas buyer, remain intact with transaction volumes of £4.8 billion in the quarter to 30 September 2017, the second highest quarterly level for two years. Investor demand has largely been focussed at the prime end of the market, with strong liquidity particularly in large lot size City office properties. With the level of equity capital looking to invest in London remaining near record highs, prime office yields were unchanged over the period.

Occupational markets resilient
Over the six months to 30 September 2017, central London office take-up was 6.6 million sq ft, an increase of 4.7% on the preceding six months and 8.7% above the ten-year average of 6.1 million sq ft. Central London availability marginally reduced over the six months to 14.3 million sq ft at 30 September, down 0.4 million sq ft and below the ten-year average of 14.7 million sq ft. This has helped broadly maintain rental values and pre-letting activity across our markets. However, tenant incentives (including rent frees) have continued to rise, increasing by around one to two months over the period, and larger leasing transactions are typically taking longer to close.

In the central London office market as a whole, development completions in the six months to 30 September 2017 were 2.2 million sq ft, with an overall vacancy rate of 4.6%. However, in the core of the West End, the focus of our development activities, completions totalled only 42,000 sq ft in the six month period. This supply shortage has meant that occupiers have sought to secure space well in advance, with 45% of the 12.9

million sq ft of space under construction already pre-let or under offer. Looking ahead, the speculative development pipeline continues to moderate. In central London, we estimate that 10.6 million sq ft of new speculative space could be delivered over the five years to December 2021 of which only 1.7 million sq ft is in the West End core, equating to only 0.3 million sq ft per annum.

West End occupational market
Over the six months to 30 September 2017, West End office take-up was 2.7 million sq ft, up 30.0% on the preceding six months with current availability of 4.1 million sq ft, 0.8 million sq ft below the ten-year average. Vacancy rates remain low at 3.7% at September 2017, with grade A vacancy estimated by CBRE to be only 2.8%. Despite the relatively robust leasing market, CBRE reported that prime office rental values reduced by £5 per sq ft to £105 per sq ft over the last six months with rent frees increasing on average by around one month to 22-24 months on a ten year lease.

Whilst UK retail sales have come under pressure given the squeeze on consumer income, the West End retail market (where 30.5% of our West End portfolio by value is located) has continued to demonstrate relative strength. Over the six months, demand for well-configured units on London’s prime retail streets remained healthy, with flagship stores an important part of an omni-channel offer. As a result, vacancy on Oxford Street, Regent Street and Bond Street remains low at c.4% with prime Zone A rents on Oxford Street and Bond Street stable at £1,000 per sq ft and £2,225 per sq ft respectively.

City, Midtown and Southbank occupational markets
Over the six months to 30 September 2017, the City leasing market has been trending in line with the ten-year average, with City office take-up at 2.5 million sq ft and availability increasing to 6.3 million sq ft. At 30 September, the amount of space under offer was 1.4 million sq ft, 21% above the 10-year average, suggesting a strong final leasing quarter for 2018. However, the City vacancy rate increased to 5.9% with grade A vacancy estimated by CBRE to be 4.1%, up from 3.9% at March. CBRE also reported that City prime rental values reduced marginally over the period to £69.50 per sq ft, from £70 per sq ft in March, whilst the rent free period on a ten-year lease increased by six weeks to 24 months.

Take up in Midtown and Southbank was strong, up 45.1% on the preceding six months at 1.3 million sq ft. CBRE reported that this strength, combined with a lack of new space, resulted in prime office rental values increasing to £80 and £65 per sq ft respectively. Rent frees remained largely unchanged at 22-24 months on average on a ten-year lease.

Investment market activity robust driven by overseas purchasers
The pickup in the investment market activity witnessed in the first quarter of 2017 has been maintained. The six months to September 2017 saw £7.9 billion of transactions, including a number of high profile, large scale purchases in the City. Interest from overseas investors continues to dominate, accounting for 83% of transactions over the last six months (and 94% over the last three months), as the low value of Sterling and London’s safe haven status continued to attract international buyers, particularly from Asia and the Middle East.

We reported in May 2017 that we estimated £39.5 billion of equity capital was seeking to invest in commercial property across central London compared to only £5.3 billion of stock on the market available to buy. Today we estimate that there is currently £11.1 billion of stock on the market available to buy, whilst the weight of money seeking to invest remains high at £39.0 billion. With levels of equity demand at elevated levels and debt availability still good for prime quality assets and sponsors, investment yields for office properties remain unchanged. At 30 September 2017, prime yields were 3.75% and 4.00% in the West End and City respectively, according to CBRE.

Poor visibility on market outlook
Given the cyclical nature of our markets, we actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the last six months, our property capital value indicators are largely unchanged and continue to provide limited market visibility. Investment activity in the central London commercial property market is healthy and the real yield spread over gilt yields remains supportive, however, we expect yields to increase for higher risk, more secondary properties. Furthermore, given lower forecast rates of economic growth and tempered business confidence, we do not expect significant rental

value movements in the very near-term and we have upgraded our rental value growth range for the financial year to 31 March 2018 to +1.5% to minus 2.5% (see Asset Management below).

Our business

Our business is accompanied by graphics (see Appendix 1)

Development management

Since the start of the financial year, we have successfully completed one scheme and our two on-site committed schemes at Rathbone Square, W1 and 160 Old Street, EC1 (together 313,400 sq ft) are significantly de-risked (75.2% pre-sold or pre-let, increasing to 87.5% including space under offer) and on track for completion by the end of April 2018.

Looking forward, the Group's pipeline of future developments remains substantial, representing 40% of the Group's existing portfolio and providing development opportunities stretching into the 2020s. With the acquisition of Cityside House, E1, we have added to the near-term pipeline and now have three schemes that could start in the next nine months (totalling 414,000 sq ft), all of which are set to benefit from the opening of Crossrail in December 2018.

One development profitably completed
In November, we successfully completed 55 Wells Street, W1, delivering 37,300 sq ft of well-specified office and restaurant space in an attractive Fitzrovia location. We pre-let the 4,500 sq ft restaurant unit to Ottolenghi in June and early interest is encouraging in the 32,800 sq ft of Grade A office space which we expect to let on a floor-by-floor basis. The ERV of the office space was £2.6 million at 30 September 2017 and the scheme profit on cost was 15.8%.

Two committed schemes, substantially de-risked
At Rathbone Square, W1, having profitably forward sold the commercial element in February 2017, we settled the overage due to the Royal Mail Group over the summer and more recently handed over the completed garden square to Deka. Looking forward, we expect to achieve practical completion of the 142 private residential units by the end of November and we will commence handing over the 140 pre-sold apartments to the buyers early in the New Year, with the remaining 75% of the sale proceeds (approximately £196 million) expected to be collected by the end of the financial year. Whilst the entire Rathbone Square scheme in total delivered a whole life profit on cost in excess of 20%, the residential element is expected to deliver a small loss on cost of 1%.

At 160 Old Street, EC1, owned in our 50:50 joint venture with the BP Pension Fund, the construction works are progressing well and we are targeting completion of the 161,700 sq ft of high quality office, retail and restaurant space in April 2018. We have 57% of the building under offer (all office) and leasing interest in the remaining office space and retail units is strong. The scheme is expected to deliver a profit on cost of 14%.

At 30 September 2017, the three committed development schemes at that date (including 55 Wells Street, W1) were valued at £381.6 million (our share), with capital expenditure to come of £15.0 million on the two remaining committed schemes.

Three near-term schemes, all to benefit from Crossrail and with potential starts over next nine months
During the period, we have added to our near-term development pipeline which now comprises three schemes (414,000 sq ft), all with potential project starts over the next nine months.

Cityside House, E1 was acquired in June 2017 with an existing planning consent to add a further three floors to the building, increasing the net internal area by 22,200 sq ft to 76,500 sq ft. In addition, the site encompasses freehold land to the rear, part of which has a planning consent for 19,000 sq ft of development, comprising hotel and residential uses. Since acquisition, strip out and demolition works have commenced and we are actively seeking to improve both planning consents to enhance the quality of the space we can deliver on the site, with the expectation of commencing the redevelopment of the currently vacant Cityside House early in 2018. We will be targeting average office rents across the building of around £49 per sq ft, with delivery expected in 2019 following the opening of Whitechapel Crossrail station.

At Oxford House, 76 Oxford Street, W1, we have now submitted a planning application for a new build scheme to improve upon both the scale and quality of the building that could be delivered under our existing consent for a refurbishment. Our proposed new build scheme of around 116,500 sq ft comprises 78,100 sq ft of offices and 38,400 sq ft of retail, with the large modern retail units targeted to meet the strong occupier demand at the eastern end of Oxford Street given the opening of Crossrail in 2018. Subject to planning and neighbourly matters, we could commence on site in the first half of 2018 on exercise of our lease break options with the existing occupiers.

At Hanover Square, W1, we signed a phased access agreement with Crossrail in June to allow us to access the site to undertake further enabling works. The agreement also gives us the ability, should the market be supportive, to accelerate the construction programme such that we could commence the New Bond Street building in the first half of 2018, with the larger over station development following later in the year. Although we have not commenced marketing, we are encouraged by the occupier enquiries that we are already receiving for the office space (totalling 167,200 sq ft), the earliest possible delivery date for which is 2020. The development is owned by the GHS Partnership.

At 30 September 2017, the three near-term development properties were valued at £277.7 million (our share) and would require £233.3 million of capital expenditure to complete.

Substantial medium-term development pipeline
Beyond our near-term schemes, GPE's well-stocked development pipeline for the next cycle includes a further 13 uncommitted projects (1.3 million sq ft). These schemes include a number of exciting projects, including New City Court, SE1, in the London Bridge Quarter, where we hope to materially increase the size of the existing 97,800 sq ft building, and Mount Royal, W1, located at the western end of Oxford Street, where we are drawing up early plans to redevelop this two-acre site into a retail-led development scheme. All but one are income producing today, with an average lease length of 3.8 years, and they will provide the bedrock of our development activities for the next cycle.

Asset management

During the period, we have maintained our high level of leasing activity, both capturing significant reversion across the portfolio and leasing up our limited available space, together driving the Group's rent roll to record levels. Key highlights include:

- 37 new leases were signed during the first half (2016: 21 leases), generating annual rent of £11.3 million (our share: £9.8 million; 2016: £9.4 million), with market lettings 2.4% above March 2017 ERVs;
- 21 rent reviews securing £8.7 million (our share: £7.9 million; 2016: £3.3 million) of rent were settled during the half year, representing an annualised increase of £2.6 million per annum, or 42.9% above the previous passing rent and 8.7% above the ERV at the review date;
- total space covered by new lettings, reviews and renewals during the first half was 310,200 sq ft (2016: 207,300 sq ft);
- £3.1 million reversion captured (our share) in the six months to 30 September 2017, with a further reversionary potential of £20.2 million (17.0%) of which 67% is available in the next 18 months;
- 91% (by area) of the 48 leases with breaks or expiries in the twelve months to 30 September 2017 were retained, re-let, under offer or under refurbishment, leaving only 9% still to transact; and
- Group rent roll has increased by 8.8% since 31 March 2017 and 18.7% over the last twelve months to £119.2 million (2016: £100.4 million).

Key leasing transactions
The increased rent roll over the period was driven by a number of notable transactions, including:

- at our completed development, 84/86 Great Portland Street, W1, we let the entirety of the 18,000 sq ft self-contained office space to a not-for-profit organisation at an annual rent of £1.2 million on a ten-year term (no breaks), 5.5% ahead of the March 2017 ERV;
- at 200 Gray's Inn Road, WC1, where our refurbishment works on the ground and first floor continue, we let part of the 5th floor and 7th floor (23,400 sq ft) to Carlton Communications for a combined annual rent of £1.4 million (our share £0.7 million), in line with March 2017 ERV;
- at 24/25 Britton Street, WC1, we settled a rent review with Kurt Geiger, capturing significant reversion, increasing the annual rent by £1.0 million to £2.5 million, an increase of 64% on the previous rent and 2.4% above ERV;
- at New City Court, SE1, we settled a rent review with Sinclair Knight Merz (Europe) Limited on the 3rd and 4th floors, increasing the combined annual rent by £0.5 million to £1.6 million, an increase of 59% on the previous passing rent and 8.6% above ERV at the review date; and
- at 30 Broadwick Street, W1, we let the first floor (14,600 sq ft) to BCG Digital Ventures (part of the Boston Consulting Group) who expanded their presence having secured the second floor in November 2016. The building is now 85% let with only one office floor remaining.

Lower vacancy rate
Overall, these asset management successes have helped reduce the Group's vacancy rate to 5.4% at 30 September 2017 (31 March 2017: 6.8%). At 30 September 2017, the average rent across our office portfolio was £52.80 per sq ft, up from £46.20 per sq ft at 30 September 2016.

