Press Release

GREAT PORTLAND ESTATES

24 May 2011

Preliminary announcement of results

The Directors of Great Portland Estates plc, announce the results for the Group for the year to 31 March 2011.

Highlights of year[1]:

- Portfolio valuation up 15.5%[2] since March 2010
- Total property return of 22.4% outperforming IPD's Central London index at 18.0%
- Rental value growth of 10.8%[3] (15.9% West End offices, 3.7% West End retail)

- EPRA[4] net assets per share up 27.2% to 360 pence
- Net assets of £1,112.7 million up 26.9% from March 2010
- EPRA[4] profit before tax of £50.4 million up 78.1% on 2010
- EPRA[4] earnings per share of 16.0 pence up 60% on 2010
- After revaluation surplus, reported profit before tax of £261.0 million (2010: £156.6 million)
- Total dividend per share of 8.2 pence (2010: 8.0 pence)
- New debt issue of £159.7 million signed in April 2011, bringing total debt raised to £550 million
- Substantial cash and undrawn facilities totalling £518[5] million. GPE gearing low at 31.4%

- Six schemes (405,800 sq ft) on site, progressing well towards completion
- A further 1.8 million sq ft of projects in near-term programme
- Including an additional 844,900 sq ft in pipeline projects, 3.1 million sq ft in total programme covering 52% of existing assets
- Planning consent gained for Hanover Square development and Masterplan agreement reached with Crossrail

- New property acquisitions of £213 million completed in the year
- Acquisitions since our rights issue have delivered an annualised ungeared IRR of 37.0%
- Strong leasing activity securing total annual income of £20.7 million (£14.6 million our share) covering 477,000 sq ft
- Void levels low at 2.7%

1 All values include share of joint ventures unless otherwise stated
2 Underlying capital growth including 160 Great Portland Street lease surrender receipt (see Valuation)
3 On a like for like basis
4 In accordance with European Public Real Estate Association (EPRA) guidance including 160 Great Portland Street lease surrender receipt
5 Including £159.7 million private placement

Toby Courtauld, Chief Executive, said:

"London's investment markets continue to benefit from an excess of demand for assets over supply and, with prices having increased by more than 25% from their lows, it will be more challenging to generate the sorts of returns we have achieved from acquisitions made over the past 18 months. As a result, our focus is shifting to the delivery of our major development programme.

In our occupational markets, conditions continue to improve for landlords. Demand from occupiers has picked up and is running at long-term average rates. This, combined with the lack of new supply and low vacancy rates will produce further rental value increases over the next two to three years.

In the context of these supportive market conditions, GPE is well placed: our high quality portfolio, augmented by attractively priced acquisitions, is rich with opportunities for rental and capital value growth; we have an enviable development pipeline with the potential for significant surpluses in the near-term; we've maintained low gearing enabling us both to deliver these schemes and pursue interesting acquisition opportunities as we find them; and we've enhanced our top rated team to help us continue to deliver on our ambitious plans.

These attributes will, we believe, enable Great Portland Estates to continue to out-perform."

Contacts:

Great Portland Estates plc **+44 (0) 20 7647 3000**
Toby Courtauld, Chief Executive
Timon Drakesmith, Finance Director

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

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

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

A conference call facility will be available to listen to the presentation at 9.30am today on the following number: +44 (0)20 7162 0125

Disclaimer

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

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

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

Chairman’s introduction

Great Portland Estates has had a strong year with our financial results demonstrating the quality of the portfolio and the dedication of our team – adjusted net assets per share up 27.2% with an underlying capital return of 15.5%. Total shareholder return for the year was 23.8% significantly ahead of our FTSE 350 Real Estate benchmark of 12.8%. Dividends of 8.2 pence per share for the year are up 2.5% on 2010.

Since our May 2009 rights issue, we have capitalised on improving market conditions, investing the proceeds more than twice over. Around a quarter of the current property portfolio was purchased near market lows at prices well below estimated replacement cost. These acquisitions have performed ahead of expectations by delivering an annualised ungeared IRR of 37%.

We have embarked on a substantial development programme designed to deliver high quality space into a market where supply is forecast to be scarce. Our schemes are in excellent locations and will offer potential tenants appealing, well designed floorplates. We anticipate that these projects will drive rental income and capital growth as occupational markets continue to recover.

The last twelve months have seen another good asset management performance characterised by major lease restructurings at buildings in the West End, City and Southwark capturing material valuation uplifts. Our investment portfolio void rate was encouragingly low at only 2.7% at year end.

The Group’s funding position is very healthy, with cash and available debt facilities of £518 million and at 31 March 2011 a modest loan to property value of 31%.

In January 2011, we announced that Timon Drakesmith will resign with effect from 27 May 2011 and we are in the latter stages of recruiting his replacement. He has made a significant contribution to the Group’s progress since 2005 and we wish him well in his new role.

We have increased headcount by 15% during the year augmenting our development, investment and asset management groups with talented, experienced people. With strength in depth in our financial and human resources, I believe that we are well positioned to continue generating attractive returns for shareholders.

Our market

Our market is accompanied by graphics (see Appendix 1)

Summary of the market environment
Central London's commercial property markets continued on their recovery path during the year. Occupational demand increased markedly compared to last year, illustrated by an improvement in leasing activity and, in the investment markets, a diverse group of investors maintained strong demand for well let, centrally located properties.

Supportive investment and occupational markets have sustained capital value growth and pushed rents higher. Looking forward we expect this positive environment to endure throughout 2011 and we have positioned the business to take advantage of these trends.

Main drivers of our markets in the year
The main influences on rental values for our properties are the depth of tenant demand arising from economic conditions and the availability of competing space which provides alternatives for business occupiers. Consistent UK GDP growth has proven elusive as positive figures for the first three quarters of 2010 were followed by a contraction in the period to December. GDP growth moved back into positive territory for the quarter to 31 March 2011 at 0.5% and employment and investment surveys are anticipating growth for the calendar year as a whole. London's recovery from the lows of 2008 has been sharper than the rest of the UK and the Capital's employment levels have risen steadily over the last 12 months – this is positive for occupational demand.

The supply of high quality, well located office and retail space is subdued by historic standards as a consequence of reduced numbers of refurbishment projects. Property developers have been constrained due to the uncertain economic environment and scarcity of bank financing. Due to the lengthy gestation period of new schemes, we expect low availability of good quality commercial space to continue for at least the next two years assisting the growth trends in market rental values.

Commercial property values in central London have enjoyed an upward movement during the year as a result of inward capital flows, in part due to the significant appeal of well located buildings as a tangible store of value in a volatile world. The investor demand for high specification, well located properties comfortably outstrips the amount of assets available for sale. Although not perfectly correlated, property values are commonly benchmarked against other investable assets and trends over the last 12 months have been supportive. The main equity and bond markets indices are up since the start of the financial year although the Eurozone Sovereign debt crisis has been a continuous source of downward pressure. Commercial property prices have also been sustained by low benchmark fixed income rates. If this favourable yield spread over bond and swap rates continues, it is likely to underpin property values although we believe consistent rental value growth is essential for capital value enhancement.

Trends in the occupational markets
The revival of London's occupational markets has gathered momentum over the course of the year with reducing vacancy rates and, since the spring, rental growth across all sub-markets.

West End leasing markets have improved during the year with the take-up of new office space totalling 4.5 million sq ft, 11.0% up on the same period last year. The volume of available to let office space fell throughout 2010, pushing West End office vacancy rates down from 6.4% at March 2010 to 4.1% at March 2011. Across the West End CB Richard Ellis has reported that prime headline rental values grew by 9.0% during the financial year and net effective rental values (adjusted for rent free periods and other incentives) rose by 11.0%.

The West End retail market (comprising 29.1% of our West End portfolio by value) has been resilient as retail sales in central London have continued to grow in 2011. London's retailers and restaurateurs continue to be popular with foreign visitors and tourists with footfall up nearly 5% in the West End for the year to 31 March 2011.

Firm tenant demand for prime City offices continued throughout the financial year with take up of 5.2 million sq ft down 14.0% from the highs of the comparable period last year. With restricted new and refurbished office space becoming available, vacancy rates, at 6.8% at March 2011, have fallen helping to generate rental growth across well located, quality buildings. CB Richard Ellis City Prime Rent Index showed rents rising with an increase of 17% for the year to 31 March 2011.

Key changes in the investment markets
London's commercial property investment markets have seen gains in capital values, rising investment volumes and high levels of liquidity assisted by improved availability of debt finance. Central London real estate continued to attract a diverse group of investors ranging from UK institutions, private investors, international organisations, property companies, private equity funds and Sovereign wealth funds. Investment market turnover, at £10.3 billion, was up on the previous year partly due to several high profile transactions being instigated by debt restructuring. The rate of monthly capital value growth, as measured by monthly IPD and CBRE indices has steadied since the last quarter of 2010 and low real interest rates continue to provide an impetus to investor confidence.

GPE's competitive positioning
The ownership of central London commercial property is highly fragmented. Out of around 185 million sq ft of property in the West End, City and Midtown, Great Portland's market share is less than 2%. In core West End locations our proportion is higher and we have a greater influence on investment and rental pricing, although these markets are always highly competitive.

Since the beginning of the financial year we have expanded the portfolio through acquisitions. We believe that since the worst of the financial crisis in early 2009, the Group has acquired more properties as a percentage of its portfolio than almost any other listed UK real estate company, almost a quarter of the Group's assets, during this period of price weakness. This approach has also allowed us to increase our representation in key West End sub-markets such as Oxford Street, St James's and Marylebone.

Our large development and refurbishment programme represents a material component of all major schemes to be delivered into the improving London leasing market over the next three years. In particular, we estimate that the near-term projects at Marcol House, Wigmore Street and 160 Great Portland Street make up around 30% of the office development supply in the North of Oxford Street market. We have continued to be at the forefront of central London leasing transactions, driving rents higher by attracting tenants to good quality buildings in excellent locations. In the case of lettings at Oxford Street, Great Titchfield Street, Britton Street and Great Portland Street we have set new rent levels for those specific micro locations.

Emerging factors influencing our markets
Improving the sustainability attributes of buildings has become more important over the last year. Tenant requirements combined with legislation covering reporting and disclosure has required us to allocate increasing management time to these areas. Often there is a balance to be struck between tenants' power, data and temperature control requirements and our responsibility to long-term resource consumption.

We have found that tenants are under relentless cost reduction pressure and we have responded by providing occupational premises in attractive locations for the best value for money. We do this by listening carefully to their requirements and engineering cost-effective solutions for their needs.

Outlook for our end markets
We use a variety of lead indicators to assess the direction of our main markets which are described in Appendix 1.

Since the spring of 2010, property capital value lead indicators have turned up and occupational markets are firmer with rental values increasing and increased optimism within our tenant base.

Our business

Our business is accompanied by graphics (see Appendix 2)

Investment management

At the start of the financial year we had the objective of acquiring assets with the potential for strong absolute and relative performance. Over the course of the year we invested around £213 million in six different transactions and we are examining several interesting opportunities.

Since our rights issue in 2009, we have committed over £370 million to new acquisitions, which at 31 March 2011 represented almost a quarter of the Group's current property portfolio. These acquisitions have delivered an annualised ungeared IRR of over 37% whilst in our ownership.

In June, we announced the acquisition of 35 Portman Square, W1 for £53.0 million from the shareholders of Portman Square Properties Holdings Ltd, reflecting a net initial yield of 7.7%. The consideration was made up of £31.0 million cash and assumed debt of £22.0 million (which has since been repaid). 35 Portman Square is an eight storey, 73,000 sq ft building fronting Portman Square in the West End occupying an under-developed corner site of around 0.5 acres. The property is held on a lease from The Portman Estate expiring in 2060 and offers a wide variety of asset management opportunities.

At the end of July 2010, our Great Star Partnership joint venture ("GSP") completed the acquisition of City Tower, 40 Basinghall Street, EC2 and City Place House, 55 Basinghall Street, EC2. GPE and Starwood Capital each own a 50% interest in these properties. City Tower is a 20 storey, 132,600 sq ft office building in a prime city location, adjacent to the Guildhall, held on a 100 year unexpired leasehold interest from the City Corporation with significant opportunity to increase the rental income of the property following targeted refurbishment and active asset management. City Place House is a 177,000 sq ft grade A building situated directly west of City Tower, held on a head lease from the City Corporation with an unexpired term of 108 years. Our intention is to refurbish the common parts and floors as appropriate, repositioning the building into a potential shortage of Grade A space in the City from 2011.