The table below summarises our leasing transactions in the period:

Leasing Transactions	**Three months ended 30 September 2017**	**Six months ended 30 September 2017**	**Six months ended 30 September 2016**
New leases and renewals completed			
Number	17	37	21
GPE share of rent p.a.	£4.6 million	£9.8 million	£9.4 million
Area (sq ft)	75,500	170,100	147,100
Rent per sq ft (including retail)	£71	£67	£67
Rent reviews settled			
Number	11	21	10
GPE share of rent p.a.	£4.1 million	£7.9 million	£3.3 million
Area (sq ft)	72,100	140,100	60,200
Rent per sq ft (including retail)	£67	£62	£86

Note: Includes joint ventures at share

Good start to the second half of the year
Since 30 September 2017, our leasing momentum has been maintained:

- We have completed 10 new leases generating £3.2 million (our share: £2.8 million) of annual rent (76,500 sq ft), with market lettings 6.0% ahead of March 2017 ERV; and
- a further 130,650 sq ft of space is currently under offer which would deliver approximately £6.9 million p.a. in rent (our share: £4.4 million), market lettings in line with September 2017 ERVs.

Upgraded rental value guidance
Given our leasing successes over the period, and the resilience of the Group's ERVs, we now estimate that rental values across our office and retail portfolio will grow between +1.5% to minus 2.5% for the year ending 31 March 2018 (previously 0% to minus 7.5%).

Investment management

The weight of international capital looking to invest in London has remained at elevated levels during the first half of the financial year, supporting asset values across the capital. Moreover, we are yet to see many vendors become more realistic on pricing, particularly for riskier assets. As a result, attractive acquisition opportunities have been limited with one purchase by the Group during the period.

One acquisition in first half of the year, adding to the near-term development pipeline

In June 2017, we acquired the freehold of land and buildings including Cityside House and Challenger House, 40/42 Adler Street and 2/8 Whitechapel Road, London E1 from Hermes Investment Management for £49.6 million, or £320 per sq ft on the consented space. The 1.1 acre site sits between Aldgate East underground station to the west and Whitechapel station to the east and consists of:

- Challenger House – a freehold interest in a five-storey hotel, leased to Qbic Hotels for a further 21 years at a rent of £1.4 million p.a., with CPI linked five yearly reviews, capped and collared at 2% - 4% p.a.. The hotel trades from 171 bedrooms with a public restaurant;
- Cityside House – a freehold interest in a five-storey, 54,300 sq ft office building. The property is currently unoccupied and has planning consent for an additional three floors; and
- Development sites - freehold land to the rear of Cityside House, part of which has a planning consent for 19,000 sq ft of development, comprising hotel and residential uses.

This acquisition represents an exciting opportunity to augment our near-term development programme with a well-designed, cost effective and prominent office building in the heart of Whitechapel, supported by a long-term income stream from Qbic Hotels, and further development sites. In addition, Whitechapel is set to benefit from significant further regeneration, including its new Crossrail station opening in late 2018.

In the period, we also enhanced our ownership at City Tower, 40 Basinghall Street, EC2 by extending our leasehold interest to 125 years.

£10.1 million of disposals, 6% premium to book value

During the period, we continued to take advantage of supportive market conditions with a number of smaller asset sales. In June 2017, we sold 48 Broadwick Street, W1, a small residential building in Soho for £4.3 million, equating to £1,463 per sq ft and in September 2017 we sold 42/44 Mortimer Street, W1 for £4.8 million, reflecting a net initial yield to the buyer of 3.85%.

We also disposed of the final residual buildings in the Great Wigmore Partnership, our joint venture with Aberdeen Asset Management, for a combined price of £2.0 million (our share: £1.0 million), bringing a successful conclusion to the Partnership's activities.

Likely net seller in second half of the year

With investment pricing remaining strong and prime yields trending flat, we will continue to explore opportunities to crystallise further surpluses from the 19% of the portfolio that comprises long-let, well-located prime assets which continue to see demand from international capital. As a result, we currently have around £400 million of property in the market to sell and expect to be a net seller over the remainder of the financial year, particularly when also factoring in the expected completion of the residential sales at Rathbone Square, W1, where 140 of the private units are already pre-sold.

Valuation

Valuation is accompanied by graphics (see Appendix 2)

The valuation of the Group's properties was £3,277.8 million as at 30 September 2017, reflecting a valuation increase of 1.0% on a like-for-like basis since 31 March 2017. At 30 September 2017, the wholly-owned portfolio was valued at £2,682.9 million and the Group had three active joint ventures which owned properties valued at £594.9 million (our share) by CBRE.

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

- yield contraction – equivalent yields reduced by 4 basis points over the period. At 30 September 2017, the portfolio true equivalent yield was 4.5%;
- rental value increase – since the start of the financial year, rental values have increased by 0.7%, with office and retail rental values rising by 0.5% and 1.7% respectively. At 30 September 2017, the portfolio was 17.0% reversionary;
- intensive asset management – during the period, 58 new leases, rent reviews and renewals were completed, securing £17.7 million (our share) of annual income which helped to support the valuation over the period; and
- development and trading properties – the valuation of current development and trading properties increased by 1.6% to £381.6 million.

Including rent from pre-lets and leases currently in rent free periods, the adjusted initial yield of the investment portfolio at 30 September 2017 was 3.8%, 30 basis points higher than at the start of the financial year.

Our West End investment portfolio produced the most robust performance by geographic sector over the period, increasing in value by 1.0% on a like-for-like basis, in part driven by our leasing activity as set out above. Our City, Midtown and Southbank properties increased by 0.9%. Our joint venture properties increased in value by 1.7% over the period while the wholly-owned portfolio increased by 0.9% on a like-for-like basis.

The Group delivered a total property return (TPR) for the six months to 30 September 2017 of 2.4% (2016: -2.2%), compared to the Central London IPD quarterly benchmark of 4.5%, and a capital return of 1.0% (versus 2.9% for IPD).

Our financial results

Our financial results are accompanied by graphics, see Appendix 3, and details on our approach to risk are set out in Appendix 1

We calculate adjusted net assets and earnings per share in accordance with the Best Practice Recommendations issued by the European Public Real Estate Association (EPRA). The recommendations are designed to make the financial statements of public real estate companies clearer and more comparable across Europe enhancing the transparency and coherence of the sector. We consider these standard metrics to be the most appropriate method of reporting the value and performance of the business and a reconciliation to the IFRS numbers is included in note 8 to the accounts.

EPRA NAV growth of 1.8%
EPRA net assets per share (NAV) at 30 September 2017 was 813 pence per share, an increase of 1.8% over the last six months, largely due to the 1.0% like-for-like increase in value of the property portfolio. The main drivers of the 14 pence per share increase in NAV from 31 March 2017 were:

- the increase of 8 pence per share arising from the revaluation of the property portfolio. Of this amount, development and trading properties increased NAV by around 2 pence;
- EPRA earnings for the period of 10 pence per share enhanced NAV;
- the prepayment of US private placement notes reduced NAV by 4 pence per share;
- the final dividend of 6 pence per share reduced NAV;
- the special dividend of 32.15 pence per share and the associated 19 for 20 share consolidation increased NAV by 8 pence per share; and
- other movements reduced NAV by 2 pence per share.

EPRA NAV growth of 1.8%, combined with the payment of last year's final dividend of 6.4 pence per share, delivered a total accounting return for the six months to 30 September 2017 of 2.6%.

At 30 September 2017, the Group's net assets were £2,634.8 million, down from £2,738.4 million at 31 March 2017, with the reduction largely attributable to the special dividend (totalling £110 million) paid during the period. EPRA triple net assets per share (NNNAV) was 804 pence at 30 September 2017 compared to 782 pence at 31 March 2017 (up 2.8%). At the period end, the difference between NAV and NNNAV was the net impact of the mark to market of debt of 9 pence per share, mainly arising from the Group's 2029 debenture (coupon of 5.63%). There was a £2.5 million increase in deferred tax assets during the period.

EPRA earnings growth of 11.7%
EPRA earnings were £31.6 million, 11.7% higher than for the same period last year, predominantly due to our leasing activities driving rental income growth.

Rental income from wholly-owned properties was £44.7 million, up £6.4 million or 16.7% on last year, principally as a result of new lettings at recently completed developments, including 30 Broadwick Street, W1, and the successful settlement of a large number of rent reviews capturing significant reversionary potential. Joint venture fees were £1.1 million, down £0.5 million on last year due to lower levels of transaction activity in the joint ventures. Taken together, rental income from wholly-owned properties and joint venture fees totalled £45.8 million, up 14.8% on the prior period. Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income (including from joint venture properties) increased 5.7% on the prior period.

Property expenses increased by £0.5 million to £3.7 million, principally due to increased costs associated with our leasing initiatives and higher service charge costs. Administration costs were £11.9 million, an increase of £1.4 million, primarily as a result of higher provisions for performance related pay (including share incentive plans) and lower capitalised employee costs reflecting the reduced number of committed developments.

EPRA profits from joint ventures (excluding fair value movements) were £1.0 million, down from £1.2 million last year predominantly due to reduced sales activity in the joint ventures.

Gross interest paid on our debt facilities was £4.8 million lower than the prior period. The reduction in interest paid was predominantly due to the redemption of £287.5 million of US private placement notes paying a blended coupon of 5.0%, offset by the new issue in May 2017 of £175 million seven-year US private placement notes with a fixed rate coupon of only 2.15%.

We capitalised interest of £4.5 million (2016: £10.4 million) during the period, a £5.9 million reduction on the prior year reflecting our reduced development exposure as we have completed or forward sold major development schemes. As a result, the Group had underlying net finance income (including interest receivable on joint ventures balances) of £0.7 million (2016: £0.9 million income).

Revaluation gains together with increased underlying earnings resulted in an accounting profit after tax of £25.3 million (2016: loss of £62.8 million). The basic earnings per share for the period was 7.7 pence, compared to an 18.4 pence loss for 2016. The diluted earnings per share for the period was 5.7 pence compared to 19.9 pence per share loss for 2016. Diluted EPRA earnings per share was 9.6 pence (2016: 8.3 pence), an increase of 15.7%, and cash earnings per share was 7.2 pence (2016: 4.6 pence)

Results of joint ventures
The Group's net investment in joint ventures was £508.0 million, an increase from £480.8 million at 31 March 2017, largely due to the increase in value of the property portfolio and an increase in partner loan contributions to fund development expenditure. Our share of joint venture net rental income was £8.6 million, down £0.3 million on last year as a result of property sales offset by positive asset management activity. The underlying joint venture profits are stated after charging £1.1 million of GPE management fees (2016: £1.6 million).

Overall, our three active joint ventures represent an important proportion of the Group's business. At 30 September 2017, joint ventures made up 18.2% of the portfolio valuation, 19.3% of net assets and 16.5% of rent roll (31 March 2017: 18.0%, 17.5% and 16.8% respectively).

Strong financial position
Group consolidated net debt was £514.6 million at 30 September 2017, up from £502.8 million at 31 March 2017 (30 September 2016: £738.5 million). The increase was due to the payment of the special dividend, development capital expenditure and the acquisition of Cityside House and Challenger House more than offsetting receipts (including deferred receipts) from property sales. Group gearing increased to 19.5% at 30 September 2017 (31 March 2017: 18.4%) due to higher levels of on-balance sheet debt more than offsetting the increase in the portfolio value. Including the non-recourse debt in the joint ventures, total net debt was £587.0 million (31 March 2017: £576.8 million) equivalent to a loan to property value of 17.9% (31 March 2017: 18.3%). The proportion of the Group's total net debt represented by our share of joint venture net debt was 12.3% at 30 September 2017. At 30 September 2017, the Group, including our share of joint ventures, had cash and undrawn committed credit facilities of £415 million.

Pro forma for the receipt of remaining deferred consideration (£82.3 million) on property sales (including the commercial element of Rathbone Square, W1 and 73/89 Oxford Street, both W1), the Group's loan to property value is 15.4%, with cash and undrawn facilities rising to £497 million.

The Group's weighted average cost of debt, including fees and joint venture debt, for the period was 3.3%, 70 basis points lower than at 31 March 2017 due to the repayment and new issue of private placement notes at a lower coupon rate as mentioned above. The weighted average interest rate (excluding fees) at the period end was 2.7% (31 March 2017: 3.0%). At 30 September 2017, 59% of the Group's total drawn debt (including non-recourse joint venture debt) was provided on an unsecured basis (31 March 2017: 63%) and 92% was from non-bank sources (31 March 2017: 75%).

At 30 September 2017, 90% of the Group's total drawn debt (including non-recourse joint ventures) was at fixed or hedged rates (31 March 2017: 82%). Due to the treatment of capitalised interest under our Group covenants, there is no net interest charge in the period applicable for the purposes of calculating our net interest cover ratio (31 March 2017: n/a). Without the benefit of interest capitalised, net interest cover over the last twelve months would be very healthy at more than five times. Our weighted average drawn debt maturity was 5.7 years at 30 September 2017 (31 March 2017: 5.1 years).

100% rent collection and robust tenant base

The quarterly cash collection performance has continued to be very strong throughout 2017. We secured a record 100.0% of rent due within seven working days following the September quarter day, improving on the March (99.4%) and June (99.8%) quarters earlier this year. Tenants on monthly payment terms represent around 3.1% of our rent roll (30 September 2016: 3.6%). We had two small tenant delinquencies in the first half of the six month period (0.1% of rent roll); and we remain vigilant regularly monitoring the financial position of our tenants. In addition, we have further protection from any tenant defaults with £34.2 million of rent deposits and bank guarantees, representing around 29% of rent roll.

Taxation

The tax credit in the income statement for the half year was £2.5 million (2016: £0.1 million charge) and comprises solely deferred tax (principally in respect of revenue losses). The underlying effective tax rate was 0% (2016: 0%) 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.

In general, 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 but is otherwise subject to corporation tax. In particular, the Group is subject to corporation tax in respect of (i) any profits arising on the sale of trading properties and (ii) any gains arising on the sale of development properties which are sold within three years of completion of the development.

Dividend growth and share consolidation

Following receipt of the majority of the sales proceeds from the disposal of Rathbone Square, W1, the whole life surplus from the development of approximately £110.0 million was returned to shareholders by way of a special dividend on 30 May 2017. The special dividend was accompanied by a 19 for 20 share consolidation of the Company's ordinary share capital. This special dividend along with the final dividend from the year ended 31 March 2017, together totalling £130.8 million, are included within the Group Statement of Changes in Equity for the period.

The Board has declared an interim ordinary dividend of 4.0 pence per share (2016: 3.7 pence) which will be paid on 2 January 2018. All of this dividend will be a REIT Property Income Distribution (PID) in respect of the Group's tax-exempt property rental business.

Condensed group income statement

For the six months ended 30 September 2017

Year to 31 March 2017 Audited £m		Notes	**Six months to 30 September 2017 Unaudited £m**	Six months to 30 September 2016 Unaudited £m
121.9	Total revenue	2	**65.4**	57.4
80.2	Net rental income	3	**44.7**	38.3
4.1	Joint venture fee income	11	**1.1**	1.6
84.3	Rental and joint venture fee income		**45.8**	39.9
(7.3)	Property expenses	4	**(3.7)**	(3.2)
77.0	**Net rental and related income**		**42.1**	36.7
(20.1)	Administrative expenses		**(11.9)**	(10.5)
25.2	Development management revenue		**12.6**	10.5
(25.2)	Development management costs		**(12.9)**	(10.5)
-			**(0.3)**	–
(0.3)	Trading property – cost of sales		**(0.1)**	(0.3)
56.6	**Operating profit before surplus/(deficit) on investment property and results of joint ventures**		**29.8**	25.9
(136.9)	Surplus/(deficit) from investment property	9	**16.9**	(90.3)
(57.2)	Share of results of joint ventures	11	**11.2**	(37.9)
(137.5)	**Operating profit/(loss)**		**57.9**	(102.3)
9.0	Finance income	5	**5.2**	4.3
(9.2)	Finance costs	6	**(4.5)**	(3.4)
(51.5)	Premium paid on cancellation of private placement notes	15	**(36.6)**	-
10.1	Fair value movement on convertible bond		**6.2**	10.3
38.9	Fair value movement on derivatives		**(5.4)**	28.4
(140.2)	**Profit/(loss) before tax**		**22.8**	(62.7)
0.8	Tax	7	**2.5**	(0.1)
(139.4)	**Profit/(loss) for the period**		**25.3**	(62.8)

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

(40.8)p	**Basic earnings/(loss) per share**	8	**7.7p**	(18.4)p
(40.8)p	**Diluted earnings/(loss) per share**	8	**5.7p**	(19.9)p
17.3p	**EPRA EPS**	8	**9.6p**	8.3p
17.3p	**Diluted EPRA EPS**	8	**9.6p**	8.3p

Condensed group statement of comprehensive income

For the six months ended 30 September 2017

Year ended 31 March 2017 Audited £m		**Six months to 30 September 2017 Unaudited £m**	Six months to 30 September 2016 Unaudited £m
(139.4)	Profit/(loss) for the period	**25.3**	(62.8)
	Items that will not be reclassified subsequently to profit and loss:		
(3.6)	Actuarial gain/(deficit) on defined benefit scheme	**1.1**	(4.8)
(143.0)	**Total comprehensive income/(expense) for the period**	**26.4**	(67.6)

Condensed group balance sheet

At 30 September 2017

As at 31 March 2017 Audited £m		Notes	**As at 30 September 2017 Unaudited £m**	As at 30 September 2016 Unaudited £m
	Non-current assets			
2,351.9	Investment property	9	**2,448.6**	2,957.3
480.8	Investment in joint ventures	11	**508.0**	510.6
5.1	Plant and equipment	12	**4.9**	3.8
2.0	Deferred tax	7	**4.5**	1.2
2,839.8			**2,966.0**	3,472.9
	Current assets			
246.7	Trading property	10	**262.2**	232.1
351.8	Trade and other receivables	13	**91.0**	61.8
1.0	Corporation tax		**0.6**	0.9
25.5	Cash and cash equivalents		**13.8**	9.0
625.0			**367.6**	303.8
3,464.8	**Total assets**		**3,333.6**	3,776.7
	Current liabilities			
(147.0)	Trade and other payables	14	**(121.7)**	(150.1)
–	Interest-bearing loans and borrowings	15	**(153.2)**	–
(147.0)			**(274.9)**	(150.1)
	Non-current liabilities			
(537.7)	Interest-bearing loans and borrowings	15	**(378.4)**	(756.7)
(35.9)	Obligations under finance leases		**(40.7)**	(35.9)
(5.8)	Pension liability		**(4.8)**	(7.2)
(579.4)			**(423.9)**	(799.8)
(726.4)	**Total liabilities**		**(698.8)**	(949.9)
2,738.4	**Net assets**		**2,634.8**	2,826.8
	Equity			
43.0	Share capital	16	**43.0**	43.0
352.0	Share premium account		**352.0**	352.0
16.4	Capital redemption reserve		**16.4**	16.4
2,330.8	Retained earnings		**2,227.0**	2,418.9
(3.8)	Investment in own shares	17	**(3.6)**	(3.5)
2,738.4	**Total equity**		**2,634.8**	2,826.8
796p	**Net assets per share**	8	**806p**	822p
799p	**EPRA NAV**	8	**813p**	813p

Condensed group statement of cash flows

For the six months ended 30 September 2017

Year to 31 March 2017 Audited £m		Notes	**Six months to 30 September 2017 Unaudited £m**	Six months to 30 September 2016 Unaudited £m
	Operating activities			
(137.5)	Operating profit/(loss)		**57.9**	(102.3)
192.4	Adjustments for non-cash items	18	**(29.6)**	128.5
8.8	Deposits received on forward sale of residential units		**0.5**	5.9
(75.0)	Development of trading property		**(12.5)**	(49.7)
(12.7)	(Increase)/decrease in receivables		**(5.8)**	0.8
(5.4)	Increase/(decrease) in payables		**5.3**	(4.1)
(29.4)	**Cash generated/(absorbed) by operations**		**15.8**	(20.9)
(29.0)	Interest paid		**(8.4)**	(13.7)
0.1	Tax received		**0.4**	–
(58.3)	**Cash inflow/(outflow) from operating activities**		**7.8**	(34.6)
	Investing activities			
56.2	Distributions from joint ventures		**8.4**	23.6
(187.3)	Purchase and development of property		**(107.7)**	(145.1)
(4.9)	Purchase of plant and equipment		**(0.2)**	(3.0)
346.5	Sale of properties		**243.0**	26.7
(6.7)	Investment in joint ventures		**(4.1)**	(4.0)
203.8	**Cash inflow/(outflow) from investing activities**		**139.4**	(101.8)
	Financing activities			
109.0	Revolving credit facility (repaid)/drawn		**(47.0)**	169.0
–	Issue of private placement notes		**174.1**	–
(159.7)	Redemption of private placement notes		**(127.7)**	–
(51.5)	Premium paid on redemption of private placement notes		**(36.6)**	–
34.7	Termination of cross currency swaps		**23.1**	–
(33.6)	Funds to joint ventures		**(15.1)**	(18.1)
(31.6)	Equity dividends paid		**(129.7)**	(18.2)
(132.7)	**Cash (outflow)/inflow from financing activities**		**(158.9)**	132.7
12.8	Net (decrease)/increase in cash and cash equivalents		**(11.7)**	(3.7)
12.7	Cash and cash equivalents at 1 April		**25.5**	12.7
25.5	**Cash and cash equivalents at balance sheet date**		**13.8**	9.0

Condensed group statement of changes in equity

For the six months ended 30 September 2017 (unaudited)

	Share capital £m	**Share premium account £m**	**Capital redemption reserve £m**	**Retained earnings £m**	**Investment in own shares £m**	**Total equity £m**
Total equity at 1 April 2017	**43.0**	**352.0**	**16.4**	**2,330.8**	**(3.8)**	**2,738.4**
Profit for the period	**–**	**–**	**–**	**25.3**	**–**	**25.3**
Actuarial gain on defined benefit scheme	**–**	**–**	**–**	**1.1**	**–**	**1.1**
Total comprehensive income for the period	**–**	**–**	**–**	**26.4**	**–**	**26.4**
Employee Long-Term Incentive Plan and Share Matching Plan charge	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Transfer to retained earnings	**–**	**–**	**–**	**0.6**	**(0.6)**	**–**
Dividends to shareholders	**–**	**–**	**–**	**(130.8)**	**–**	**(130.8)**
Total equity at 30 September 2017	**43.0**	**352.0**	**16.4**	**2,227.0**	**(3.6)**	**2,634.8**

Condensed group statement of changes in equity

For the six months ended 30 September 2016 (unaudited)

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2016	43.0	352.0	16.4	2,509.9	(9.1)	2,912.2
Loss for the period	–	–	–	(62.8)	–	(62.8)
Actuarial deficit on defined benefit scheme	–	–	–	(4.8)	–	(4.8)
Total comprehensive expense for the period	–	–	–	(67.6)	–	(67.6)
Employee Long-Term Incentive Plan and Share Matching Plan charge	–	–	–	–	1.3	1.3
Transfer to retained earnings	–	–	–	(4.3)	4.3	–
Dividends to shareholders	–	–	–	(19.1)	–	(19.1)
Total equity at 30 September 2016	43.0	352.0	16.4	2,418.9	(3.5)	2,826.8

Condensed group statement of changes in equity

For the year ended 31 March 2017 (audited)

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2016	43.0	352.0	16.4	2,509.9	(9.1)	2,912.2
Loss for the year	–	–	–	(139.4)	–	(139.4)
Actuarial deficit on defined benefit scheme	–	–	–	(3.6)	–	(3.6)
Total comprehensive expense for the year	–	–	–	(143.0)	–	(143.0)
Employee Long-Term Incentive Plan and Share Matching Plan charge	–	–	–	–	1.0	1.0
Transfer to retained earnings	–	–	–	(4.3)	4.3	–
Dividends to shareholders	–	–	–	(31.8)	–	(31.8)
Total equity at 31 March 2017	43.0	352.0	16.4	2,330.8	(3.8)	2,738.4

Condensed notes forming part of the half year results

1 Basis of preparation

The information for the year ended 31 March 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

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 International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed and there have been no changes in the nature of the Significant Judgements and Key Sources of Estimation Uncertainty in the condensed set of financial statements to those applied in the Group's latest annual audited financial statements. The Group's performance is not subject to seasonal fluctuations.

The directors do not expect that the adoption of the new and revised IFRSs that have been issued but are not yet effective will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 16 will require the Group to include its limited lease liabilities and associated right of use assets onto its balance sheet and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these new standards until a detailed review is complete.