In November, we announced the refocusing of the Great Capital Partnership ("GCP") through the acquisition of four properties by GPE and the appointment of Capital and Counties Properties PLC ("Capco") as residential and retail strategy advisor to the joint venture. GPE purchased 24/25 Britton Street, EC1, 12/14 New Fetter Lane & 43 Fetter Lane, EC4, Tasman House, Wells Street, W1 and 183/190 Tottenham Court Road, W1 for a combined price of £45.1 million, broadly in line with their September 2010 book values. These sales represent a continuation of the joint venture's strategy to focus on its West End holdings and will enable it to recycle the sales receipts into a variety of refurbishment and development opportunities within its core holdings on Piccadilly, Regent Street and Park Crescent. The restructuring enables the refurbishment and redevelopment of Britton Street and Fetter Lane which are described in the development section below.

We announced the acquisition of 20 St James's Street, SW1 in December for a capital value of £42.5 million or £765 per sq ft. The purchase price reflects a net initial yield on expiry of rent free periods of 4.5%, or 5.2% assuming the 7,000 sq ft currently vacant is let in its existing condition at an average of £49 per sq ft. 20 St James's Street is an eight storey, 55,500 sq ft building which was redeveloped in the mid 1980's and is now multi-let to nine tenants producing a gross rent of £2.39 million per annum. The offices are let at an average of only £55 per sq ft and the majority of leases expire in 2015 or have breaks in 2012 providing a medium-term refurbishment opportunity. The property is held on a long lease, expiring in January 2111, at a ground rent of 15% of rents received.

In February, we swapped our freehold interest in 79/89 Oxford Street, W1 with a private investor in return for a new 250 year leasehold interest at both 79/89 Oxford Street and the adjoining property, 73/77 Oxford Street. The properties are located in a prominent position at the corner of Oxford Street and Dean Street, adjacent to the Dean Street Crossrail station currently under development, and form an exciting potential redevelopment site of 0.43 acres. The two properties total 82,200 sq ft of office and retail accommodation and produce an income of approximately £2.6 million per annum from 12 tenants with the majority of leases running to the end of 2014. The new 250 year head lease will initially pay a fixed head rent of £620,000 per annum until the first redevelopment, whereupon the ground rent will change to a base rent of £310,000 per annum plus 5% of net rents received. The private investor also received a premium of £7.5 million as part of the swap.

In the summer of 2010, GPE disposed of two properties at 46/48 Foley Street, W1 and 38/40 Eastcastle Street, W1 for a total of £20.1 million which represented a premium of 10.4% over the March 2010 book value. Having restructured the retail leases at 184/192 Oxford Street, W1, we agreed to dispose of these properties for £19.1 million in May 2011 in line with their March 2011 book values. GCP disposed of 201/207 Kensington High Street, W8 in April 2011 for £12.8 million (GPE share – £6.4 million) in line with its March 2011 book value.

Since 31 March 2010, we have received an additional £23.1 million in respect of the compulsory purchase of 18/19 Hanover Square, W1 with the latest amount of £9.0 million being transferred in April 2011. Discussions with Transport for London are continuing to resolve the remaining elements of our claim.

Our joint ventures
In May the GSP joint venture was inaugurated and our seven joint ventures have made good progress over the year. We categorise the joint ventures into three types:

- Access to new properties (27.2% of GPE's net property value). The relevant joint ventures here are The Great Capital Partnership with Capco, The Great Victoria Partnership with LV Asset Management, The Great Star Partnership with Starwood Capital and The Great Wigmore Partnership with Scottish Widows plc;
- Development risk sharing (6.0% of GPE's net property value). The key joint ventures here are the 100 Bishopsgate Partnership with Brookfield and the Great Ropemaker Partnership with BP Pension Fund which hold our Bishopsgate and Blackfriars schemes respectively; and
- Bank work out (5.1% of GPE's net property value) with Eurohypo in relation to our Marcol House and Newman Street developments.

Overall our joint ventures are material to the Group, making up 38.3% of the portfolio by valuation, 40.4% of net assets and 36.5% of rent roll at 31 March 2011 (at 31 March 2010; 38.1%, 37.9% and 37.5% respectively).

Asset management

Our asset management team has again produced encouraging results in an improving market environment.

The highlights of a busy year were:

- 100 new leases were completed (2010: 144 leases) generating annual rent of £10.8 million (our share £9.2 million; 2010: £11.2 million) or 13.3% of rent roll;
- a low investment portfolio EPRA vacancy rate of 2.7% at 31 March 2011 was an improvement on 3.7% at 31 March 2010;
- a further nine lettings were under offer at 31 March 2011, accounting for £5.2 million p.a. in rent (our share £5.1 million);
- 21 rent reviews of £9.9 million (our share £5.4 million; 2010: £1.6 million) were settled during the year, some 3.7% ahead of ERV at the rent review date; and
- total space covered by new lettings, reviews and renewals during the year was 477,000 sq ft (2010: 494,000 sq ft).

The second half of the financial year has seen several major lease restructuring events which will secure future income and drive capital value growth.

In December 2010, we agreed with Telewest UK at 160 Great Portland Street, W1 to accept the surrender of their leases in two tranches for £30.0 million. The payment is equivalent to 6.3 years of the annual rent of £4.74 million per annum, with 7.5 years remaining until expiry of the leases in June 2018. The tenant has undertaken a phased vacation of the building between January and May 2011. This deal enables us to refurbish the 89,900 sq ft building and we are delighted to announce the pre-let of the entire building to an existing tenant.

At the end of January, we restructured the occupational leases at 90 Queen Street, EC4 by moving the tenant break from 2013 to 2021, extending the lease from 2017 to 2026 whilst reducing the passing rent from £3.4 million to £2.9 million p.a. We believe this transaction will both underpin the capital value of the property which has grown over 30% since purchase in October 2009, and support future value progression.

At our 88,400 sq ft prime retail holding at Mount Royal, 508/540 Oxford Street, W1 we operated a retail tenant's lease break and re-let the space to Holland and Barrett at £420 per sq ft Zone A rental, 45% above the previous rent. Using this rental evidence, in January 2011, we were able to agree another rent review on the largest unit, let to Next, at the same Zone A rate, this time at 25% above passing rent.

Leasing activity was encouraging with 75 market lettings during the year at rents 9.6% ahead of the valuer's March 2010 estimates. The remaining 25 smaller lettings were below the March 2010 ERV because they were short-term leases to allow the Group the flexibility for future redevelopment.

In the second half of the year one of the leasing highlights was the pre-let of 24/25 Britton Street, EC1 to Kurt Geiger.

In the year to 31 March 2011, a large number of leases, predominantly at Bishopsgate, EC3 and Wigmore Street, W1, were taken back to enable the redevelopment of these sites. In the year to 31 March 2011, 178 leases covering around 636,000 sq ft were subject to lease expiry or tenant break. Out of this space, 55% by area was vacated to enable the redevelopment of properties. Of the remaining 45%, tenants were retained for 21% of this space and by the end of March 2011 we had leased or put under offer a further 14%, leaving only 10% to transact. As at 31 March 2011, the EPRA vacancy rate was 2.7%.

Development overview

The development business has had a successful year leasing upgraded space, progressing projects and expanding the pipeline to support future growth.

We have six schemes on-site – five in the West End and one in Mid-town, with the opportunity to start further schemes by the end of 2012 giving us a near-term programme of 2.2 million sq ft that could be delivered by 2014. Beyond that, our pipeline includes a further 10 projects giving us a total programme of 3.1 million sq ft, covering 52% of GPE's existing portfolio.

Leasing of refurbishment and development projects
Over the last six months we secured over £7.2 million per annum in income on our committed schemes bringing total secured income to £8.5 million. In May 2011, we agreed to relocate an existing tenant, Double Negative, from 45 Mortimer Street, W1 to 160 Great Portland Street, W1 which is undergoing a comprehensive upgrade following the departure of Telewest. Double Negative has signed a new 20 year lease at a rent of £4.8 million per annum with an incentive package the equivalent to 32 months of rent. They will move into tailor made, highly specified space in the second half of 2012. The transaction with Kurt Geiger announced in November was a similar example of helping our customers find expansion space when they need it. Kurt Geiger committed to a new 48,000 sq ft headquarters building at 24/25 Britton Street, EC1 where the refurbishment works are underway. They will move from their existing 11,000 sq ft in our building at 75 Bermondsey Street, SE1 in autumn 2011 having agreed a 15 year lease at £1.5 million p.a. At 20/30 Great Titchfield Street, W1 we were pleased to arrange a 10 year lease with Heineken UK for £0.6 million per annum for 13,300 sq ft of newly refurbished space.

Schemes on-site
The demolition works at Marcol House, 289/295 Regent Street, W1, and at 23/24 Newman Street, W1 are complete. We are targeting practical completion of Marcol House, a prime office scheme, in autumn 2012 and 23/24 Newman Street, W1 will deliver 23 residential units later this year.

We have recently commenced our mixed use scheme at Wigmore Street, W1 which is expected to complete in summer 2013.

We are soon to hand over our refurbishment project at 184/190 Oxford Street, W1 to retailer Aldo and we have also started to refurbish 160 Great Portland Street, W1 for Double Negative.

Project preparation
Our staged upgrade of City Tower, Basinghall Street, EC4, remains on track with the enhancement to the lifts part complete and we are finalising the design for the office floors and entrance lobby.

At 240 Blackfriars Road, SE1 we have revised the planning consent at our 235,400 sq ft development scheme and we are continuing with detailed design work to prepare the site for commencement in the second half of 2011.

We continue to prepare the pipeline projects for commencement. Demolition has started of existing buildings owned by The 100 Bishopsgate Partnership, our joint venture with Brookfield Properties, to prepare for our pre-letting campaign for this 955,300 sq ft project.

At Hanover Square, W1 we have recently signed a Masterplan development agreement with Crossrail/Transport for London to deliver a major 205,400 sq ft office, retail and residential scheme following the completion of the Crossrail Bond Street station. In May 2011 we received resolution to grant planning consent for this scheme from Westminster City Council.

We continue to prepare schemes at Walmar House, Regent Street, W1 and Fetter Lane, EC4 for a potential start over the next 12 months. We have agreed the terms of a new headlease with the City Corporation at Fetter Lane which will facilitate this project.

Valuation

Valuation is accompanied by graphics (see Appendix 3)

The valuation of the Group's properties rose to £1,654.5 million during the year, delivering an underlying capital return of 15.5%.

At 31 March 2011 the wholly-owned portfolio was valued at £1,021.0 million and the Group had seven joint ventures which owned properties valued at £633.5 million (our share).

The valuation of the portfolio was up 13.5% or £168.8 million since 31 March 2010 on a like-for-like basis. The surrender by Telewest at 160 Great Portland Street, W1 subdued this valuation growth, when the £25.3 million cash receipt is taken into account the underlying portfolio capital return was 15.5%.

The key drivers behind the Group's valuation movement for the year were:

- Rental value growth – since the start of the financial year, rental values have grown 10.8%. Office rental values have increased by 13.5%, with retail rental values rising by 3.2%. Growth in rental values was evenly spread over the two halves;
- Intensive asset management – during the year, 121 new leases, rent reviews and renewals were completed securing £14.6 million (our share) of annual income and reducing voids which supported valuation growth over the period;
- Development properties – growth of 16.9% increased their valuation to £209.7 million; and
- Favourable yield shift – equivalent yields contracted by 37 basis points over the year (2010: 126 basis points) from 5.6% to 5.2% on a like-for-like basis, as investor interest remained firm.

Including rent from pre-lets and leases currently in rent free periods, the adjusted initial yield of the investment portfolio at 31 March 2011 was 4.4%, 90 basis points lower than at the start of the financial year.

Our North of Oxford Street portfolio produced the strongest performance by geographic sector over the year, increasing in value by 14.7% on a like-for-like basis. City and Southwark assets saw a 10.8% uplift in values and the Rest of West End properties grew by 11.8%. Our joint venture properties rose in value by 13.7% compared to a 11.3% rise for the wholly-owned portfolio over the year.

The Group delivered a total property return ("TPR") for the year of 22.4%, compared to the central London IPD benchmark of 18.0%. This outperformance was driven by a combination of well priced acquisitions, our holdings North of Oxford Street and development projects.