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 results" 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 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
77.7	Gross rental income	**42.1**	37.6
3.1	Spreading of lease incentives	**3.1**	1.0
11.8	Service charge income	**6.5**	6.7
4.1	Joint venture fee income	**1.1**	1.6
25.2	Development management revenue	**12.6**	10.5
121.9		**65.4**	57.4

3 Net rental income

Year to 31 March 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
77.7	Gross rental income	**42.1**	37.6
3.1	Spreading of lease incentives	**3.1**	1.0
(0.6)	Ground rent	**(0.5)**	(0.3)
80.2		**44.7**	38.3

4 Property expenses

Year to 31 March 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
(11.8)	Service charge income	**(6.5)**	(6.7)
13.9	Service charge expenses	**7.9**	7.6
5.2	Other property expenses	**2.3**	2.3
7.3		**3.7**	3.2

5 Finance income

Year to 31 March 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
9.0	Interest income on joint venture balances	**5.2**	4.3
9.0		**5.2**	4.3

6 Finance costs

Year to 31 March 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
3.3	Interest on revolving credit facilities	**1.4**	1.6
12.9	Interest on private placement notes	**1.9**	6.4
8.0	Interest on debenture stock	**4.0**	4.0
1.5	Interest on convertible bond	**0.8**	0.8
1.8	Interest on obligations under finance leases	**0.9**	1.0
27.5	Gross finance costs	**9.0**	13.8
(18.3)	Less: capitalised interest at an average interest cost of 3.3% (2016: 3.9%)	**(4.5)**	(10.4)
9.2	Finance costs before finance income and fair value movements	**4.5**	3.4

7 Tax

Year to 31 March 2017 £m		Six months to 30 September 2017 £m	Six months to 30 September 2016 £m
	Current tax		
–	UK corporation tax – current period	**–**	–
(0.1)	UK corporation tax – prior periods	**–**	–
(0.1)	Total current tax	**–**	–
(0.7)	**Deferred tax**	**(2.5)**	0.1
(0.8)	Tax (credit)/charge for the period	**(2.5)**	0.1

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 2017 £m		Six months to 30 September 2017 £m	Six months to 30 September 2016 £m
(140.2)	Profit/(loss) before tax	**22.8**	(62.7)
(28.0)	Tax charge/(credit) on profit/(loss) at standard rate of 19% (2016: 20%)	**4.3**	(12.5)
32.8	Changes in the fair value of properties, not subject to tax	**(5.7)**	25.3
(2.9)	Changes in the fair value of financial instruments, not subject to tax	**4.2**	(7.7)
(4.0)	REIT tax-exempt rental income and gains	**(5.2)**	(5.6)
(0.1)	Prior periods' corporation tax	–	–
1.4	Other	**(0.1)**	0.6
(0.8)	Tax (credit)/charge for the period	**(2.5)**	0.1

The Group's deferred tax assets and liabilities have been calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the liability is settled or the asset is realised.

During the period £nil (2016: £nil) of deferred tax was credited directly to equity. The Group's net deferred tax at 30 September 2017 was an asset of £4.5 million (2016: £1.2 million). This consists of a deferred tax liability of £2.8 million (2016: £nil) and deferred tax assets of £7.3 million (2016: £1.2 million).

Movement in deferred tax:

	At 1 April 2017 £m	Recognised in the income statement £m	At 30 September 2017 £m
Deferred tax liability in respect of £150 million 1.00% convertible bonds 2018	(2.8)	-	**(2.8)**
Deferred tax asset in respect of revenue losses	4.0	2.6	**6.6**
Deferred tax asset in respect of other temporary differences	0.8	(0.1)	**0.7**
Net deferred tax asset	2.0	2.5	**4.5**

A further deferred tax asset of £2.8 million, mainly relating to revenue losses, the pension liability and contingent share awards was not recognised because it is uncertain whether future taxable profits will arise against which this asset can be utilised.

As a REIT, the Group is largely 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. In particular, the Group's REIT exemption does not extend to either profits arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years or profits arising from trading properties (including the sale of the residential units at Rathbone Square, W1).

In order to ensure that the Group is able to both retain its status as a REIT and to avoid financial charges being imposed, a number of tests (including a minimum distribution test) must be met by both Great Portland Estates plc and by the Group as a whole on an ongoing basis. These conditions are detailed in the Corporation Tax Act 2010.

8 Performance measures and EPRA metrics

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations issued by the European Public Real Estate Association (EPRA). The recommendations are designed to make the financial statements of public real estate companies clearer and more comparable across Europe enhancing the transparency and coherence of the sector. The directors consider these standard metrics to be the most appropriate method of reporting the value and performance of the business.

Weighted average number of ordinary shares

Year to 31 March 2017 No. of shares		**Six months to 30 September 2017 No. of shares**	Six months to 30 September 2016 No. of shares
343,926,149	Issued ordinary share capital at 1 April	**343,926,149**	343,926,149
–	Share consolidation	**(12,755,495)**	–
(1,933,616)	Investment in own shares	**(1,538,561)**	(2,073,445)
341,992,533	Weighted average number of ordinary shares - basic	**329,632,093**	341,852,704

Basic and diluted earnings per share

Year to 31 March 2017 Loss per share pence		**Six months to 30 September 2017 Profit after tax £m**	**Six months to 30 September 2017 No. of shares million**	**Six months to 30 September 2017 Earnings per share pence**	Six months to 30 September 2016 Loss after tax £m	Six months to 30 September 2016 No. of shares million	Six months to 30 September 2016 Loss per share pence
(40.8)	Basic	**25.3**	**329.6**	**7.7**	(62.8)	341.9	(18.4)
–	Dilutive effect of LTIP shares	**–**	**–**	**–**	–	0.6	–
–	Dilutive effect of convertible bond	**(5.4)**	**20.7**	**(2.0)**	(9.5)	21.0	(1.5)
(40.8)	Diluted	**19.9**	**350.3**	**5.7**	(72.3)	363.5	(19.9)

EPRA Earnings per share

Year to 31 March 2017 (Loss)/earnings per share pence		**Six months to 30 September 2017 Profit/(loss) after tax £m**	**Six months to 30 September 2017 No. of shares million**	**Six months to 30 September 2017 Earnings/(loss) per share pence**	Six months to 30 September 2016 (Loss)/profit after tax £m	Six months to 30 September 2016 No. of shares million	Six months to 30 September 2016 (Loss)/earnings per share pence
(40.8)	Basic	**25.3**	**329.6**	**7.7**	(62.8)	341.9	(18.4)
40.1	(Surplus)/deficit from investment property	**(16.9)**	**–**	**(5.1)**	90.3	–	26.4
17.4	(Surplus)/deficit from joint venture investment property	**(9.7)**	**–**	**(2.9)**	38.3	–	11.2
15.1	Premium paid on cancellation of private placement notes	**36.6**	**–**	**11.1**	–	–	–
(11.4)	Movement in fair value of derivatives	**5.4**	**–**	**1.6**	(28.4)	–	(8.3)
(3.0)	Movement in fair value of convertible bond	**(6.2)**	**–**	**(1.9)**	(10.3)	–	(3.0)
–	Movement in fair value of derivatives in joint ventures	**(0.5)**	**–**	**(0.1)**	0.8	–	0.3
0.1	Trading property – costs of sale	**0.1**	**–**	**–**	0.3	–	0.1
(0.2)	Deferred taxation	**(2.5)**	**–**	**(0.8)**	0.1	–	–
17.3	Basic EPRA earnings	**31.6**	**329.6**	**9.6**	28.3	341.9	8.3
–	Dilutive effect of LTIP shares	**–**	**–**	**–**	–	0.6	–
–	Dilutive effect of convertible bond	**–**	**–**	**–**	–	–	–
17.3	Diluted EPRA earnings	**31.6**	**329.6**	**9.6**	28.3	342.5	8.3

8 Performance measures and EPRA metrics (continued)

EPRA Net assets per share

31 March 2017 Net assets per share pence		**30 September 2017 Net assets £m**	**30 September 2017 No. of shares million**	**30 September 2017 Net assets per share pence**	30 September 2016 Net assets £m	30 September 2016 No. of shares million	30 September 2016 Net assets per share pence
796	Basic	**2,634.8**	**326.7**	**806**	2,826.8	343.9	822
4	Investment in own shares	**–**	**(1.4)**	**4**	–	(1.8)	4
–	Dilutive effect of convertible bond	**–**	**–**	**–**	–	–	–
(1)	Dilutive effect of LTIP shares	**–**	**0.2**	**(1)**	–	0.7	(1)
799	Diluted net assets	**2,634.8**	**325.5**	**809**	2,826.8	342.8	825
5	Surplus on revaluation of trading property	**12.8**	**–**	**4**	2.0	–	–
3	Fair value of convertible bond	**3.2**	**–**	**1**	9.2	–	3
(8)	Fair value of derivatives	**–**	**–**	**–**	(52.7)	–	(16)
–	Fair value of derivatives in joint ventures	**0.8**	**–**	**–**	2.1	–	1
–	Deferred tax	**(4.5)**	**–**	**(1)**	(1.2)	–	–
799	EPRA NAV	**2,647.1**	**325.5**	**813**	2,786.2	342.8	813
(21)	Fair value of financial liabilities	**(27.5)**	**–**	**(8)**	(111.8)	–	(32)
(3)	Fair value of convertible bond	**(3.2)**	**–**	**(1)**	(9.2)	–	(3)
(1)	Fair value of financial liabilities in joint ventures	**(1.4)**	**–**	**–**	(2.9)	–	(1)
8	Fair value of derivatives	**–**	**–**	**–**	52.7	–	16
–	Fair value of derivatives in joint ventures	**(0.8)**	**–**	**–**	(2.1)	–	(1)
(1)	Tax arising on sale of trading properties	**(2.4)**	**–**	**(1)**	(0.4)	–	–
1	Deferred tax	**4.5**	**–**	**1**	1.2	–	–
782	EPRA NNNAV	**2,616.3**	**325.5**	**804**	2,713.7	342.8	792

The Group has £150.0 million of convertible bonds in issue with an initial conversion price of £7.27 per share. The dilutive effect of the contingently issuable shares within the convertible bond is required to be recognised in accordance with IAS 33 – Earnings per Share. In accordance with the EPRA Best Practice Recommendations, we have presented EPRA earnings per share on a basic and diluted basis.

Total Accounting return

31 March 2017 per share pence		**30 September 2017 per share pence**	30 September 2016 per share pence
847.0	Opening EPRA NAV (A)	**799.0**	847.0
799.0	Closing EPRA NAV	**813.0**	813.0
(48.0)	Increase/(decrease) in EPRA NAV	**14.0**	(34.0)
9.3	Ordinary dividend paid in period	**6.4**	5.6
(38.7)	Total return (B)	**20.4**	(28.4)
(4.6)%	Total return % (B/A)	**2.6%**	(3.3)%

8 Performance measures and EPRA metrics (continued)

Loan-to-property value

31 March 2017 £m		30 September 2017 £m	30 September 2016 £m
143.9	£142.9 million 5.625% debenture stock 2029	**143.9**	143.9
107.0	£450 million revolving credit facility	**60.4**	166.8
127.4	Private placement notes	**174.1**	286.8
150.0	£150.0 million 1.00% convertible bonds 2018 (at nominal value)	**150.0**	150.0
(25.5)	Less: cash and cash equivalents	**(13.8)**	(9.0)
502.8	Net debt excluding joint ventures	**514.6**	738.5
84.6	Joint venture interest bearing loans and borrowings (at share)	**84.6**	84.5
(10.6)	Joint venture cash and cash equivalents (at share)	**(12.2)**	(10.4)
576.8	Net debt including joint ventures (A)	**587.0**	812.6
2,580.0	Group properties at market value	**2,682.9**	3,155.5
565.5	Joint venture properties at market value	**594.9**	595.0
3,145.5	Property portfolio at market value including joint ventures (B)	**3,277.8**	3,750.5
18.3%	Loan-to-property value (A/B)	**17.9%**	21.7%

9 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2017	**1,222.9**	**1,041.1**	**2,264.0**
Acquisitions	**53.7**	**–**	**53.7**
Costs capitalised	**9.3**	**13.5**	**22.8**
Disposals	**(8.7)**	**–**	**(8.7)**
Net valuation (deficit)/surplus	**(2.0)**	**13.3**	**11.3**
Book value at 30 September 2017	**1,275.2**	**1,067.9**	**2,343.1**

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2017	**87.9**	**–**	**87.9**
Costs capitalised	**7.9**	**–**	**7.9**
Interest capitalised	**0.6**	**–**	**0.6**
Net valuation surplus	**9.1**	**–**	**9.1**
Book value at 30 September 2017	**105.5**	**–**	**105.5**
Book value of total investment property at 30 September 2017	**1,380.7**	**1,067.9**	**2,448.6**

Surplus/(deficit) from investment property

Year to 31 March 2017 £m		Six months to 30 September 2017 £m	Six months to 30 September 2016 £m
(111.4)	Net valuation surplus/(deficit) on investment property	**20.4**	(91.2)
(25.5)	(Loss)/profit on sale of investment properties	**(3.5)**	0.9
(136.9)	**Surplus/(deficit) from investment property**	**16.9**	(90.3)

9 Investment property (continued)

The Group's investment properties, including those held in joint ventures (note 11), were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 30 September 2017. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms. CBRE have advised us that the total fees paid to CBRE by the Group represent less than five per cent of their total revenue in any year.

Real estate valuations are complex and derived using comparable market transactions, which are not publicly available and involve an element of judgement. Therefore, in line with EPRA guidance, we have classified the valuation of the property portfolio as Level 3 as defined by IFRS 13. There were no transfers between levels during the period. Inputs to the valuation, including capitalisation yields (typically the true equivalent yield) and rental values, are defined as 'unobservable' as defined by IFRS 13.

Key inputs to the valuation (by building)

		ERV		True equivalent yield	
		Average £ per sq ft	**Range £ per sq ft**	**Average %**	**Range %**
North of Oxford Street	Office	**70**	**47 – 86**	**4.5**	**3.9 - 6.2**
	Retail	**68**	**34 – 181**	**3.7**	**2.9 – 5.9**
Rest of West End	Office	**80**	**61 – 93**	**4.5**	**3.7 – 6.0**
	Retail	**108**	**15 – 295**	**4.0**	**2.8 – 5.7**
City, Midtown and Southwark	Office	**50**	**45 – 60**	**5.1**	**4.6 – 5.5**
	Retail	**81**	**28 – 122**	**4.6**	**4.6 – 4.7**
		Capital value			
		Average £ per sq ft	**Range £ per sq ft**		
Residential		**1,926**	**1,575 – 2,700**	**n/a**	**n/a**

Everything else being equal, there is a positive relationship between rental values and the property valuation, such that an increase in rental values will increase the valuation of a property and a decrease in rental values will reduce the valuation of a property. However, the relationship between capitalisation yields and the property valuation is negative; therefore, an increase in capitalisation yields will reduce the valuation of a property and a reduction will increase its valuation. There are interrelationships between these inputs as they are determined by market conditions and the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions (i.e. rental values increase and yields decrease) valuation movements can be amplified whereas if they move in the same direction they may offset reducing the overall net valuation movement.

The book value of investment properties includes £40.7 million (2016: £35.9 million) in respect of the present value of future ground rents. Net of these amounts, the market value of the investment properties together with the market value of the trading properties was £2,682.9 million. During the period, the Group capitalised £0.4 million (2016: £1.1 million) of employee costs in respect of its development team into trading properties and investment properties under development. At 30 September 2017, the Group had capital commitments of £9.9 million (2016: £136.1 million).

10 Trading property

31 March 2017 £m		30 September 2017 £m	30 September 2016 £m
172.4	At beginning of the period	**246.7**	172.4
66.0	Costs capitalised	**11.6**	54.1
8.3	Interest capitalised	**3.9**	5.6
246.7	At the end of the period	**262.2**	232.1

The Group is developing a large mixed-use scheme at Rathbone Square, W1. Part of the approved scheme consists of residential units, which the Group holds for sale. As a result, the residential element of the scheme is held as trading property. The fair value of the trading property was £275.0 million at 30 September 2017, representing a revaluation above cost of £12.8 million.

At 30 September 2017, the Group had exchanged contracts to sell £262.1 million of the residential units and received initial cash deposits of £66.5 million from the purchasers (see note 14).

11 Investment in joint ventures

	Equity £m	Balances with partners £m	Total £m
At 1 April 2017	**250.6**	**230.2**	**480.8**
Movement on joint venture balances	**–**	**20.3**	**20.3**
Additions	**4.1**	**–**	**4.1**
Share of profit of joint ventures	**1.5**	**–**	**1.5**
Share of revaluation surplus of joint ventures	**9.6**	**–**	**9.6**
Profit on sale of investment property	**0.1**	**–**	**0.1**
Share of results of joint ventures	**11.2**	**–**	**11.2**
Distributions	**(8.4)**	**–**	**(8.4)**
At 30 September 2017	**257.5**	**250.5**	**508.0**

The investments in joint ventures comprise the following:

Ownership 31 March 2017		Country of Incorporation/registration	Ownership 30 September 2017	Ownership 30 September 2016
50%	The GHS Limited Partnership	Jersey	**50%**	50%
50%	The Great Capital Partnership (dormant)	United Kingdom	**50%**	50%
50%	The Great Ropemaker Partnership	United Kingdom	**50%**	50%
50%	The Great Victoria Partnerships	United Kingdom	**50%**	50%
50%	The Great Wigmore Partnership	United Kingdom	**50%**	50%

11 Investment in joint ventures (continued)

Summarised balance sheets

31 March 2017 At share £m		The GHS Limited Partnership £m	The Great Capital Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	The Great Wigmore Partnership £m	30 September 2017 Total £m	30 September 2017 At share £m	30 September 2016 At share £m
570.7	Investment property	238.1	–	730.7	231.3	–	1,200.1	600.1	600.1
0.9	Current assets	0.1	–	0.6	0.5	–	1.2	0.6	0.8
10.6	Cash and cash equivalents	3.1	0.1	17.4	3.5	0.2	24.3	12.2	10.4
(230.2)	Balances (from)/to partners	(94.8)	–	(417.1)	10.9	–	(501.0)	(250.5)	(210.0)
(84.6)	Interest bearing loans and borrowings	–	–	(89.6)	(79.6)	–	(169.2)	(84.6)	(84.5)
(1.3)	Derivatives	–	–	(1.5)	–	–	(1.5)	(0.8)	(2.1)
(10.3)	Current liabilities	(7.8)	–	(16.0)	(4.5)	(0.2)	(28.5)	(14.3)	(9.0)
(5.2)	Finance leases	–	–	(10.3)	–	–	(10.3)	(5.2)	(5.1)
250.6	Net assets	138.7	0.1	214.2	162.1	–	515.1	257.5	300.6

Summarised income statements

31 March 2017 At share £m		The GHS Limited Partnership £m	The Great Capital Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	The Great Wigmore Partnership £m	30 September 2017 Total £m	30 September 2017 At share £m	30 September 2016 At share £m
17.4	Net rental income	–	–	11.5	5.7	–	17.2	8.6	8.9
(4.1)	Property and administration costs	(0.7)	–	(2.4)	(0.4)	(0.1)	(3.6)	(1.8)	(2.5)
(10.8)	Net finance costs	(2.3)	–	(7.8)	(1.5)	–	(11.6)	(5.8)	(5.2)
(0.1)	Movement in fair value of derivatives	–	–	1.0	–	–	1.0	0.5	(0.8)
2.4	Share of profit of joint ventures	(3.0)	–	2.3	3.8	(0.1)	3.0	1.5	0.4
(55.6)	Revaluation of investment property	(0.9)	–	17.4	2.8	–	19.3	9.6	(38.4)
(4.0)	Profit/(loss) on sale of investment property	-	–	–	–	0.2	0.2	0.1	0.1
(57.2)	Share of results of joint ventures	(3.9)	–	19.7	6.6	0.1	22.5	11.2	(37.9)

11 Investment in joint ventures (continued)

The non-recourse loans of the joint ventures at 30 September 2017 are set out below:

Joint venture debt facilities	Nominal value £m	Maturity	Fixed/Floating	Interest rate
The Great Ropemaker Partnership	**90.0**	December 2020	Floating	LIBOR +1.25%
The Great Victoria Partnership	**80.0**	July 2022	Fixed	3.74%
Total	**170.0**			

The Great Ropemaker Partnership has entered into two interest rate swaps with a fixed rate of 1.42%, which expire conterminously with the bank loan in 2020, with a notional principal amount of £90.0 million. The loan has an all-in hedged coupon of 2.67%.

At 30 September 2017, the Great Victoria Partnership loan had a fair value of £83.3 million (2016: £85.7 million). All interest-bearing loans are in sterling. At 30 September 2017, the joint ventures had £nil undrawn facilities (2016: £nil).

The investment properties include £5.2 million (2016: £5.1 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 £594.9 million. At 30 September 2017, the Group's share of joint venture capital commitments was £37.4 million (2016: £62.3 million).

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

31 March 2017 £m		**30 September 2017 £m**	30 September 2016 £m
(42.6)	Movement on joint venture balances during the period	**(20.3)**	(22.4)
(230.2)	Balances receivable at the period end from joint ventures	**(250.5)**	(210.0)
56.2	Distributions	**8.4**	23.6
4.1	Fee income	**1.1**	1.6

The joint venture balances bear interest as follows: the GHS Limited Partnership at 5.3% on balances at inception and 4.0% on any subsequent balances, the Great Ropemaker Partnership at 4.0% and the Great Wigmore Partnership at 4.0%.

The Group earns fee income from its joint ventures for the provision of management services. All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions.

12 Plant and equipment

	Leasehold improvements £m	Fixtures and fittings £m	Total £m
Cost or valuation			
At 1 April 2017	5.2	1.0	6.2
Additions	**0.1**	**0.1**	**0.2**
At 30 September 2017	**5.3**	**1.1**	**6.4**
Depreciation			
At 1 April 2017	0.7	0.4	1.1
Charge for the period	**0.3**	**0.1**	**0.4**
At 30 September 2017	**1.0**	**0.5**	**1.5**
Carrying amount at 30 September 2017	**4.3**	**0.6**	**4.9**

13 Trade and other receivables

31 March 2017 £m		30 September 2017 £m	30 September 2016 £m
4.0	Trade receivables	**3.9**	3.9
(0.1)	Allowance for doubtful debts	**(0.2)**	(0.4)
3.9		**3.7**	3.5
0.7	Prepayments and accrued income	**1.0**	1.4
14.7	Work in progress on development management contracts	**20.9**	1.0
3.2	Other trade receivables	**3.7**	3.2
300.8	Deferred consideration on property sales	**61.7**	–
28.5	Derivatives	**–**	52.7
351.8		**91.0**	61.8

Work in progress on development management contracts is an amount due to the Group in relation to a development property sold prior to its completion where the Group has a contract with the buyer to construct the remainder of the building on their behalf. During the period, the Group received payments on account of £6.1 million (2016: £11.9 million). At 30 September 2017, the aggregate cumulative cost incurred was £12.6 million (2016: £53.0 million) and the cumulative profits less losses recognised was a loss of £0.3 million (2016: profit of £5.7 million). There are no material project retentions.

14 Trade and other payables

31 March 2017 £m		30 September 2017 £m	30 September 2016 £m
22.8	Rents received in advance	**24.5**	21.6
66.0	Deposits received on forward sale of residential units	**66.5**	63.1
58.2	Non-trade payables and accrued expenses	**30.7**	65.4
147.0		**121.7**	150.1

15 Interest-bearing loans and borrowings

31 March 2017 £m		30 September 2017 £m	30 September 2016 £m
	Non-current liabilities at amortised cost		
	Secured		
143.9	£142.9 million 5.625% debenture stock 2029	**143.9**	143.9
	Unsecured		
107.0	£450 million revolving credit facility	**60.4**	166.8
–	£175 million 2.15% private placement notes 2024	**174.1**	–
–	£30.0 million 5.09% private placement notes 2018	**–**	30.0
–	$130.0 million 4.81% private placement notes 2018	**–**	80.9
–	$78.0 million 5.37% private placement notes 2021	**–**	48.5
101.9	$160.0 million 4.20% private placement notes 2019	**–**	101.9
25.5	$40.0 million 4.82% private placement notes 2022	**–**	25.5
	Current liabilities at fair value		
	Unsecured		
159.4	£150.0 million 1.00% convertible bonds 2018	**153.2**	159.2
537.7		**531.6**	756.7

The Group has a floating rate £450.0 million revolving credit facility. The facility is unsecured, attracts a floating rate based on a ratchet of between 105–165 basis points above LIBOR, based on gearing, and expires in 2021. At 30 September 2017, the Group had £389 million (2016: £282.0 million) of undrawn committed credit facilities.

15 Interest-bearing loans and borrowings (continued)

In May 2017, the Group repaid its 2019 and 2022 private placement notes for a total redemption premium of £13.5 million, representing £36.6 million premium (including early redemption premium, unamortised costs and currency movements since issue) on the private placement notes net of £23.1 million receipt on cancellation of the associated cross currency swaps. Also in May, the Group raised £175 million through the issue of new seven-year US private placement notes. The new notes are sterling denominated, unsecured and have a fixed rate coupon of 2.15%.

The Group's convertible bonds have a fixed coupon of 1.0% per annum and an initial conversion price of £7.27 per share. In accordance with IAS 39, the Convertible Bonds have been designated at fair value through profit and loss upon initial recognition, with any gains or losses arising on subsequent re-measurement recognised in the income statement.

At 30 September 2017, properties with a carrying value of £384.5 million (2016: £386.6 million) were secured under the Group's debenture stock.

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

	Average contracted fixed interest rate		Notional principal amount		Fair value asset/(liability)	
Cash flow hedges	**30 September 2017 %**	30 September 2016 %	**30 September 2017 £m**	30 September 2016 £m	**30 September 2017 £m**	30 September 2016 £m
Interest rate floor						
Within one year	–	1.80	–	159.7	–	1.5
	–	1.80	–	159.7	–	1.5

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

	Average exchange rate		Foreign currency		Notional principal amount		Fair value asset/(liability)	
Cash flow hedge - cross currency swaps	**30 September 2017 rate**	30 September 2016 rate	**30 September 2017 US$m**	30 September 2016 US$m	**30 September 2017 £m**	30 September 2016 £m	**30 September 2017 £m**	30 September 2016 £m
Between two and five years	–	1.587	–	368.0	–	231.9	–	47.1
In excess of five years	–	1.566	–	40.0	–	25.5	–	4.1
	–	1.585	–	408.0	–	257.4	–	51.2

The Group operates solely in the United Kingdom, and all of its operating profits and net assets are sterling denominated.