Our financial position

Our financial position is accompanied by graphics (see Appendix 4, 5 and 6)

Financial results
The Group's financial results fairly reflect the successful execution of our strategic priorities and a recovering central London market. Timely acquisitions and our growing development programme have boosted the key balance sheet values compared to last year.

Net asset value
EPRA net assets per share at 31 March 2011 was 360 pence per share, an increase of 27.2% in the last year, largely because of the rise in value of the property portfolio. At 31 March 2011, the Group's net assets were £1,112.7 million, up from £876.7 million at 31 March 2010.

The main factors behind the 77 pence per share increase in EPRA net assets per share ("NAV") from the 31 March 2010 value were:

- the rise of 61 pence per share arising from the revaluation of the property portfolio. Of this amount, development properties boosted NAV by around 10 pence;
- further payments from Transport for London for the compulsory purchase of 18/19 Hanover Square, W1 enhanced NAV by 8 pence per share;
- EPRA earnings for the year of 16 pence per share enhanced NAV; and
- dividends of 8 pence reduced NAV.

Triple net assets per share ("NNNAV") was 362 pence per share at 31 March 2011 compared to 291 pence per share at 31 March 2010 (up 24.4%). At the year end the difference between adjusted net assets per share and NNNAV was the positive mark to market of debt of 2 pence, mainly arising from the relatively low interest rate of the Group's 2029 debenture. There was no net movement in deferred tax provisions during the year.

Income statement and earnings per share
Although we have had a good leasing year, the income statement is witnessing the short-term effects of investing in our development and refurbishment projects. On an EPRA basis, profit before tax and earnings per share are up materially on last year.

Rental income from wholly-owned properties was £63.7 million, up 39.4% on last year. Rental income was pushed up by the lease surrender with Telewest UK Limited at 160 Great Portland Street, W1. In December 2010 we agreed with Telewest that they surrender their leases in two tranches for £30.0 million; £25.3 million was received in December 2010, the remainder of £4.7 million was received in April 2011. For the financial year under review the £25.3 million premium has been split between rental income of £3.8 million, for the period of occupation, and a net surrender premium of £21.5 million. Rental income before surrender premium was lower than last year due to transfers of income producing assets into joint venture and lease terminations ahead of refurbishment and development projects. Excluding surrender premiums, Group rental income was £42.2 million, down £3.5 million or 7.7% on the same period in 2010. Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income was stable on the prior year.

Joint venture fees for the year were £4.1 million, up 36.6% on last year. This increase was a result of the creation of the 100 Bishopsgate Partnership on 31 March 2010 and the Great Star Partnership during the year.

Property costs for the wholly-owned properties were consistent with last year at £4.0 million whilst administration costs were £17.3 million, up £4.7 million on last year driven by increased head count, higher provisions for bonuses and share-based incentive schemes. At the end of the financial year the Group employed 78 people, up from 68 a year earlier. Our recent recruitment has been across the development, investment and asset management teams and will facilitate our growth plans. EPRA profits from joint ventures (excluding fair value movements) were £14.4 million, up from £7.7 million on last year, mainly due to the acquisition of 103/113 Regent St, W1 in December 2009, City Place House and City Tower, EC2 in July 2010 and the creation of the 100 Bishopsgate Partnership in March 2010 which increased rental income this year versus last year. Our share of joint venture interest expenses and overhead costs were £3.1 million higher year on year. Underlying GPE net finance costs were £1.1 million lower at £10.5 million due to lower interest rates.

EPRA profit before tax was £50.4 million or 78.1% higher than the previous year. The main reasons for this increase are set out in Appendix 4.

Revaluation gains and good underlying profits enabled the Group to report an accounting profit after tax of £260.1 million (2010: £156.4 million). Basic EPS for the year was 83.8 pence, compared to 55.5 pence for 2010.

EPRA earnings per share were 16.0 pence, 60.0% higher than last year as a consequence of the increased adjusted profits but partly offset by higher weighted average number of shares than in 2010 due to the rights issue which completed in June 2009.

Results of joint ventures
The Group's net investment in joint ventures was £449.8 million at year end, up from the figure at 31 March 2010 of £332.4 million, largely due to valuation increases of £83.1 million and the creation of the GSP joint venture. Our share of joint venture net rental income was £29.6 million, up from £19.8 million for the same period last year, as a result of the new joint ventures. The underlying joint venture profits are stated after charging £4.1 million of GPE management fees (2010: £3.0 million).

Our share of non-recourse net debt in the joint ventures rose to £164.9 million at 31 March 2011 from £126.6 million at 31 March 2010 mainly due to the refinancing of GSP.

Financial resources and capital management
Cash generated from operations was £73.3 million, compared to a £7.4 million last year due to the increase in EPRA profit before tax and favourable movements in working capital. Group consolidated net debt was £349.1 million at 31 March 2011 up from £232.6 million at 31 March 2010 as a consequence of acquisitions and development capex partly mitigated by disposals and operational cash flow. Group gearing rose to 31.4% at 31 March 2011 from 26.5% at 31 March 2010 as higher debt levels prevailed over the portfolio valuation rise. As the Group's strategy of development and acquisition investment continues, we expect the gearing ratio to increase gradually in the coming years.

Including the non-recourse debt in the joint ventures, total net debt was £514.0 million (31 March 2010: £359.2 million) equivalent to a loan to value ratio of 31.1% (31 March 2010: 28.8%). The Group, including its joint ventures, is operating with substantial headroom over its bank and debenture covenants.

This financial year has been one of the busiest for debt financing in many years – our objectives have been to extend maturities, maintain high liquidity, retain operational flexibility and keep interest costs low. In July 2010, we negotiated a 2015 term loan in the GSP joint venture, our share of which is £39.8 million. In November 2010, we replaced the Group's £300 million facility which was due to mature in March 2012 and a £50 million facility which was due to mature in November 2010 with a new £350 million five year unsecured revolving credit facility with a group of relationship banks. The new facility has a margin grid related to gearing which varies from 155 to 230 basis points. In March 2011, we priced a £159.7 million private placement of seven and ten year unsecured notes with a small number of institutional investors. The weighted average interest rate of this new issue is 5.32%, representing a spread over mid swaps of 166 basis points. We will draw down funds from this note placement on 30 June 2011.

Overall we have arranged around £550 million of new debt facilities in the year with terms ranging from 2015 to 2021 so extending the debt maturity profile of the Group.

At 31 March 2011, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £358.8 million, or £518.5 million after the private placement described above. The Group's weighted average interest rate, including joint venture debt for the period, was 4.3%, a decrease of 60 basis points compared to the year to 31 March 2010. This was mainly due to our exposure to low short-term floating rates. At 31 March 2011, 57% of the Group's total debt (including non-recourse joint ventures) was at fixed or capped rates (31 March 2010: 61%). Interest cover for the year improved to 4.0x (year to 31 March 2010: 3.4x).

Cash collection and tenant delinquencies
The quarterly cash collection profile has been broadly similar throughout 2010. For the March 2011 quarter, we secured around 92% of rent within seven working days (March 2010: 93%). Tenants on monthly payment terms represent around 8% of our rent roll. None of our tenants went into administration around 31 March 2011 quarter day (March 2010: four tenants, 0.5% of rent roll).

Taxation
The tax provision on the income statement for the year was £0.9 million (2010: £0.2 million) principally as a result of the REIT conversion charge on the purchase of 35 Portman Square, W1. The low level of underlying taxable profits for the year meant the Group's underlying effective tax rate was 0% (2010: around 1%). The Group complied with all relevant REIT tests for the year to 31 March 2011.

Dividend
The Board has declared a final dividend of 5.1 pence per share (2010: second interim 5 pence) which will be paid in July 2011. Of this dividend 2.8 pence per share will be a REIT Property Income Distribution (PID) in respect of the Group's tax exempt property rental business. Further information on the tax treatment of dividends can be found on the Group's website at www.gpe.co.uk/investors/reits/

Outlook
London's investment markets continue to benefit from an excess of demand for assets over supply and, with prices having increased by more than 25% from their lows, it will be more challenging to generate the sorts of returns we have achieved from acquisitions over the past 18 months. As a result, our focus is shifting to the delivery of our major development programme.

In our occupational markets, conditions continue to improve for landlords. Demand from occupiers has picked up and is running at long-term average rates. This, combined with the lack of new supply and low vacancy rates will produce further rental value increases over the next two to three years.

In the context of these supportive market conditions, GPE is well placed: our high quality portfolio, augmented by attractively priced acquisitions, is rich with opportunities for rental and capital value growth; we have an enviable development pipeline with the potential for significant surpluses in the near term; we've maintained low gearing enabling us both to deliver these schemes and pursue interesting acquisition opportunities as we find them; and we've enhanced our top rated team to help us continue to deliver on our ambitious plans.

These attributes will, we believe, enable Great Portland Estates to continue to outperform.

Group income statement
For the year ended 31 March 2011

	Notes	**2011 £m**	2010 £m
Total revenue	2	**73.6**	54.9
Net rental income	3	**63.7**	45.7
Joint venture fee income	12	**4.1**	3.0
Rental and joint venture fee income		**67.8**	48.7
Property expenses	4	**(4.0)**	(4.0)
Net rental and related income		**63.8**	44.7
Administration expenses	5	**(17.3)**	(12.6)
Development management income		**–**	0.1
Operating profit before surplus on investment property and results of joint ventures		**46.5**	32.2
Surplus from investment property	10	**131.3**	89.8
Share of results of joint ventures	12	**97.9**	59.0
Operating profit		**275.7**	181.0
Finance income	6	**2.2**	0.4
Finance costs	7	**(13.8)**	(13.2)
Charge on 2010 cancellation of derivatives	7	**(3.1)**	(11.6)
Profit before tax		**261.0**	156.6
Tax	8	**(0.9)**	(0.2)
Profit for the year		**260.1**	156.4
Basic and diluted earnings per share	9	**83.8p**	55.5p
EPRA earnings per share	9	**16.0p**	10.0p

All results are derived from continuing operations.

Group statement of comprehensive income
For the year ended 31 March 2011

	2011 £m	2010 £m
Fair value movement on derivatives in effective hedging relationships	**–**	0.2
Fair value movement on derivatives in joint venture in effective hedging relationships	**2.0**	0.1
Charge on 2010 cancellation of derivatives	**3.1**	11.6
Actuarial deficit on defined benefit scheme	**(0.2)**	(1.0)
Deferred tax on actuarial deficit on defined benefit scheme	**–**	0.2
Net profit recognised directly in equity	**4.9**	11.1
Profit for the year	**260.1**	156.4
Total comprehensive income and expense for the year	**265.0**	167.5

Group balance sheet

At 31 March 2011

	Notes	**2011 £m**	2010 £m
Non-current assets			
Investment property	10	**1,049.5**	774.9
Development property, plant and equipment	11	**1.2**	1.2
Investment in joint ventures	12	**449.8**	332.4
		1,500.5	1,108.5
Current assets			
Trade and other receivables	13	**21.7**	32.8
Corporation tax receivable		**–**	0.8
Cash and cash equivalents		**3.0**	45.7
		24.7	79.3
Total assets		**1,525.2**	1,187.8
Current liabilities			
Trade and other payables	14	**31.5**	30.6
Corporation tax payable		**0.1**	–
		31.6	30.6
Non-current liabilities			
Interest-bearing loans and borrowings	15	**352.1**	278.3
Obligations under finance leases	17	**28.5**	2.0
Pension liability	23	**0.3**	0.2
		380.9	280.5
Total liabilities		**412.5**	311.1
Net assets		**1,112.7**	876.7
Equity			
Share capital	18	**39.1**	39.1
Share premium account		**218.1**	218.1
Hedging reserve		**(1.5)**	(4.6)
Capital redemption reserve		**16.4**	16.4
Retained earnings		**844.6**	608.0
Investment in own shares	19	**(4.0)**	(0.3)
Total equity		**1,112.7**	**876.7**
Net assets per share	9	**359p**	**280p**
EPRA net assets per share	9	**360p**	**283p**