15 Interest-bearing loans and borrowings (continued)

Fair value of financial liabilities/(assets)

31 March 2017 Book value £m	31 March 2017 Fair value £m	Fair value hierarchy	30 September 2017 Book value £m	30 September 2017 Fair value £m	30 September 2016 Book value £m	30 September 2016 Fair value £m
		Level 1				
159.4	159.4	£150.0 million 1.00% convertible bond 2018	**153.2**	**153.2**	159.2	159.2
		Level 2				
(28.0)	(28.0)	Cross currency swaps	**–**	**–**	(51.2)	(51.2)
(0.5)	(0.5)	Interest rate floor	**–**	**–**	(1.5)	(1.5)
		Other items not carried at fair value				
143.9	177.9	£142.9 million 5.625% debenture stock 2029	**143.9**	**173.8**	143.9	182.0
127.4	164.4	Private placement notes	**174.1**	**171.7**	286.8	360.5
107.0	107.0	Bank loans and overdrafts	**60.4**	**60.4**	166.8	166.8
509.2	580.2		**531.6**	**559.1**	704.0	815.8

The fair values of the Group's listed convertible bonds have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 13 Fair Value Measurement. The fair value of the Group's interest rate floor was 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 13. The fair value of the Group's cross currency swaps was estimated on the basis of the prevailing rates at the period end, representing Level 2 fair value measurements as defined by IFRS 13. None of the Group's financial derivatives are designated as financial hedges. 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. The fair values of the Group's private placement notes were determined by comparing the discounted future cash flows using the contracted yields with those of the reference gilts plus the implied margins.

16 Share capital

Year to 31 March 2017 Number	Year to 31 March 2017 £m		Six months to 30 September 2017 Number	Six months to 30 September 2017 £m	Six months to 30 September 2016 Number	Six months to 30 September 2016 £m
		Allotted, called up and fully paid				
343,926,149	43.0	At the beginning of the period	**343,926,149**	**43.0**	343,926,149	43.0
–	–	Share consolidation	**(17,196,297)**	**–**	–	–
343,926,149	43.0	At the end of the period	**326,729,852**	**43.0**	343,926,149	43.0

On 18 May 2017, in conjunction with a special dividend (see note 19), the Company carried out a 19 for 20 share consolidation of the Company's ordinary share capital. After the consolidation, the Company had 326,729,852 ordinary shares with a nominal value of 13 $^{3}/_{19}$ pence each.

17 Investment in own shares

Year to 31 March 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
9.1	At the beginning of the period	**3.8**	9.1
(1.0)	Employee Long-Term Incentive Plan and Share Matching Plan charge	**(0.8)**	(1.3)
–	Purchase of shares	**–**	–
(4.3)	Transfer to retained earnings	**0.6**	(4.3)
3.8	At the end of the period	**3.6**	3.5

The investment in the Company's own shares is held at cost and comprises 1,366,628 shares (31 March 2017: 1,804,412 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 347,572 shares (2016: 765,065 shares) were awarded to directors and senior employees in respect of the 2014 LTIP award. The fair value of shares awarded and outstanding at 30 September 2017 was £4.3 million (2016: £6.3 million).

18 Adjustment for non-cash movements in the cash flow statement

Year to 31 March 2017 £m		**Six months to 30 September 2017 £m**	Six months to 30 September 2016 £m
136.9	(Surplus)/deficit from investment property	**(16.9)**	90.3
1.0	Employee Long-Term Incentive and Share Matching Plan charge	**0.8**	1.3
(3.1)	Spreading of tenant lease incentives	**(3.1)**	(1.0)
–	Loss on development management contracts	**0.3**	–
57.2	Share of results from joint ventures	**(11.2)**	37.9
0.4	Other items	**0.5**	–
192.4	Adjustments for non-cash items	**(29.6)**	128.5

19 Dividends

On 31 May 2017, the Company paid an interim special dividend of 32.15 pence per share equating to £110.0 million. On 10 July 2017, the Company paid the final dividend from the year ended 31 March 2017 of 6.4 pence per share equating to £20.8 million. Both the interim special dividend for the year ending 31 March 2018 and final dividend from the year ended 31 March 2017, together totalling £130.8 million, are included within the Group Statement of Changes in Equity.

The declared interim dividend of 4.0 pence per share (2016: 3.7 pence per share) was approved by the Board on 15 November 2017 and is payable on 2 January 2018 to shareholders on the register on 24 November 2017. The dividend is not recognised as a liability in the Half Year Results.

20 Operating leases

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

31 March 2017 £m		**30 September 2017 £m**	30 September 2016 £m
	The Group as a lessor		
76.7	Less than one year	**81.8**	74.3
224.3	Between one and five years	**247.5**	195.9
169.2	More than five years	**194.7**	142.3
470.2		**524.0**	412.5

The Group leases its investment properties under operating leases. The weighted average length of lease at 30 September 2017 was 5.5 years (2016: 4.9 years). All investment properties, except those under development or being prepared for development, generated rental income and no contingent rents were recognised in the period (2016: £nil).

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

31 March 2017 £m		**30 September 2017 £m**	30 September 2016 £m
	The Group as a lessee		
1.0	Less than one year	**1.0**	1.0
4.1	Between one and five years	**4.1**	4.1
3.0	More than five years	**2.5**	3.5
8.1		**7.6**	8.6

21 Reserves

The following describes the nature and purpose of each reserve within equity:

Share capital
The nominal value of the Company's issued share capital, comprising 13³⁄₁₉ pence ordinary shares.

Share premium
Amount subscribed for share capital in excess of nominal value less directly attributable issue costs.

Capital redemption reserve
Amount equivalent to the nominal value of the Company's own shares acquired as a result of share buy-back programmes.

Retained earnings
Cumulative net gains and losses recognised in the Group income statement together with other items such as dividends.

Investment in own shares
Amount paid to acquire the Company's own shares for its Employee Long-Term Incentive Plan and Share Matching Plan less accounting charges.

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
Chief Executive
15 November 2017

Nick Sanderson
Finance Director
15 November 2017

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 2017 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 21. 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 it 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 Conduct 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 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 2017 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 Conduct Authority.

Deloitte LLP
Statutory Auditor
London, UK
15 November 2017

Directors and shareholders' information

Directors

Martin Scicluna
Chairman, Non-Executive
Toby Courtauld
Chief Executive
Nick Sanderson
Finance Director

Wendy Becker
Non-Executive Director
Nick Hampton
Non-Executive Director
Richard Mully
Non-Executive Director
Charles Philips
Non-Executive Director
Jonathan Short
Non-Executive Director

Shareholders' information

Financial calendar	**2017**
Ex-dividend date for interim dividend	23 November
Registration qualifying date for interim dividend	24 November
	2018
Interim dividend payable	2 January
Announcement of full year results	23 May*
Circulation of Annual Report and Accounts 2018	2 June*
Annual General Meeting	5 July*
Final dividend payable	9 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
E-mail: ssd@capitaregistrars.com
(Calls cost 12 pence per minute plus network extras; lines are open 9.00am – 5.30pm Monday to Friday.)

If you are calling from overseas, please dial +44 371 664 0300.

Website: www.gpe.co.uk
The Company's corporate website 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 twelve months.

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/shareholder-information/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 – 0371 664 0445

(Calls are charged at the standard geographical rate and will vary by provider; lines are open 8.00am – 4.30pm Monday to Friday).

Glossary

Core West End

Areas of London with W1 and SW1 postcodes.

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.

Estimated Rental Value (ERV)

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

Fair value – investment property

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 purchasers' costs.

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 bank loans, private placement notes, convertible bonds at nominal value and debenture stock, net of cash (including our share of joint ventures balances), expressed as a percentage of the market value of the property portfolio (including our share of joint ventures).

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 debt

The book value of the Group's bank and loan facilities, private placement notes and debenture loans plus the nominal value of the convertible bond less cash and cash equivalents.

Net gearing

Total Group borrowings (including the convertible bonds at nominal value) less short-term deposits and cash as a percentage of equity shareholders' funds, calculated in accordance with our bank covenants.

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.

PMI

Purchasing Managers Index

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.

Property Income Distributions (PIDs)

Dividends from profits of the Group's tax-exempt property rental business.

REIT

UK Real Estate Investment Trust.

Rent roll

The annual contracted rental income.

Return on shareholders' equity

The growth in the EPRA diluted net assets per share plus dividends per share for the period expressed as a percentage of the EPRA net assets per share at the beginning of the period.

Glossary (continued)

Reversionary or under-rented

The percentage by which ERV exceeds rent roll on let space.

Reversionary yield

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

Total Accounting Return (TAR)

The growth in EPRA NAV per share plus ordinary dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

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 as calculated by IPD.

TMT

Technology, Media and Telecoms sector.

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 and deferred tax 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.

Vacancy rate

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

Weighted Average Unexpired Lease Term (WAULT)

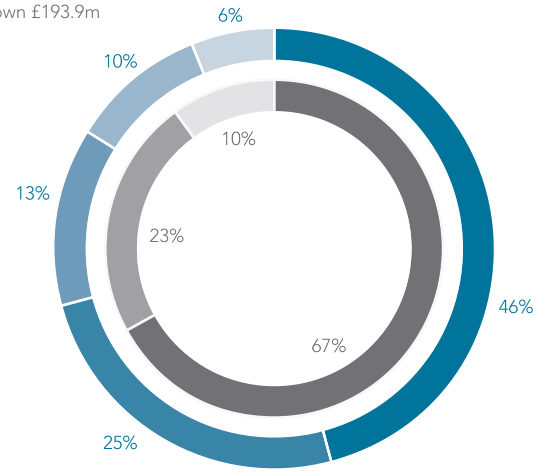
The Weighted Average Unexpired Lease Term expressed in years.

Appendix 1

Portfolio characteristics[1]

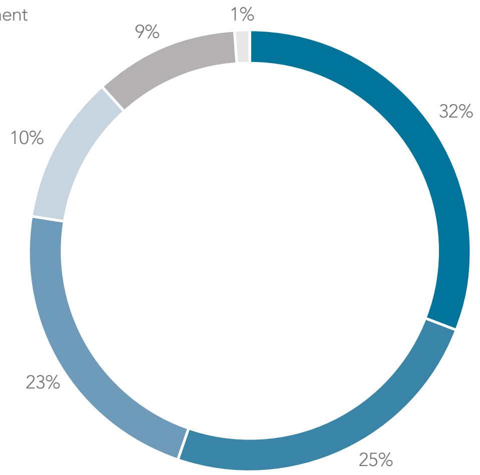
Locations
- North of Oxford Street £1,504.4m
- Rest of West End £828.4m
- City £416.3m
- Southwark £334.8m
- Midtown £193.9m

Business mix
- Office £2,212.8m
- Retail £745.5m
- Residential £319.5m



GPE tenant mix[1]

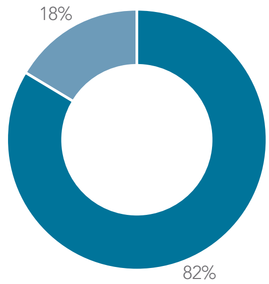
- Retailers and leisure
- Technology, media and telecoms
- Professional services
- Banking and finance
- Corporates
- Government



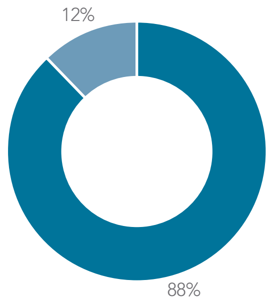
1. GPE share at 30 September 2017.