Group statement of cash flows

For the year ended 31 March 2011

	Notes	**2011 £m**	2010 £m
Operating activities			
Operating profit		**275.7**	181.0
Adjustments for non-cash items	20	**(223.7)**	(150.3)
Decrease/(increase) in receivables		**18.6**	(26.2)
Increase in payables		**2.7**	2.9
Cash generated from operations		**73.3**	7.4
Interest received		**–**	0.4
Interest paid		**(11.7)**	(12.5)
Cash flows from operating activities		**61.6**	(4.7)
Investing activities			
Purchase of interest in joint ventures		**–**	(44.0)
Distributions from joint ventures		**28.8**	40.7
Purchase and development of property		**(259.2)**	(55.2)
Sale of properties		**114.1**	168.7
Cash flows from investing activities		**(116.3)**	110.2
Financing activities			
Issue of share capital – net proceeds from Rights Issue		**–**	166.4
Borrowings drawn/(repaid)		**73.1**	(100.0)
Termination of derivatives		**–**	(18.2)
Purchase of derivatives		**–**	(2.3)
Funds from joint ventures		**(29.3)**	(86.1)
Purchase of own shares		**(5.7)**	(3.5)
Equity dividends paid		**(26.1)**	(23.4)
Cash flows utilised in financing activities		**12.0**	(67.1)
Net (decrease)/increase in cash and cash equivalents		**(42.7)**	38.4
Cash and cash equivalents at 1 April		**45.7**	7.3
Cash and cash equivalents at balance sheet date		**3.0**	45.7

Group statement of changes in equity

For the year ended 31 March 2011

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

Group statement of changes in equity

For the year ended 31 March 2010

	Share capital £m	Share premium £m	Hedging reserve £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2009	22.6	68.2	(16.4)	16.4	478.0	(0.2)	568.6
Profit for the year	–	–	–	–	156.4	–	156.4
Charge on 2010 cancellation of derivatives	–	–	11.6	–	–	–	11.6
Actuarial deficit on defined benefit scheme	–	–	–	–	(1.0)	–	(1.0)
Deferred tax on actuarial deficit on defined benefit scheme	–	–	–	–	0.2	–	0.2
Fair value movement of derivatives in effective hedging relationships	–	–	0.2	–	–	–	0.2
Fair value movement on derivatives in joint ventures in effective hedging relationships	–	–	–	–	0.1	–	0.1
Purchase of shares for employee share plans	–	–	–	–	–	(3.5)	(3.5)
Employee Long-Term Incentive Plan and Share Matching Plan charge	–	–	–	–	–	1.5	1.5
Issue of shares – Rights Issue	16.5	149.9*	–	–	–	–	166.4
Dividends to shareholders	–	–	–	–	(23.8)	–	(23.8)
Transfer to retained earnings	–	–	–	–	(1.9)	1.9	–
Total equity at 31 March 2010	**39.1**	**218.1**	**(4.6)**	**16.4**	**608.0**	**(0.3)**	**876.7**

* Net of issue costs.

Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 March 2011. Whilst the financial information included in this announcement has been presented in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, which therefore comply with Article 4 of EU IAS Regulation, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the year ended 31 March 2011, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. The auditor’s reports on the 2011 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) Companies Act 2006 or preceding legislation and will be delivered to the Registrar of Companies in due course.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties, financial instruments and pension assets.

In the process of applying the Group’s accounting policies, the directors are required to make judgements, estimates and assumptions that may affect the financial statements. The directors believe that the judgements made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated. Critical accounting judgements include the adoption of the external portfolio valuation, the adoption of a single reporting segment and the level of control the Group has in respect of its joint ventures. The accounting policies for these areas of judgement are set out below.

During 2011, the following accounting standards and guidance were adopted by the Group, the pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- Amendments to IAS 32 Classification of Rights Issues;
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions;
- IFRS 3 (revised) Business Combinations; and
- Amendments to IAS 27 Consolidated and Separate Financial Statements.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Amendments to IAS 12 Deferred Tax of Underlying Assets;
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets;
- IFRS 9 Financial Instruments;
- IAS 24 (revised) Related Party Disclosures;
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2011. Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group directs the financial and operating policies of an entity to benefit from its activities.

Rent receivable

This comprises rental income and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable.

Tenant leases
The directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 Leases for all properties leased to tenants and in their judgement have determined that all such leases are operating leases.

Lease incentives
Lease incentives including rent-free periods and payments to tenants, are allocated to the income statement on a straight-line basis over the lease term or on another systematic basis, if applicable. The value of resulting accrued rental income is included within the respective property.

Other property expenses
Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the income statement as other property expenses. Costs incurred in the improvement of the portfolio which, in the opinion of the directors, are not of a capital nature are written off to the income statement as incurred.

Administration expenses
Costs not directly attributable to individual properties are treated as administration expenses.

Share-based payment
The cost of granting share-based payments to employees and directors is recognised within administration expenses in the income statement. The Group has used the Stochastic model to value the grants which is dependent upon factors including the share price, expected volatility and vesting period and the resulting fair value is amortised through the income statement over the vesting period.

The charge is reversed if it is likely that any non-market based criteria will not be met.

Investment property
Investment properties are professionally valued each year, on a market value basis, and any surpluses or deficits arising are taken to the income statement. Disposals of properties are recognised where contracts have been unconditionally exchanged during the accounting period and the significant risks and rewards of ownership of the property have been transferred to the purchaser.

Investment property under development
Investment properties under development are professionally valued each year on a market value basis and any surpluses or deficits arising are taken to the income statement. All directly attributable costs of bringing a property to a condition suitable for letting, including costs incurred prior to gaining planning permission, are capitalised into the cost of the property. Once development is concluded, the property is transferred to investment property.

Depreciation
No depreciation is provided in respect of freehold investment properties and leasehold investment properties. Depreciation is provided on plant and equipment, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the balance sheet date of each asset evenly over its expected useful life, as follows:

Fixtures and fittings – over three to five years.
Leasehold improvements – over the term of the lease.

Joint ventures
Joint ventures are accounted for under the equity method where the Group has joint control of the entity. The Group balance sheet contains the Group's share of the net assets of its joint ventures. Balances with partners owed to or from the Group by joint ventures are included within investments. The Group's share of joint venture profits and losses are included in the Group income statement in a single line. All of the Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements.

Deferred tax
Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Pension benefits
The Group contributes to a defined benefit pension plan which is funded with assets held separately from those of the Group. The full value of the net assets or liabilities of the pension fund is brought on to the balance sheet at each balance sheet date. Actuarial gains and losses are taken to reserves; all other movements are taken to the income statement.

Capitalisation of interest
Interest associated with direct expenditure on investment properties under development is capitalised. Direct expenditure includes the purchase cost of a site if it has been purchased with the specific intention to redevelop, but does not include the original book cost of a site previously held as an investment property. Interest is capitalised from the start of the development work until the date of practical completion. The rate used is the Group's pre-tax weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings.

Financial instruments:
i Derivatives The Group uses derivative financial instruments to hedge its exposure to foreign currency fluctuations and interest rate risks. The Group's derivatives are measured at fair value in the balance sheet. To the extent that a derivative is a designated hedge and provides an effective cash flow hedge against the Group's underlying exposure the movements in the fair value of the hedge are taken to equity. To the extent that the derivative is a designated hedge or does not effectively hedge the underlying exposure the movement in the fair value of the hedge is taken to the income statement.

ii Borrowings The Group's borrowings in the form of its debentures and bank loans are recognised initially at fair value, after taking account of any discount or premium on issue and attributable transaction costs. Subsequently borrowings are held at amortised cost, with any discounts, premiums and attributable costs charged to the income statement using the effective interest rate method.

iii Cash and cash equivalents Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to insignificant risk of changes in value.

iv Trade receivables and payables Trade receivables and payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Head leases
The present value of future ground rents is added to the carrying value of a leasehold investment property and to long-term liabilities. On payment of a ground rent virtually all of the cost is charged to the income statement, principally as interest payable, and the balance reduces the liability; an equal reduction to the asset's valuation is charged to the income statement.

Segmental analysis
All of the Group's revenue is generated from investment properties located in central London. The properties are managed as a single portfolio by an asset management team whose responsibilities are not segregated by location or type, but are managed on an asset by asset basis. The majority of the Group's assets are mixed use, therefore the office and retail space is managed together. Within the investment property portfolio the Group has a number of properties under development. The directors view the Group's development activities as an integral part of the life cycle of each of its assets rather than a separate business or division. The nature of developing property means that whilst a property is under development it generates no revenue and has no operating results. Once a development has completed it returns to the investment property portfolio. The directors have considered the nature of the business, how the business is managed and how they review performance and, in their judgement, the Group has only one reportable segment. The components of the valuation, as provided by CBRE, are set out on page 30 of the Annual Report 2011.

Development management agreements
Where the outcome of a development management agreement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the balance sheet date. Management exercise judgement when estimating the percentage complete. This is normally measured as the proportion that contract costs incurred for work performed bear to the estimated total contract costs. Variations in work, claims and incentive payments are included to the extent that they have been agreed with the client.

Where the outcome of a development management agreement cannot be estimated reliably, contract revenue is recognised to the extent of costs incurred that it is probable will be recoverable. Costs are recognised as expenses in the period in which they are incurred. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

2 Total revenue

	2011 £m	2010 £m
Gross rental income	**42.7**	42.9
Amortisation of capitalised lease incentives	**(0.4)**	2.9
Surrender premium net of associated capitalised lease incentives	**21.5**	–
Service charge income	**5.7**	6.0
Joint venture fee income	**4.1**	3.0
Development management income	**–**	0.1
	73.6	54.9

3 Net rental income

	2011 £m	2010 £m
Gross rental income	**42.7**	42.9
Amortisation of capitalised lease incentives	**(0.4)**	2.9
Ground rents payable	**(0.1)**	(0.1)
Rental income before surrender premium	**42.2**	45.7
Surrender premium net of associated capitalised lease incentives	**21.5**	–
	63.7	45.7

4 Property expenses

	2011 £m	2010 £m
Service charge income	**(5.7)**	(6.0)
Service charge expenses	**6.9**	7.2
Other property expenses	**2.8**	2.8
	4.0	4.0

5 Administration expenses

	2011 £m	2010 £m
Employee costs	**14.5**	10.3
Other	**2.8**	2.3
	17.3	12.6

Included within employee costs is an accounting charge for the LTIP and SMP schemes of £1.9 million (2010: £1.5 million).

Employee costs, including those of directors, comprise the following:

	2011 £m	2010 £m
Wages and salaries	**12.1**	8.7
Social security costs	**1.9**	1.3
Other pension costs	**1.0**	0.8
	15.0	10.8
Less: recovered through service charge	**(0.5)**	(0.5)
	14.5	10.3

Employee information

The average number of employees of the Group, including directors, was:

	2011 Number	2010 Number
Head office and property management	**77**	69

Auditor's remuneration

	2011 £m	2010 £m
Audit of Company and subsidiary accounts	**0.2**	0.2
Amounts for regulatory filings (Rights Issue)	**–**	0.3
	0.2	0.5

During the year the Group's auditor provided other services in addition to the audit fee of £10,000 (2010: £305,000 including fees in relation to the rights issue).

6 Finance income

	2011 £m	2010 £m
Interest on balances with joint venture partners	**2.2**	0.4
	2.2	0.4

7 Finance costs

	2011 £m	2010 £m
Interest on bank overdrafts and bank loans	**4.4**	3.8
Interest on debentures	**8.0**	8.1
Interest on obligations under finance leases	**0.4**	0.3
Gross finance costs	**12.8**	12.2
Less: capitalised interest at an average rate of 3.2% (2010: 4.3%)	**(0.1)**	(0.2)
	12.7	12.0
Fair value movement on derivatives in ineffective hedging relationships	**1.1**	1.2
	13.8	13.2

In the year to 31 March 2010, the Group terminated its interest rate swaps and collars to take advantage of the lower interest rate environment. On the termination of these derivatives, fair value movements previously charged to reserves are required to be recycled through the income statement where the facilities to which they relate are not expected to be utilised. During the year, the Group recycled £3.1 million of losses from the hedging reserve to the income statement. The remaining hedging reserve of £1.5 million relates to facilities which are expected to be utilised and will be amortised to the income statement over the outstanding term of the derivatives had they not been terminated.

8 Tax

	2011 £m	2010 £m
Current tax		
UK corporation tax	**1.1**	–
Tax over provided in previous years	**(0.2)**	–
Total current tax	**0.9**	–
Deferred tax	**–**	0.2
Tax charge for the year	**0.9**	0.2

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

	2011 £m	2010 £m
Profit before tax	**261.0**	156.6
Tax charge on profit at standard rate of 28% (2010: 28%)	**73.1**	43.8
REIT tax-exempt rental profits and gains	**(21.7)**	(0.3)
Non-taxable revaluation surplus	**(53.3)**	(44.6)
REIT conversion charge in respect of corporate acquisition	**1.1**	–
Previous years' corporation tax	**(0.2)**	–
Other	**1.9**	1.3
Tax charge for the year	**0.9**	0.2

During the year £nil (2010: £0.2 million) of deferred tax was credited directly to equity in respect of the Group's pension fund. The Group's net deferred tax at 31 March 2011 was £nil (2010: £nil). A deferred tax asset of £8.4 million, mainly relating to tax losses carried forward at 31 March 2011 and deferred tax arising in respect of the fair value of derivatives, was not recognised because it is uncertain whether future taxable profits will arise against which these losses can be offset.