Joint venture business – contribution to the Group

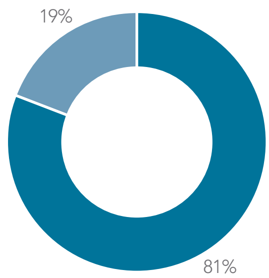
Property assets
- Wholly-owned £2,682.9m
- Joint ventures £594.9m



Net debt
- Wholly-owned £514.6m
- Joint ventures £72.4m



Net assets
- Wholly-owned £2,126.8m
- Joint ventures £508.0m



Appendix 1

Selected lead indicators

Drivers of rents	March 2017 Outlook	**Sept 2017 Outlook**
GDP/GVA growth	🟠	🟠
Business investment	🟠	🟠
Confidence	🔴	🔴
Employment growth	🟠	🟠
Active demand/Take-up	🟠	🟠
Vacancy rates	🟠	🟠
Development completions	🟠	🟠
Drivers of yields		
Rental growth	🔴	🔴
Weight of money	🟠	🟠
Gilts	🟠	🟠
BBB Bonds	🟠	🟠
Exchange rates	🟠	🟠
Political risk	🔴	🔴

Appendix 1

Rental income

		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	31.3	5.7	37.0	–	–	–	37.0
	Retail	8.3	1.9	10.2	6.2	0.3	6.5	16.7
Rest of West End	Office	17.2	0.9	18.1	–	–	–	18.1
	Retail	9.6	2.7	12.3	2.1	0.2	2.3	14.6
Total West End		**66.4**	**11.2**	**77.6**	**8.3**	**0.5**	**8.8**	**86.4**
City, Midtown and Southwark	Office	30.4	6.3	36.7	11.4	2.0	13.4	50.1
	Retail	2.6	0.2	2.8	0.1	–	0.1	2.9
Total City, Midtown and Southwark		**33.0**	**6.5**	**39.5**	**11.5**	**2.0**	**13.5**	**53.0**
Total let portfolio		**99.4**	**17.7**	**117.1**	**19.8**	**2.5**	**22.3**	**139.4**
Voids				7.9			0.6	8.5
Premises under refurbishment				4.8			4.4	9.2
Total portfolio				**129.8**			**27.3**	**157.1**

Rent roll security, lease lengths and voids

		Wholly-owned			Joint ventures		
		Rent roll secure for five years %	Weighted average lease length Years	Voids %	Rent roll secure for five years %	Weighted average lease length Years	Voids %
London North of Oxford Street	Office	43.8	6.2	4.2	–	–	–
	Retail	53.5	5.2	7.1	32.4	5.6	–
Rest of West End	Office	36.6	5.4	14.5	–	–	–
	Retail	54.1	6.3	–	100.0	9.5	–
Total West End		**44.7**	**5.9**	**6.8**	**49.8**	**6.6**	**–**
City, Midtown and Southwark	Office	37.3	3.3	4.5	84.0	7.0	3.6
	Retail	67.4	13.5	–	100.0	10.1	–
Total City, Midtown and Southwark		**39.7**	**4.1**	**4.4**	**84.1**	**7.0**	**3.5**
Total portfolio		**43.0**	**5.3**	**6.1**	**69.7**	**6.8**	**2.4**

Rental values and yields

		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	58	70	–	–	3.3	4.5	–	–
	Retail	56	68	133	140	2.8	3.7	5.0	4.1
Rest of West End	Office	76	80	–	–	2.1	4.5	–	4.1
	Retail	84	108	75	81	3.2	4.0	1.9	3.2
Total West End		**65**	**64**	**111**	**102**	**2.9**	**4.3**	**2.7**	**3.8**
City, Midtown and Southwark	Office	45	50	50	51	4.8	5.1	3.5	4.9
	Retail	76	81	43	43	4.5	4.6	3.9	4.8
Total City, Midtown and Southwark		**46**	**51**	**43**	**50**	**4.8**	**5.1**	**3.5**	**4.9**
Total portfolio		**57**	**59**	**58**	**60**	**3.4**	**4.5**	**3.1**	**4.4**

Appendix 1
How we manage risk

Market risk		
Risk	**Impact**	**How we monitor and manage risk**
Central London real estate market underperforms other UK property sectors.	Reduced relative performance.	The execution of the Group's strategy covering the key areas of investment, development and asset management is adjusted and updated throughout the year, informed by regular research into the economy, investment and occupational markets. The Group's strategic priorities and transactions are considered in light of regular review of dashboard lead indicators and operational parameters. The Group aims to maintain low financial leverage throughout the property cycle.
Weakening macro-economic environment for property investment.	Property valuations may decline, with increased property yields and reduced tenant demand for space.	Regular economic updates are received and scenario planning is undertaken for different economic cycles, including various potential UK exit arrangements from the EU. The Group aims to maintain low financial leverage throughout the property cycle.
Heightened political uncertainty and potential negative economic impact following EU referendum and June 2017's general election results.	Reluctance by investors and occupiers to make investment decisions whilst outcomes remain uncertain and/or reduced attractiveness of London as a global commercial centre	The Group's strategic priorities and transactions are considered in light of these uncertainties. The Group's financial forecasts and business plans continue to be prepared under a variety of market scenarios, including to reflect different potential exit arrangements from the EU, with the frequency of updates increased following the referendum result. Lobbying property industry matters is undertaken by active participation of the Executive Committee members through relevant industry bodies. The Group aims to maintain low financial leverage throughout the property cycle. The Group has a diverse tenant base with around 10% in the financial services sector, including only c.1% in the investment banking, securities trading and insurance sectors (which are perceived to be most at risk in London to any adverse impact of the UK's exit from the EU).

Investment management		
Risk	**Impact**	**How we monitor and manage risk**
Incorrect reading of the property cycle through poor investment decisions and/or mis-timed recycling of capital.	Not sufficiently capitalising on market investment conditions.	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. Regular review of property cycle by reference to dashboard of lead indicators. Detailed due diligence is undertaken on all acquisitions prior to purchase to ensure appropriate returns. Business plans are produced on an individual asset basis to ensure the appropriate rotation of those buildings with limited relative potential performance. Regular review of the prospective performance of individual assets and their business plans including with joint venture partners where relevant.
Inappropriate asset concentration, building mix, occupiers covenant quality and exposure, lot size and joint venture exposure.	Reduced liquidity and relative property performance.	Regular review of portfolio mix and asset concentration. Adjustment of the portfolio as appropriate through undertaking acquisitions and/or development projects in joint venture or forward funding. The Group has a diverse occupier base with its ten largest occupiers representing only 26% of rent roll. Occupiers covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with occupiers is maintained to identify if occupiers are suffering financial difficulties and their proposed actions.

Appendix 1

Asset management		
Risk	Impact	How we monitor and manage risk
Poor management of voids, rental mis-pricing, low occupier tenant retention, sub-optimal rent reviews, occupier failures and inappropriate refurbishments.	Failure to maximise income from investment properties.	The Group's in-house asset management and leasing teams proactively manage occupiers to ensure changing needs are met including, in light of technological advances, with a focus on retaining income in light of vacant possession requirements for refurbishments and developments and liaise regularly with external advisers to ensure correct pricing of lease transactions. Occupiers covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with occupiers is maintained to identify if occupiers are suffering financial difficulties and their proposed actions. Although many occupier's all-in occupational costs are rising given the increase in business rates, our low average office rents of only £52.80 per sq. ft. are expected to provide some protection to our occupiers.

Development management		
Risk	Impact	How we monitor and manage risk
An inappropriate level of development undertaken as a percentage of the portfolio.	Under performance against KPIs.	Regular review of the level of development undertaken as a percentage of portfolio, including the impact on the Group's income profile and financial gearing, amongst other metrics. Developments only committed to when pre-lets obtained and/or market demand and supply considered to be sufficiently supportive.
Poor execution of development programme through: – incorrect reading of the property cycle; – inappropriate location; – failure to gain viable planning consents; – failure to reach agreement with adjoining owners on acceptable terms; – level of speculative development; – incorrect cost and programme estimation; – construction cost inflation; – contractor availability and insolvency risk; – insufficient human resources; – a building being inappropriate to occupier demand; – weak demand for residential apartments; – quality and benchmarks of the completed buildings; – construction and procurement delays; – ineffective marketing to prospective occupiers; and – poor development management.	Poor development returns.	See Market risk on page above. 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. Early engagement and strong relationships with planning authorities. Early engagement with adjoining owners. Benchmarking of costs with comparative schemes. In-house Project Management team utilise appropriate procurement methods to optimise the balance of price certainty and risk. Internal and external resourcing requirements regularly reviewed by the Executive Committee, Development Director and Head of Projects. Third party resource expertise used to support in-house teams, where appropriate. Due diligence is undertaken of the financial stability of demolition, main contractors and material sub-contractors prior to awarding of contracts. Working with agents, potential occupiers' and purchasers' to identify their needs and aspirations including technological advances during the planning application and design stages. In-house Leasing/Marketing team liaise with external advisers on a regular basis and marketing timetables designed in accordance with leasing/ marketing objectives. 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. Proactive liaison with existing occupiers before and during the development process. Selection of contractors and suppliers based on track record of delivery and creditworthiness. In-house Project Management team closely monitor construction and manage contractors to ensure adequate resourcing to meet programme. Regular review of the prospective performance of individual assets and their business plans with joint venture partners. Post-completion reviews undertaken on all developments to identify best practice and areas for improvement.

Appendix 1

Financial risks		
Risk	**Impact**	**How we monitor and manage risk**
Limited availability of further capital.	Growth of business is constrained or unable to execute business plans.	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. Funding maturities are managed across the short, medium and long term. The Group's funding measures are diversified across a range of bank and bond markets. Strict counterparty limits are operated on deposits.
Increased interest rates and/or a fall in capital values.	Adverse market movements negatively impact on debt covenants.	Consistent policy of conservative financial leverage. Regular review of current and forecast debt levels and financing ratios under various market scenarios. Our annual Business Plan which is regularly updated includes stress tests considering the impact of a significant deterioration in the markets in which we operate. Formal policy to manage interest rate exposure by having a high proportion of debt with fixed or capped interest rates through derivatives. Significant headroom over all financial covenants at 30 September 2017. We estimate that, absent any mitigating management actions, property values could fall by around 68% from their 30 September 2017 levels before Group debt covenants could be endangered.
Inappropriate capital structure.	Sub-optimal NAV per share growth.	Regular review of current and forecast capital requirements, gearing levels and other financing ratios. Maintain balance sheet discipline, with surplus equity capital returned to shareholders in appropriate circumstances.

People		
Risk	**Impact**	**How we monitor and manage risk**
Incorrect level and mix/retention of people to execute our business plan, combined with inability to attract, develop, motivate and retain talent.	Strategic priorities not achieved.	Regular review is undertaken of the Group's resource requirements and succession planning. The Group has a remuneration system that is strongly linked to performance and a formal six-monthly appraisal system to provide regular assessment of individual performance. Benchmarking of remuneration packages of all employees is undertaken annually. Annual personal development planning and ongoing training support for all employees together with focused initiatives to nurture potential successors. Focus on people engagement with regular two-way communication and responsive employee-focused activities e.g. flexible working. High profile, attractive development pipeline and high quality assets to manage.

Appendix 1

Regulatory		
Risk	**Impact**	**How we monitor and manage risk**
Increased regulatory risk, including tax, planning, environmental, fire safety and other legislation increases cost base.	Reduces flexibility and may influence potential investor and occupier interest in buildings.	Senior Group representatives spend considerable time, using experienced advisers as appropriate, to ensure compliance with current and potential future regulations. Through meetings with local politicians, planning officers and experienced advisors we monitor any changing planning policy/sentiment that may impact our portfolio. Lobbying property industry matters is undertaken by active participation of the Executive Directors and other Executive Committee members through relevant industry bodies. Environmental Policy Committee meets at least quarterly to consider strategy in respect of environmental legislation. We maintain a low-risk tax status and have regular meetings with HMRC.
Health and Safety incidents. Loss of life or injury to members of the public, occupiers, contractors or employees.	Resultant reputational damage.	The Group has dedicated Health and Safety personnel to oversee the Group's management systems which include regular risk assessments and annual audits to proactively address key fire, health and safety areas including employee, contractor, members of the public and occupier safety. On all construction projects, the Group operates a pre-qualification process to ensure selection of competent consultants and contractors which includes a Health and Safety assessment. Contractors' responses to accidents and near misses are actively monitored and followed up by our Project Managers and Head of Sustainability, with reporting to the Executive Committee and Board as appropriate.
Business interruption risk		
Risk	**Impact**	**How we monitor and manage risk**
An external event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist or cyber-attack that significantly affects the Group's operations, particularly given our portfolio concentration in central London.	Significant damage, disruption and/or reputational damage to the Group's portfolio and operations.	The Group has a Business Continuity Plan with predetermined processes and escalation for the Crisis Management Team. Asset emergency plans exist for individual properties. Physical security measures are in place at properties and security threats are regularly assessed through links with security agencies. Regular testing of IT security is undertaken (including penetration testing), the Group's data is regularly backed up and replicated, and staff awareness training on cyber risk is undertaken during the year by all employees. The Group's insurance policies include cover for catastrophic events including fire, storm, riots and terrorism. Cyber risk insurance is being evaluated.

Appendix 2

Portfolio performance

		Wholly-owned £m	Share of joint ventures £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	786.1	–	786.1	24.0	0.8
	Retail	244.4	115.6	360.0	11.0	0.1
	Residential	31.4	–	31.4	1.0	5.3
Rest of West End	Office	400.8	71.6	472.4	14.4	0.2
	Retail	266.0	79.1	345.1	10.5	2.8
	Residential	5.1	5.8	10.9	0.3	3.6
Total West End		1,733.8	272.1	2,005.9	61.2	1.0
City, Midtown and Southwark	Office	541.4	266.0	807.4	24.6	0.7
	Retail	30.0	2.0	32.0	1.0	5.9
	Residential	1.2	0.1	1.3	–	0.9
Total City, Midtown and Southwark		572.6	268.1	840.7	25.6	0.9
Investment property portfolio		**2,306.4**	**540.2**	**2,846.6**	**86.8**	**0.9**
Development property*		326.9	54.7	381.6	11.7	1.6
Total properties held throughout the period		**2,633.3**	**594.9**	**3,228.2**	**98.5**	**1.0**
Acquisitions		49.6	–	49.6	1.5	(7.6)
Total property portfolio		**2,682.9**	**594.9**	**3,277.8**	**100.0**	**0.9**

* Including trading properties at valuation.