The Group converted to a REIT on 1 January 2007 and as such 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.

The Group estimates that as the majority of its future profits will not be subject to corporation tax, it will have a very low tax charge over the coming years. 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.

9 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the new Best Practice Recommendations issued by the European Public Real Estate Association (EPRA) in October 2010.

Weighted average number of ordinary shares

	2011 Number of shares	2010 Number of shares
Issued ordinary share capital at 1 April	**312,676,149**	181,023,034
Rights Issue	**–**	101,715,557
Investment in own shares	**(2,381,988)**	(851,512)
Weighted average number of ordinary shares	**310,294,161**	281,887,079

Basic, diluted and EPRA earnings per share

	Profit/ (loss) before tax 2011 £m	**Tax 2011 £m**	**Profit/ (loss) after tax 2011 £m**	**Earnings/ (loss) per share 2011 pence**	Profit/ (loss) after tax 2010 £m	Earnings/ (loss) per share 2010 pence
Basic and diluted	**261.0**	**(0.9)**	**260.1**	**83.8**	156.4	55.5
Surplus from investment property (see note 10)	**(131.3)**	**–**	**(131.3)**	**(42.3)**	(89.8)	(31.8)
Surplus from joint venture investment property (see note 12)	**(83.1)**	**–**	**(83.1)**	**(26.8)**	(51.3)	(18.2)
Movement in fair value of derivatives (see note 7)	**1.1**	**–**	**1.1**	**0.4**	1.2	0.4
Movement in fair value of derivatives in joint ventures (see note 12)	**(0.4)**	**–**	**(0.4)**	**(0.1)**	–	–
Charge on 2010 cancellation of derivatives (see note 7)	**3.1**	**–**	**3.1**	**1.0**	11.6	4.1
EPRA earnings	**50.4**	**(0.9)**	**49.5**	**16.0**	28.1	10.0

Net assets per share

	Net assets 2011 £m	**Number of shares 2011 million**	**Net assets per share 2011 pence**	Net assets 2010 £m	Number of shares 2010 million	Net assets per share 2010 pence
Basic and diluted	**1,112.7**	**310.2**	**359**	876.7	311.7	280
Fair value of financial liabilities (see note 16)	**11.0**	**–**	**3**	32.9	–	11
Diluted triple net assets	**1,123.7**	**310.2**	**362**	909.6	311.7	291
Fair value of financial liabilities	**(11.0)**	**–**	**(3)**	(32.9)	–	(11)
Fair value of derivatives (see note 16)	**(2.7)**	**–**	**(1)**	(1.1)	–	–
Fair value of derivatives in joint ventures (see note 12)	**5.8**	**–**	**2**	8.2	–	3
EPRA net assets	**1,115.8**	**310.2**	**360**	883.8	311.7	283

10 Investment property

	Freehold £m	**Leasehold £m**	**Total £m**
Book value at 1 April 2009	584.4	166.0	714.4
Costs capitalised	6.7	1.0	7.7
Acquisitions	48.1	–	48.1
Disposals	(144.9)	(49.6)	(194.5)
Purchase of freehold interest	6.1	(6.1)	–
Transfer from development property	11.0	–	11.0
Transfer from investment property under development	66.0	–	66.0
Net valuation surplus on investment property	77.5	27.5	105.0
Book value at 31 March 2010	618.9	138.8	757.7
Acquisitions	**13.2**	**242.7**	**255.9**
Costs capitalised	**0.9**	**1.3**	**2.2**
Disposals	**(18.2)**	**(95.8)**	**(114.0)**
Transfer of freehold interest	**(18.5)**	**27.2**	**8.7**
Transfer from investment property under development	**17.5**	**–**	**17.5**
Transfer to investment property under development	**(70.0)**	**(26.3)**	**(96.3)**
Net valuation surplus on investment property	**81.5**	**33.0**	**114.5**
Book value at 31 March 2011	**625.3**	**320.9**	**946.2**

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2009	66.0	–	66.0
Costs capitalised	1.8	–	1.8
Interest capitalised	0.2	–	0.2
Transfer from development property – IAS 40 (revised)	11.8	–	11.8
Transfer to investment property	(66.0)	–	(66.0)
Net valuation surplus on investment property under development	3.4	–	3.4
Book value at 31 March 2010	17.2	–	17.2
Acquisitions	**12.6**	**–**	**12.6**
Costs capitalised	**1.0**	**0.7**	**1.7**
Interest capitalised	**0.1**	**–**	**0.1**
Transfer from investment property	**70.0**	**26.3**	**96.3**
Transfer to investment property	**(17.5)**	**–**	**(17.5)**
Net valuation surplus on investment property under development	**(14.7)**	**7.6**	**(7.1)**
Book value at 31 March 2011	**68.7**	**34.6**	**103.3**
Total investment property	**694.0**	**355.5**	**1,049.5**

The book value of investment property includes £28.5 million (2010: £2.0 million) in respect of the present value of future ground rents, the market value of the portfolio (excluding these amounts) is £1,021.0 million.

The cumulative interest capitalised in development property was £0.1 million (2010: £nil).

Surplus from investment property

	2011 £m	2010 £m
Net valuation surplus on investment property	**107.4**	108.4
Profit/(loss) on sale of investment properties	**23.9**	(18.6)
	131.3	89.8

The Group's investment properties including those held in joint venture (note 12) were valued on the basis of Market Value by CB Richard Ellis, external valuers, as at 31 March 2011 in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors ("the Standards") and has been primarily derived using comparable recent market transactions on arm's-length terms.

At 31 March 2011 the Group had capital commitments of £25.1 million (2010: £nil).

At 31 March 2011 properties with a carrying value of £319.5 million (2010: £293.6 million) were secured under first mortgage debenture stock (see note 15).

11 Development property, plant and equipment

	Leasehold improvements £m	Fixtures and fittings £m	Development property £m	Total £m
Cost or valuation				
At 1 April 2009	2.0	0.9	22.8	25.7
Transfer to investment property on development completion	–	–	(11.0)	(11.0)
Transfer to investment property – IAS 40 (revised)	–	–	(11.8)	(11.8)
At 31 March 2010	2.0	0.9	–	2.9
Costs capitalised	**–**	**0.4**	**–**	**0.4**
At 31 March 2011	**2.0**	**1.3**	**–**	**3.3**
Depreciation				
At 1 April 2010	**0.9**	**0.8**	**–**	**1.7**
Charge for the year	**0.2**	**0.2**	**–**	**0.4**
At 31 March 2011	**1.1**	**1.0**	**–**	**2.1**
Carrying amount at 31 March 2010	1.1	0.1	–	1.2
Carrying amount at 31 March 2011	**0.9**	**0.3**	**–**	**1.2**

12 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	Balances with partners £m	Total £m
At 1 April 2010	355.8	(23.4)	332.4
Movement on joint ventures balances	**–**	**31.5**	**31.5**
Acquisitions	**14.8**	**–**	**14.8**
Share of profit of joint ventures	**14.8**	**–**	**14.8**
Share of revaluation surplus of joint ventures	**75.3**	**7.8**	**83.1**
Share of results of joint ventures	**90.1**	**7.8**	**97.9**
Fair value movement on derivatives taken to equity	**2.0**	**–**	**2.0**
Distributions	**(28.8)**	**–**	**(28.8)**
At 31 March 2011	**433.9**	**15.9**	**449.8**

In July 2010 the Great Star Partnership was formed with an affiliate of Starwood Capital Group Global L.P. In a series of transactions it acquired City Tower, 40 Basinghall Street, EC2 and City Place House, 55 Basinghall Street, EC2.

The investments in joint ventures comprise the following:

	Country	2011 ownership	2010 ownership
The 100 Bishopsgate Partnership	United Kingdom	**50%**	50%
GPE Marcol House Limited*	United Kingdom	**100%**	100%
The Great Capital Partnership	United Kingdom	**50%**	50%
The Great Ropemaker Partnership	United Kingdom	**50%**	50%
The Great Star Partnership	United Kingdom	**50%**	–
The Great Victoria Partnerships	United Kingdom	**50%**	50%
The Great Wigmore Partnership	United Kingdom	**50%**	50%

*GPE Marcol House Limited is a joint venture with Eurohypo. Eurohypo has a profit share arrangement dependent on the success of the two development schemes held by GPE Marcol House Limited. Eurphypo is able to exert influence over the development strategy for the buildings and because these are the only assets held by the entity this influence extends over the whole of the entity's operations. As a result of this arrangement GPE and Eurohypo are considered to have joint control over the business of the entity although GPE has a 100% equity interest. Therefore, in accordance with IAS 31 GPE Marcol House Limited has been treated as a joint venture.

The Group's share in the assets and liabilities, revenues and expenses for the joint ventures are set out below:

	The 100 Bishopsgate Partnership £m	GPE Marcol House Ltd £m	The Great Capital Partnership £m	The Great Ropemaker Partnership £m	The Great Star Partnership £m	The Great Victoria Partnerships £m	The Great Wigmore Partnership £m	2011 Total £m	2010 Total £m
Balance sheets									
Investment property	**65.3**	**84.7**	**276.0**	**32.8**	**80.9**	**85.7**	**39.7**	**665.1**	483.2
Current assets	**3.2**	**1.2**	**7.5**	**0.9**	**4.6**	**1.9**	**0.7**	**20.0**	17.3
Balances to/(from) Partners	**(11.3)**	**(52.1)**	**88.6**	**(18.3)**	**(15.1)**	**(5.5)**	**(2.2)**	**(15.9)**	23.4
Bank loans	**–**	**–**	**(112.2)**	**–**	**(39.1)**	**(28.3)**	**–**	**(179.6)**	(140.3)
Derivatives	**–**	**–**	**(5.9)**	**–**	**0.1**	**–**	**–**	**(5.8)**	(8.2)
Current liabilities	**(1.7)**	**(4.1)**	**(6.7)**	**(0.5)**	**(2.7)**	**(2.0)**	**(0.6)**	**(18.3)**	(11.2)
Finance leases	**(7.4)**	**–**	**(8.0)**	**(5.2)**	**(11.0)**	**–**	**–**	**(31.6)**	(8.4)
Net assets	**48.1**	**29.7**	**239.3**	**9.7**	**17.7**	**51.8**	**37.6**	**433.9**	355.8
Income statements									
Net rental income	**3.7**	**0.4**	**14.4**	**1.3**	**5.7**	**3.4**	**0.7**	**29.6**	19.8
Property and administration costs	**(0.6)**	**(0.1)**	**(1.6)**	**(0.3)**	**(0.5)**	**(0.3)**	**(0.3)**	**(3.7)**	(2.8)
Net finance costs	**(0.1)**	**(0.1)**	**(6.1)**	**(1.4)**	**(2.2)**	**(1.6)**	**–**	**(11.5)**	(8.8)
Tax (REIT conversion charge)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	(0.5)
Movement in fair value of derivatives	**–**	**–**	**0.3**	**–**	**0.1**	**–**	**–**	**0.4**	–
Share of profit from joint ventures	**3.0**	**0.2**	**7.0**	**(0.4)**	**3.1**	**1.5**	**0.4**	**14.8**	7.7
Revaluation of investment property	**2.2**	**19.5**	**28.1**	**4.2**	**(0.2)**	**9.4**	**12.1**	**75.3**	47.4
Profit on sale of investment property	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	1.1
Share of results of joint ventures	**5.2**	**19.7**	**35.1**	**3.8**	**2.9**	**10.9**	**12.5**	**90.1**	56.2

The joint ventures have bank loans with a total nominal value of £360.9 million. The Great Capital Partnership has a £225 million facility which is secured, attracts a floating rate of between 0.75% and 1.15% above LIBOR and expires in 2013. The Great Victoria Partnership has a £56.8 million facility which is secured, attracts a fixed rate of 5.495% and expires in 2012. The Great Star Partnership has an £79.1 million secured credit facility, which attracts a floating rate of 1.90% above LIBOR and expires in 2015. All interest bearing loans are in sterling. At 31 March 2011 the joint ventures had £nil undrawn facilities (2010: £nil).

The Great Capital Partnership has four interest rate swaps and an interest rate collar with notional principal amounts of £143.9 million and £25.0 million respectively. The interest rate swaps and collar expire coterminously with the bank loan in 2013. The weighted average contracted fixed interest rate for the interest rate swaps was 5.27%, and the collar has a floor of 4.845% and a cap of 6.5%. The Great Star Partnership has an interest rate swap with a fixed interest rate of 2.715% and a notional principal amount of £39.8 million and an interest rate cap at 4.0% with a notional principal amount of £39.8 million. The interest rate swap and cap expire coterminously with the bank loan in 2015.

Transactions during the year between the Group and its joint ventures are disclosed below:

	2011 £m	2010 £m
Movement on joint venture balances during the year	**31.5**	88.9
Balances (receivable)/outstanding at the year end from joint ventures	**(15.9)**	23.4
Distributions	**28.8**	40.7
Fee income	**4.1**	3.0

The balances outstanding at the period end to and from Partners do not bear interest, apart from the account with the Great Ropemaker Partnership on which interest is payable at 6%, the Great Star Partnership on which interest is payable at 7% and the 100 Bishopsgate Partnership on which interest is payable at LIBOR +2%. The investment properties include £31.6 million (2010: £8.4 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 £633.5 million. 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.

At 31 March 2011, the Group had no contingent liabilities arising in its joint ventures (2010: £nil). At 31 March 2011 the Group had capital commitments in respect of its joint ventures of £56.7 million (2010: £nil).

13 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	**6.9**	3.6
Allowance for doubtful debts	**(0.3)**	(0.4)
	6.6	3.2
Prepayments and accrued income	**0.8**	15.4
Other trade receivables	**11.6**	13.1
Derivatives	**2.7**	1.1
	21.7	32.8

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the tenant's lease. Trade receivables are provided for based on estimated irrecoverable amounts determined by past default experience and knowledge of the individual tenant's circumstance. At 31 March 2011, debtors past due but not impaired were £4.9 million.

	2011 £m	2010 £m
Movements in allowance of doubtful debts		
Balance at the beginning of the year	**(0.4)**	(0.1)
Amounts provided for during the year	**(0.5)**	(0.3)
Amounts written off as uncollectable	**0.6**	–
	(0.3)	(0.4)

14 Trade and other payables

	2011 **£m**	2010 £m
Trade payables	**11.6**	10.3
Non-trade payables and accrued expenses	**19.9**	20.3
	31.5	30.6

15 Interest-bearing loans and borrowings

	2011 **£m**	2010 £m
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	**144.2**	144.3
Unsecured		
Bank loans	**207.9**	134.0
	352.1	278.3

The Group has two floating rate revolving credit facilities of £350.0 million and £200.0 million. The £350.0 million facility is unsecured, attracts a floating rate based on a ratchet of between 155–230 basis points above LIBOR based on gearing and expires in 2015. The £200.0 million facility is unsecured, attracts a floating rate of 50 basis points above LIBOR and expires in July 2012. All interest-bearing loans and borrowings are in sterling. At 31 March 2011 the Group had £340 million (2010: £417 million) of undrawn committed credit facilities.

Post balance sheet event

GPE has agreed to issue a mix of sterling and US dollar bonds through private placement. The bonds were priced on 31 March 2011 with the respective coupons set as follows:

- £30 million, seven-year bond at 5.09%;
- $130 million, seven-year bond at 4.81%; and
- $78 million, ten-year bond at 5.37%.

The related legal documentation was signed on 27 April 2011 and the funds will be drawn on 30 June 2011.

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

16 Financial instruments

Categories of financial instrument	**Carrying amount 2011 £m**	**Income/ (expense) 2011 £m**	**Gain/(loss) to equity 2011 £m**	Carrying amount 2010 £m	Income/ (expense) 2010 £m	Gain/(loss) to equity 2010 £m
Interest rate swaps, caps and collars	**–**	**(3.1)**	**3.1**	–	(11.6)	11.8
Non-current liabilities at fair value	**–**	**(3.1)**	**3.1**	–	(11.6)	11.8
Interest rate swaptions	**–**	**(1.1)**	**(1.1)**	1.1	–	–
Interest rate floor	**2.7**	**–**	**–**	–	–	–
Non-current assets held at fair value	**2.7**	**(1.1)**	**(1.1)**	1.1	–	–
Trade receivables	**19.0**	**–**	**–**	31.7	–	–
Cash and cash equivalents	**3.0**	**–**	**–**	45.7	–	–
Loans and receivables	**22.0**	**–**	**–**	77.4	–	–
Trade and other payables	**(31.5)**	**–**	**–**	(30.6)	–	–
Interest-bearing loans and borrowings	**(352.1)**	**(12.4)**	**–**	(278.3)	(11.9)	–
Finance leases	**(28.5)**	**(0.4)**	**–**	(2.0)	(0.3)	–
Liabilities at amortised cost	**(412.1)**	**(12.8)**	**–**	(310.9)	(12.2)	–
Total financial instruments	**(387.4)**	**(17.0)**	**2.0**	(232.4)	(23.8)	11.8

Financial risk management objectives

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy tenants and obtaining sufficient rental cash deposits or third party guarantees as a means of mitigating financial loss from defaults.

The concentration of credit risk is limited due to the large and diverse tenant base. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of rent deposits obtained. Details of the Group's receivables are summarised in note 13 of the financial statements.

The Group's cash deposits are placed with a diversified range of banks and strict counterparty limits ensure the Group's exposure to bank failure is minimised.

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and as such it aims to maintain an appropriate mix of debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued share capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. Debt comprises long-term debenture stock and drawings against committed revolving credit facilities from banks.

The Group operates solely in the United Kingdom, and its operating profits and net assets are sterling denominated, as a result the Group's policy is to have no unhedged assets or liabilities denominated in foreign currencies. The currency risk on overseas transactions is fully hedged through foreign currency derivatives to create a synthetic sterling exposure.

Liquidity risk

The Group operates a framework for the management of the Group's short-, medium- and long-term funding requirements. Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. The Group's funding sources are diversified across a range of bank and bond markets and strict counterparty limits are operated on deposits.

The Group meets its day-to-day working capital requirements through the utilisation of its revolving credit facilities. The availability of these facilities depends on the Group complying with a number of key financial covenants; these covenants and the Group's compliance with these covenants are set out in the table below:

Key covenants	**Covenant**	**March 2011 Actuals**
Group		
Net debt/net equity	**≤1.25x**	**0.32x**
Inner borrowing (unencumbered asset value/unsecured borrowings)	**≥1.66x**	**3.46x**
Interest cover	**≥1.35x**	**4.03x**

The Group has undrawn credit facilities of £340 million and has substantial headroom above all of its key covenants. As a result the directors consider the Group to have adequate liquidity to be able to fund the ongoing operations of the business.

The following tables detail the Group's remaining contractual maturity on its financial instruments and have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay and conditions existing at the balance sheet date.

At 31 March 2011	**Carrying amount £m**	**Contractual cash flows £m**	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	144.2	286.2	8.0	8.0	24.1	246.1
Bank loans	207.9	217.8	5.0	201.1	11.7	–
Derivative financial instruments						
Interest rate swap	–	0.2	0.1	0.1	–	–
Interest rate floor	(2.7)	(6.7)	(1.1)	(2.2)	(3.4)	–
	349.4	497.5	12.0	207.0	32.4	246.1

At 31 March 2010	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	**144.3**	**294.3**	**8.0**	**8.0**	**24.2**	**254.1**
Bank loans	**134.0**	**137.3**	**1.4**	**1.4**	**134.5**	**–**
Derivative financial instruments						
Interest rate swaptions	**(1.1)**	**–**	**–**	**–**	**–**	**–**
	277.2	**431.6**	**9.4**	**9.4**	**158.7**	**254.1**

Market risk
Interest rate risk arises from the Group's use of interest-bearing financial instruments. It is the risk that future cash flows from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy either to eliminate interest rate risk over the cash flows on its long-term debt finance through the use of fixed rate debentures or to mitigate the risk through the use of floating to fixed interest rate swaps, caps, collars and swaptions. It is the Group's policy to maintain the proportion of floating interest rate exposure to between 20% – 40% of forecast total interest rate cost.

Interest rate swaps
Interest rate swaps enable the Group to exchange its floating rate interest payments on its bank debt for fixed rate payments on a notional value. Such contracts allow the Group to mitigate the risk of changing interest rates on the cash flow exposures on its variable rate bank loans by locking in a fixed rate on a proportion of its debt.

Interest rate caps
Interest rate caps protect the Group from rises in short-term interest rates by making a payment to the Group when the underlying interest rate exceeds a specified rate (the "cap rate") on a notional value. If the underlying rate exceeds the cap rate, the payment is based upon the difference between the two rates, ensuring the Group only pays the maximum of the cap rate.

Interest rate floors
Under the terms of an interest rate floor, one party (the seller) makes a payment to the other party (the buyer) if an underlying interest rate is below a specified rate.

The Group has agreed to issue debt with a fixed interest rate in June 2011. The Group has bought an interest rate floor, which, when combined with this fixed rate debt, gives rise to the same economic effect as purchasing an interest rate cap in respect of floating rate debt.

Interest rate swaptions
An interest rate swaption provides the Group with an option to enter into an interest rate swap on a specified future exercise date at a set price. On the exercise date the Group can either enter into the interest rate swap or let the option lapse. Such contracts act as an insurance policy against future interest rate rises.

Cross currency swaps
Cross currency swaps enable the Group to exchange receipts or payments denominated in currencies other than sterling for receipts or payments denominated in sterling. Such contracts allow the Group to eliminate foreign exchange risk arising from fluctuating exchange rates between sterling and other currencies.

The following table details the notional principal amounts and remaining terms of interest rate derivatives outstanding at 31 March:

	Average contracted fixed interest rate		**Notional principal amount**		**Fair value**	
	2011 %	2010 %	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Cash flow hedges						
Interest rate swaptions						
In excess of five years	**–**	4.00%	**–**	100.0	**–**	1.1
Interest rate swaps						
Between two and five years	**1.87%**	–	**11.0**	–	**–**	–
Interest rate floor						
Between two and five years	**2.53%**	–	**159.7**	–	**2.7**	–
	2.49%	–	**170.7**	100.0	**2.7**	1.1

The following table details the notional principal amounts and remaining terms of exchange rate derivatives outstanding at 31 March:

	Average exchange rate		**Foreign currency**		**Notional principal amount**		**Fair value**	
	2011 rate	2010 rate	**2011 US$m**	2010 US$m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Cash flow hedges								
Cross currency swap								
In excess of five years	**1.604**	–	**208.0**	–	**129.7**	–	**–**	–
	1.604	–	**208.0**	–	**129.7**	–	**–**	–

As at 31 March 2011 the aggregate amount of unrealised losses in respect of cash flow hedges was £1.5 million (2010: £4.6 million).

Interest rate sensitivity
The sensitivity analysis below has been determined based on the exposure to interest rates for both non-derivative and derivative financial instruments at the balance sheet date and represents management's assessment of possible changes in interest rates. For the floating liabilities the analysis is prepared assuming the amount of the liability at 31 March 2011 was outstanding for the whole year.

	Impact on profit		**Impact on equity**	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Increase of 50 basis points	**(5.7)**	2.6	**(4.3)**	4.7
Increase of 100 basis points	**(3.1)**	1.0	**(2.4)**	2.0
Decrease of 50 basis points	**2.6**	(0.3)	**2.2**	(0.8)
Decrease of 100 basis points	**5.6**	(0.2)	**4.9**	(1.3)

Foreign exchange sensitivity
The sensitivity analysis below has been determined based on the exposure to foreign exchange rates for derivative financial instruments at the balance sheet date and represents management's assessment of possible changes in foreign exchange rates.