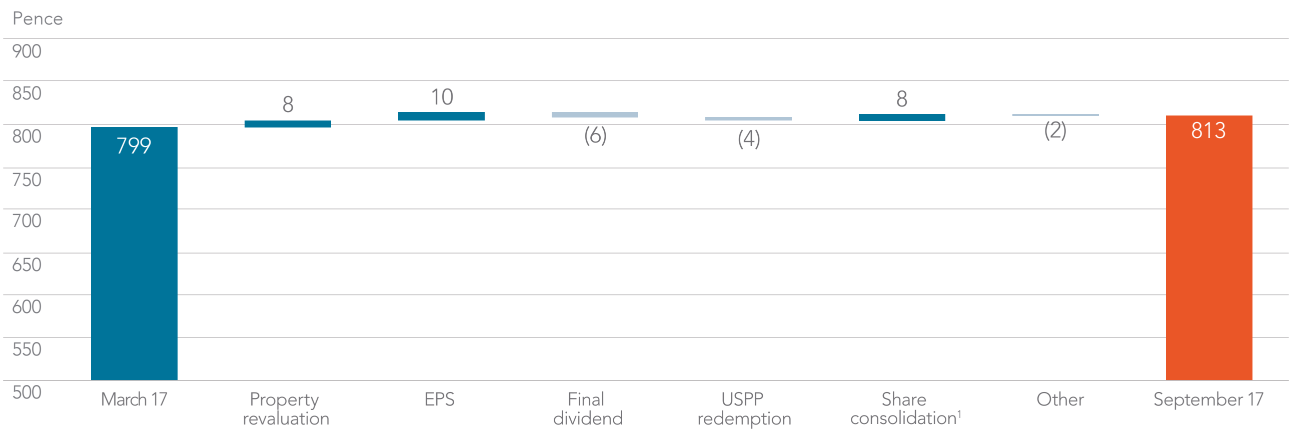
Portfolio characteristics

		Investment properties £m	Development properties* £m	Total property portfolio £m	Office £m	Retail £m	Residential £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		1,177.5	326.9	1,504.4	831.6	366.4	306.4	1,504.4	1,088
Rest of West End		828.4	–	828.4	472.3	345.2	10.9	828.4	468
Total West End		**2,005.9**	**326.9**	**2,332.8**	**1,303.9**	**711.6**	**317.3**	**2,332.8**	**1,556**
City, Midtown and Southwark		890.3	54.7	945.0	908.9	33.9	2.2	945.0	1,555
Total		**2,896.2**	**381.6**	**3,277.8**	**2,212.8**	**745.5**	**319.5**	**3,277.8**	**3,111**
By use:	Office	2,114.5	98.3	2,212.8					
	Retail	737.2	8.3	745.5					
	Residential	44.5	275.0	319.5					
Total		**2,896.2**	**381.6**	**3,277.8**					
Net internal area sq ft 000's		2,760	351	3,111					

* Including trading properties at valuation.

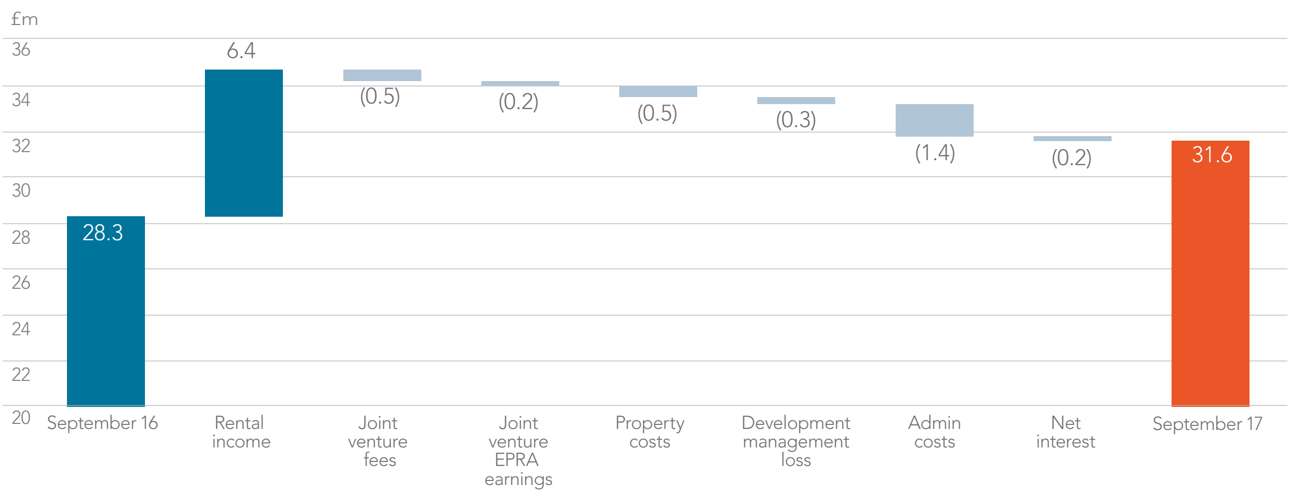
Appendix 3

EPRA NAV per share



1. Impact of 19 for 20 share consolidation with special dividend.

EPRA earnings



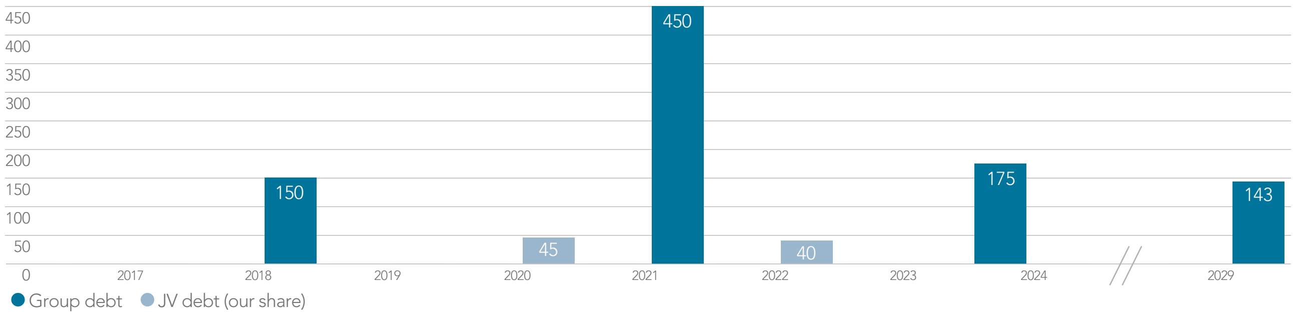
Debt analysis

	Pro forma[1]	Sept 2017	March 2017
Net debt excluding JVs (£m)	**432.3**	**514.6**	502.8
Net gearing	**16.4%**	**19.5%**	18.4%
Total net debt including 50% JV non-recourse debt (£m)	**504.7**	**587.0**	576.8
Loan-to-property value	**15.4%**	**17.9%**	18.3%
Total net gearing	**19.2%**	**22.3%**	21.1%
Interest cover		**n/a**	n/a
Weighted average interest rate		**2.7%**	3.0%
Weighted average cost of debt		**3.3%**	4.0%
% of debt fixed/hedged		**90%**	82%
Cash and undrawn facilities (£m)	**497**	**415**	378

1. Pro forma for remaining net deferred proceeds (£82.3m) from the sale of 73/89 Oxford St, W1 and Rathbone Square, W1 (commercial).

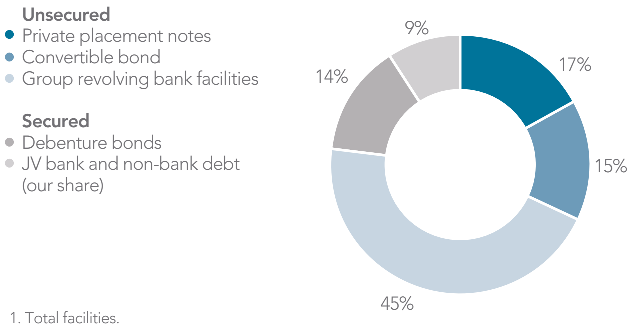
Appendix 3

Debt maturity profile[1] £m



1. Based on committed facilities at 15 November 2017.

Diversified sources of debt funding[1]



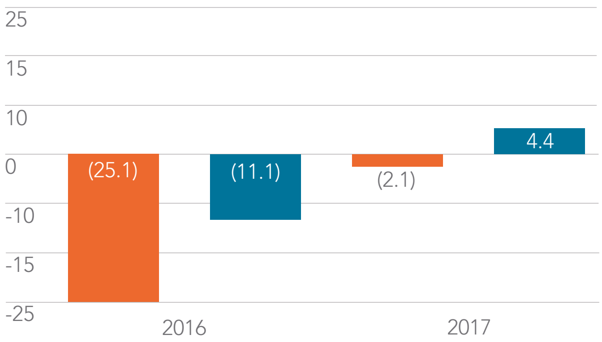
1. Total facilities.

EPRA performance measures

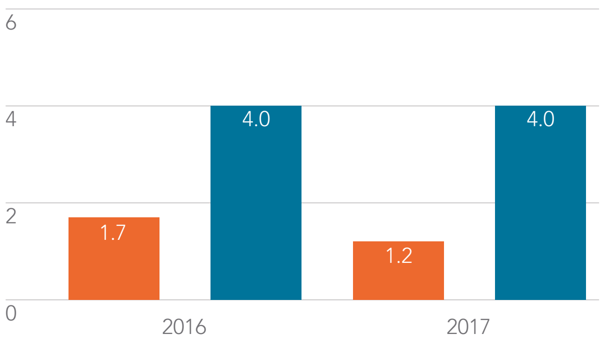
Measure	Definition of Measure	Sept 2017	Sept 2016
EPRA earnings	Recurring earnings from core operational activities	**£31.6m**	£28.3m
EPRA earnings per share	EPRA earnings divided by the weighted average number of shares	**9.6p**	8.3p
Diluted EPRA earnings per share	EPRA earnings divided by the diluted weighted average number of shares	**9.6p**	8.3p
EPRA costs (by portfolio value)	EPRA cost (including direct vacancy costs) divided by market value of the portfolio	**1.0%**	0.8%
		Sept 2017	March 2017
EPRA net assets	Net assets adjusted to exclude the fair value of financial instruments	**£2,647.1m**	£2,735.9m
EPRA NAV	EPRA net assets divided by the number of shares at the balance sheet date on a diluted basis	**813p**	799p
EPRA triple net assets	EPRA net assets amended to include the fair value of financial instruments and debt	**£2,616.3m**	£2,679.3m
EPRA NNNAV	EPRA triple net assets divided by the number of shares at the balance sheet date on a diluted basis	**804p**	782p
EPRA NIY	Annualised rental income based on cash rents passing at the balance sheet date less non-recoverable property operating expenses, divided by the market value of the property increased by estimated purchasers' costs	**3.2%**	3.0%
EPRA "topped up" NIY	EPRA NIY adjusted to include rental income in rent-free periods (or other unexpired lease incentives)	**3.6%**	3.3%
EPRA vacancy	ERV of non-development vacant space as a percentage of ERV of the whole portfolio	**6.6%**	8.0%

Appendix 3

Total Shareholder Return (%) (TSR)*



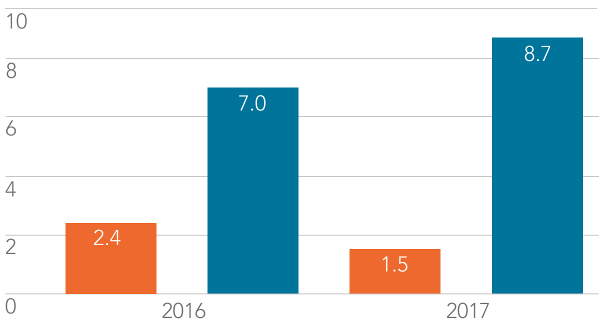
Total Accounting Return (%) (TAR growth)*



Commentary
The TSR of the Group was down 2.1% for the year compared to 4.4% up for the FTSE 350 Real Estate (excluding agencies).

Commentary
TAR was +1.2% over the year reflecting the increase in value of the property portfolio. This compares to the lower end of the target range of 4% growth required for any payment to be made under the TAR based element of the Group's remuneration schemes.

Total Property Return (%) (TPR)*



Commentary
The Group generated a portfolio TPR of 1.5% in the year whereas the IPD Central and Inner London Quarterly Index produced a total return of 8.7%, resulting in an absolute underperformance of 7.2 percentage points, and a relative underperformance of 6.6 percentage points.

GPE Benchmark

* Year to September.