	Impact on profit		**Impact on equity**	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Increase of 20%	**(2.4)**	–	**(2.4)**	–
Increase of 10%	**(1.3)**	–	**(1.3)**	–
Decrease of 10%	**1.6**	–	**1.6**	–
Decrease of 20%	**3.6**	–	**3.6**	–

Fair value of interest-bearing loans and borrowings

	Book value 2011 £m	**Fair value 2011 £m**	Book value 2010 £m	Fair value 2010 £m
Non-current liabilities at amortised cost	**352.1**	**341.1**	278.3	245.4
Non-current assets held at fair value (derivatives)	**(2.7)**	**(2.7)**	(1.1)	(1.1)
	349.4	**338.4**	277.2	244.3

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

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

17 Finance leases

Finance lease obligations in respect of the Group's leasehold properties are payable as follows:

	Minimum lease payments 2011 £m	**Interest 2011 £m**	**Principal 2011 £m**	Minimum lease payments 2010 £m	Interest 2010 £m	Principal 2010 £m
Less than one year	**1.3**	**(1.3)**	**–**	0.2	(0.2)	–
Between two and five years	**5.3**	**(5.3)**	**–**	0.7	(0.7)	–
More than five years	**221.9**	**(193.4)**	**28.5**	21.2	(19.2)	2.0
	228.5	**(200.0)**	**28.5**	22.1	(20.1)	2.0

18 Share capital

	2011 Number	**2011 £m**	2010 Number	2010 £m
Allotted, called up and fully paid				
At 1 April	**312,676,149**	**39.1**	181,023,034	22.6
Issue of ordinary shares – Rights Issue	**–**	**–**	131,653,115	16.5
At 31 March	**312,676,149**	**39.1**	312,676,149	39.1

19 Investment in own shares

	2011 £m	2010 £m
At 1 April	**0.3**	0.2
Employee Long-Term Incentive Plan and Share Matching Plan charge	**(1.9)**	(1.5)
Purchase of shares	**5.7**	3.5
Transfer to retained earnings	**(0.1)**	(1.9)
At 31 March	**4.0**	0.3

The investment in the Company's own shares is held at cost and comprises 2,482,630 shares (2010: 1,022,179 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 year 324,748 shares (2010: 499,231 shares) were awarded to directors and senior employees in respect of the 2007 LTIP award. The fair value of shares awarded and outstanding at 31 March 2011 was £7.4 million (2010: £11.3 million).

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

	2011 £m	2010 £m
Surplus from investment property	**(131.3)**	(89.8)
Employee Long-Term Incentive Plan and Share Matching Plan charge	**1.9**	1.5
Amortisation of capitalised lease incentives	**3.3**	(2.9)
Share of results from joint ventures	**(97.9)**	(59.0)
Other non-cash items	**0.3**	(0.1)
Adjustments for non-cash items	**(223.7)**	(150.3)

21 Dividends

	2011 £m	2010 £m
Ordinary dividends paid		
Interim dividend for the year ended 31 March 2011 of 3.1 pence per share	**9.6**	–
Second interim dividend for the year ended 31 March 2010 of 5.0 pence per share	**15.6**	–
Interim dividend for the year ended 31 March 2010 of 3.0 pence per share	**–**	9.3
Final dividend for the year ended 31 March 2009 of 8.0 pence per share	**–**	14.5
	25.2	23.8

A final dividend of 5.1 pence per share was approved by the Board on 24 May 2011 and will be paid on 12 July 2011 to shareholders on the register on 3 June 2011. The dividend is not recognised as a liability at 31 March 2011. The 2010 second interim dividend and the 2011 interim dividend were paid in the year and are included within the Group statement of changes in equity.

22 Operating leases

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

	2011 £m	2010 £m
The Group as a lessor		
Less than one year	**37.9**	36.9
Between two and five years	**104.8**	107.0
More than five years	**85.5**	91.4
	228.2	235.3

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2011 was 5.0 years (2010: 5.8 years). All investment properties except those under development generated rental income and no contingent rents were recognised in the year (2010: £nil).

23 Employee benefits

The Group contributes to a defined benefit pension plan (the "Plan"), the assets of which are held by trustees separately from the assets of the Group. The Plan has been closed to new entrants since April 2002. The most recent actuarial valuation of the Plan was conducted at 1 April 2009 by a qualified independent actuary using the projected unit method. The Plan was valued using the following main assumptions:

	2011 %	2010 %
Discount rate	**5.50**	5.75
Expected return on Plan assets	**5.45**	5.47
Expected rate of salary increases	**4.50**	4.75
Future pension increases	**3.50**	3.75

To develop the expected long-term rate of return on the Plan assets, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the long-term rate of return on Plan assets for the portfolio. This resulted in the selection of an assumption of 5.45% p.a.

The amount recognised in the balance sheet in respect of the Plan is as follows:

	2011 £m	2010 £m
Present value of unfunded obligations	**(18.7)**	(17.5)
Fair value of the Plan assets	**18.4**	17.3
Pension liability	**(0.3)**	(0.2)

Amounts recognised as administration expenses in the income statement are as follows:

	2011 £m	2010 £m
Current service cost	**(0.2)**	(0.2)
Interest on obligation	**(1.0)**	(0.9)
Expected return on the Plan assets	**0.9**	0.8
	(0.3)	(0.3)

Actuarial deficit recognised immediately in the Group statement of changes in equity	**(0.2)**	(1.0)
Cumulative actuarial gains recognised in the Group statement of changes in equity	**1.2**	1.4

Changes in the present value of the pension obligation are as follows:

	2011 £m	2010 £m
Defined benefit obligation at 1 April	**17.5**	13.4
Service cost	**0.2**	0.2
Interest cost	**1.0**	0.9
Actuarial gain	**0.5**	3.6
Benefits paid	**(0.5)**	(0.6)
Defined benefit obligation at 31 March	**18.7**	17.5

Changes to the fair value of the Plan assets are as follows:

	2011 £m	2010 £m
Fair value of the Plan assets at 1 April	**17.3**	14.1
Expected return on the Plan assets	**0.9**	0.8
Actuarial gain	**0.3**	2.6
Contributions	**0.4**	0.4
Benefits paid	**(0.5)**	(0.6)
Fair value of the Plan assets at 31 March	**18.4**	17.3
Net liability	**(0.3)**	(0.2)

The fair value of the Plan assets at the balance sheet date is analysed as follows:

	2011 £m	2010 £m
Equities	**7.4**	6.9
Bonds	**11.0**	10.4
	18.4	17.3

The actual return on Plan assets was a surplus of £1.2 million (2010: surplus of £3.4 million).

Life expectancy assumptions on retirement:

	2011 Years	2010 Years
Male aged 65	**23**	23
Female aged 65	**23**	26
Male aged 40	**25**	24
Female aged 45	**25**	28

The history of the Plan assets for the current and prior years is as follows:

	2011	2010	2009	2008	2007
Difference between expected and actual return on the scheme assets:					
Amount £m	**0.3**	2.6	(3.0)	(0.8)	(0.2)
Percentage of scheme assets	**1%**	15%	(21%)	(5%)	(1%)
Experience gains and losses on scheme liabilities:					
Amount £m	**–**	–	1.7	–	–
Percentage of scheme assets	**–**	–	13%	–	–
Total gains and losses:					
Amount £m	**–**	(1.0)	(1.8)	1.9	–
Percentage of scheme assets	–	(6%)	(13%)	13%	–

The Group expects to contribute £0.2 million to the Plan in the year ended 31 March 2012.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Report of the directors, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board on 24 May 2011and signed on its behalf by

Toby Courtauld	Timon Drakesmith
Chief Executive	Finance Director

Glossary

Earnings Per Share (EPS)
Profit after tax divided by the weighted average number of ordinary shares in issue.

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

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

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

F&BS
Finance and Business Services sector.

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

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

Loan To Value (LTV)
Total bank loans and debenture stock (including our share of joint ventures) expressed as a percentage of the market value of the property portfolio (including our share of joint ventures).

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

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

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

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

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

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

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

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

REIT
UK Real Estate Investment Trust.

Rent roll
The annual contracted rental income.

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

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

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

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

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

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

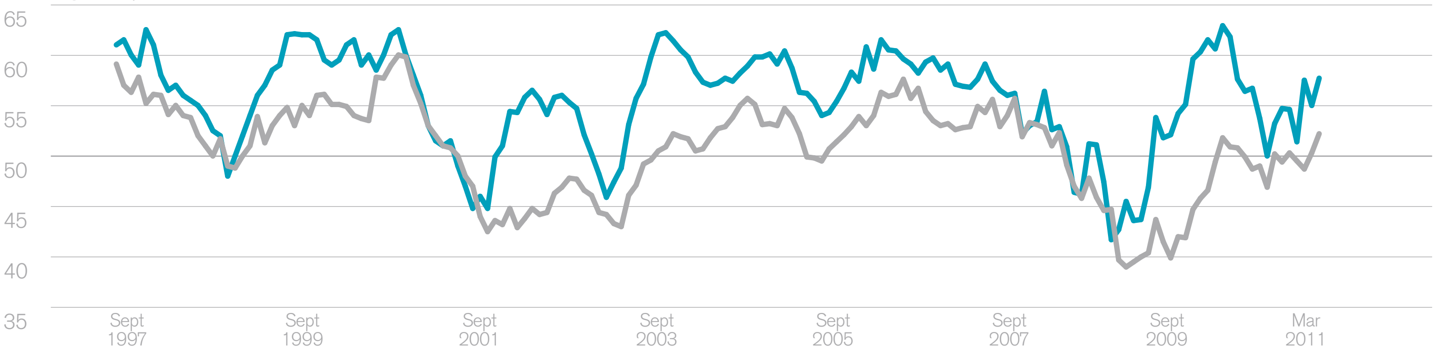
True equivalent yield
The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value having taken into account notional purchaser's costs.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

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

Weighted Average Unexpired Lease Term (WAULT)
The Weighted Average Unexpired Lease Term expressed in years.

Change in London business activity and employment

50% = growth point

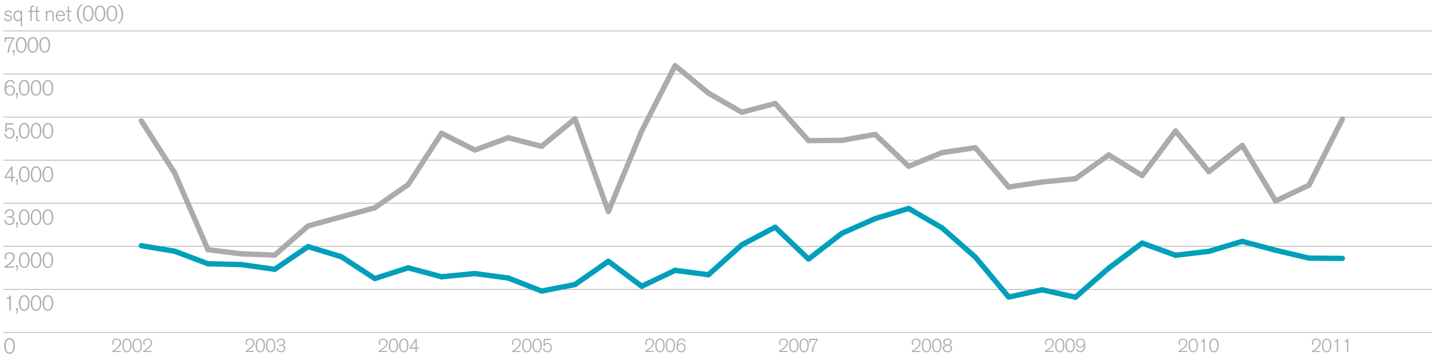


Source: PMI London Report

- Business activity
- Employment

Active tenant demand – central London offices

sq ft net (000)



Source: Knight Frank

- West End
- City

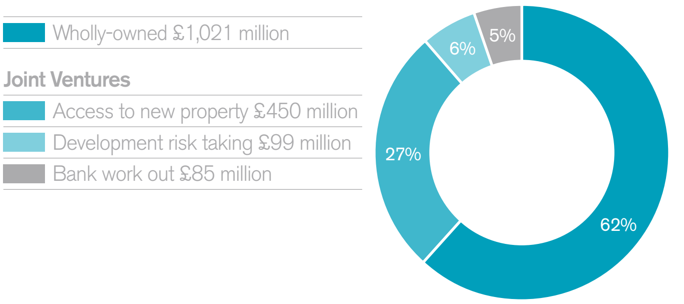
Selected lead indicators	Trends in year
Property capital values	
Equity and bond prices	↑
Changes in new lending by major UK and European banks	↑
Transaction volumes in central London direct real estate investment markets	↑
Direction of pricing on IPD based derivative contracts	↓
Rental values	
UK GDP growth	↑
London retail sales	→
Business confidence levels in the central London economy	↑
UK output from the financial and business services sector	↑
UK finance and business services employment statistics	→

Appendix 2

Purchases for the year to 31 March 2011

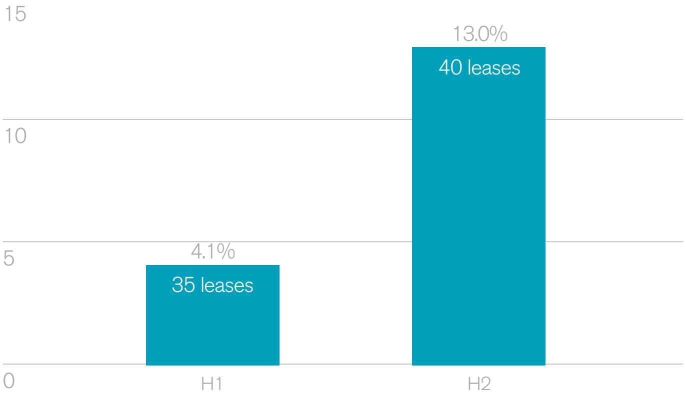
Description	Price £m	NIY %	Area sq ft	Cost £ per sq ft
35 Portman Square	53.0	7.7	73,000	726
City Place House	47.0	7.2	177,000	531
City Tower	17.5	8.3	132,600	263
20 St James's Street	42.5	4.6	55,500	765
73/77 Oxford Street	7.5	n/a	n/a	n/a
GCP Properties	45.1	3.5	140,100	322
	212.6		**578,200**	

Wholly-owned and JV property assets as at 31 March 2011



Open market lettings for the year to March 2011

Premium over March 2010 estimated rental value %



New lettings and renewals by quarter

£m

1 New rent per annum.

Key letting deals

Property	Tenant	Term	Rent p.a.[1]
24/25 Britton Street, EC1	Kurt Geiger	15 years	£1,525,000
184/190 Oxford Street, W1	Aldo	15 years	£920,000
14/17 Market Place, W1	Lyle & Scott	10 years	£443,500
508/540 Oxford Street, W1	Holland and Barrett	10 years	£217,500
90 Queen Street, EC4	Intesa Sanpaolo S.p.A	15 years	£2,900,000
20/30 Great Titchfield Street, W1	Heineken UK	10 years	£617,100
			£6,623,100

1 GPE Share

Committed schemes and pipeline

Development	Anticipated finish	New building area[1]	Total project cost $£m^2$	Proposed ERV $£m^2$	Secured income £m
Committed					
184/190 Oxford Street, W1	Complete	26,400	2.4	1.7	1.7
24/25 Britton Street, EC1	Sep 11	51,300	6.8	1.6	1.6
23/24 Newman Street, W1	Oct 11	25,200	11.3	0.2	–
Marcol House, 289/295 Regent Street, W1	Oct 12	103,300	50.3	6.9	0.3
160 Great Portland Street, W1	May 12	88,200	26.7	4.9	4.9
79/97 Wigmore Street, W1	Jun 13	111,400	31.7	3.1	–
Total of committed		**405,800**	**129.2**	**18.4**	**8.5**
Near-term non-committed 11 projects	2012–2014	1,823,300		49.5	
Pipeline 10 projects		844,900			
Total programme **27 projects, 52% of GPE's existing portfolio**		**3,074,000**			

1 Areas are in sq ft and at 100%.

2 For those held in JV, costs are shown as GPE's share.

Portfolio performance

		Wholly-owned £m	Share of joint venture £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	355.8	69.3	425.1	25.7%	17.0%
	Retail	60.8	84.1	144.9	8.7%	8.3%
Rest of West End	Office	103.1	121.3	224.4	13.6%	15.3%
	Retail	85.6	97.8	183.4	11.1%	8.2%
Total West End		605.3	372.5	977.8	59.1%	13.5%
City and Southwark	Office	146.5	63.8	210.3	12.7%	10.3%
	Retail	19.7	1.7	21.4	1.3%	15.7%
Total City and Southwark		166.2	65.5	231.7	14.0%	10.8%
Investment property portfolio		771.5	438.0	1,209.5	73.1%	12.9%
Development property		84.1	125.6	209.7	12.7%	16.9%
Total properties held throughout the year		**855.6**	**563.6**	**1,419.2**	**85.8%**	**13.5%**
Acquisitions		165.4	69.9	235.3	14.2%	9.6%
Total property portfolio		**1,021.0**	**633.5**	**1,654.5**	**100.0%**	**12.9%**[1]

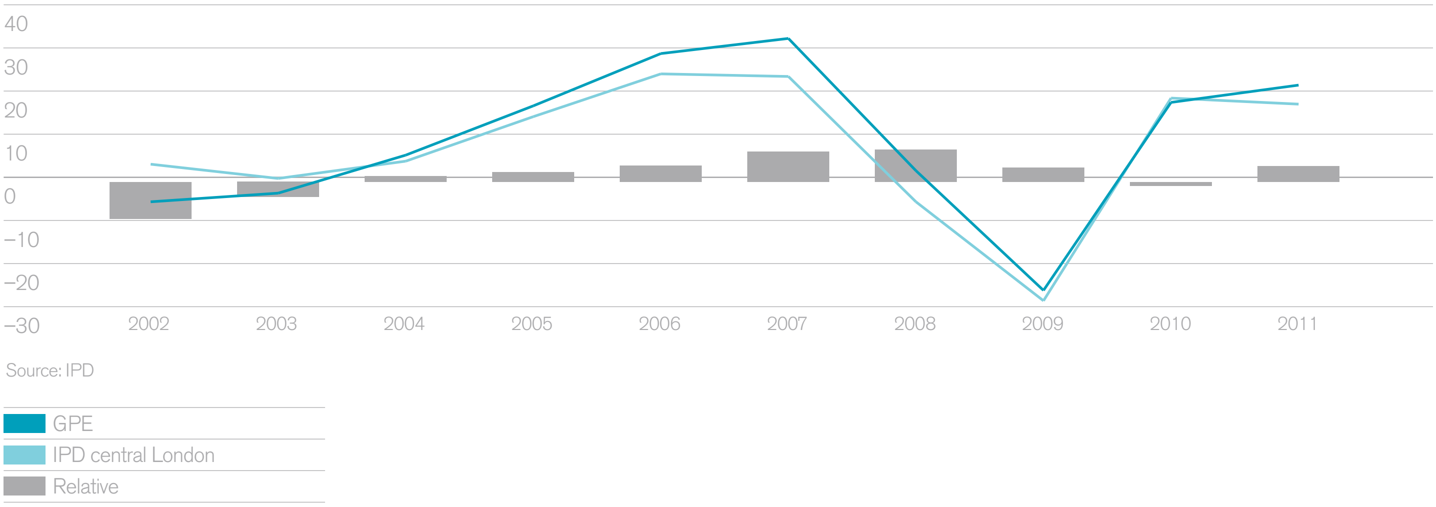
1 Excludes the proceeds from the 160 Great Portland Street surrender.

Portfolio characteristics

		Investment properties £m	Development properties £m	Total property portfolio £m	Office £m	Retail £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		649.6	198.9	848.5	654.5	194.0	848.5	1,436
Rest of West End		453.4	–	453.4	268.1	185.3	453.4	879
Total West End		**1,103.0**	**198.9**	**1,301.9**	**922.6**	**379.3**	**1,301.9**	**2,315**
City and Southwark		322.7	29.9	352.6	330.9	21.7	352.6	1,063
Total		**1,425.7**	**228.8**	**1,654.5**	**1,253.5**	**401.0**	**1,654.5**	**3,378**
By use:	Office	1,060.3	193.2	1,253.5				
	Retail	365.4	35.6	401.0				
Total		**1,425.7**	**228.8**	**1,654.5**				
Net internal area sq ft 000's		2,990	388	3,378				

Total property return (% p.a.) relative to IPD central London index

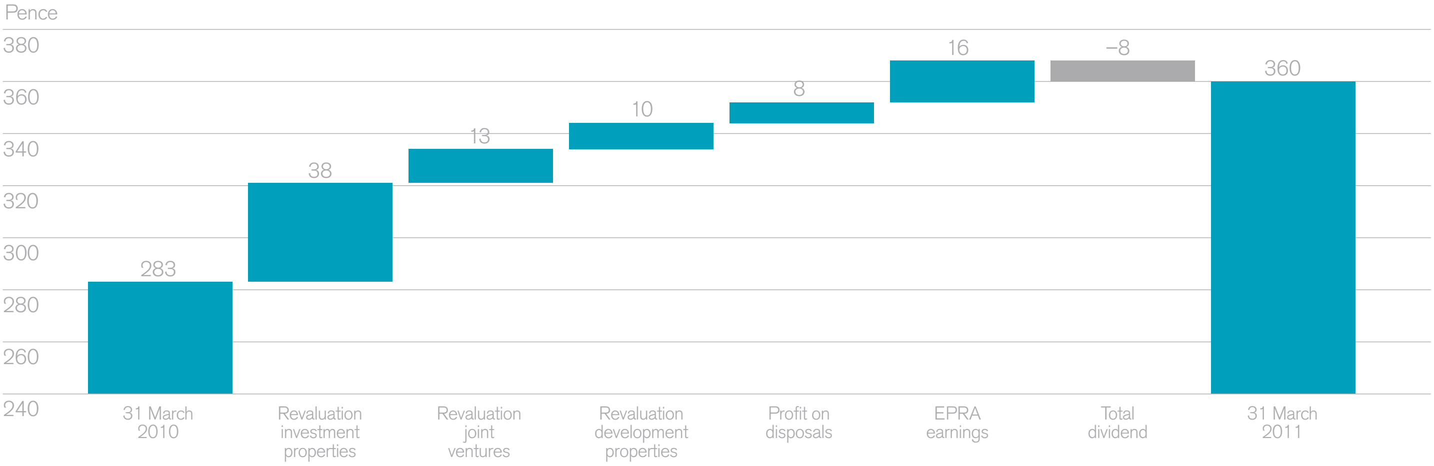
Years to 31 March



Source: IPD

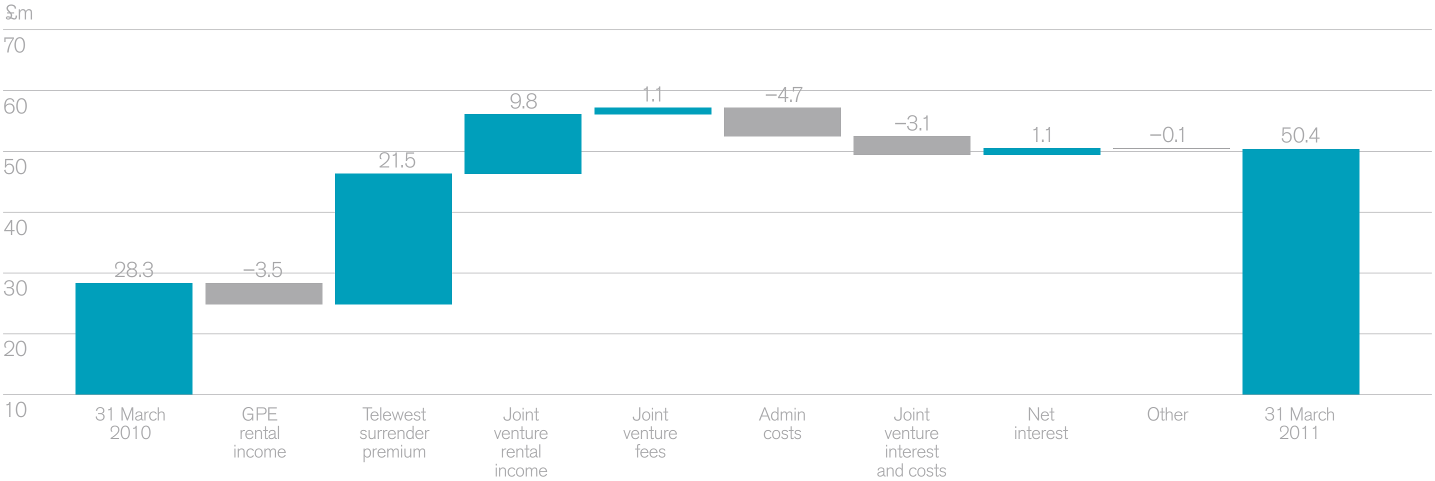
EPRA net assets per share[1]

Movement since 31 March 2010



1 Adjusted per EPRA guidance.

EPRA profits before tax – year to 31 March 2011

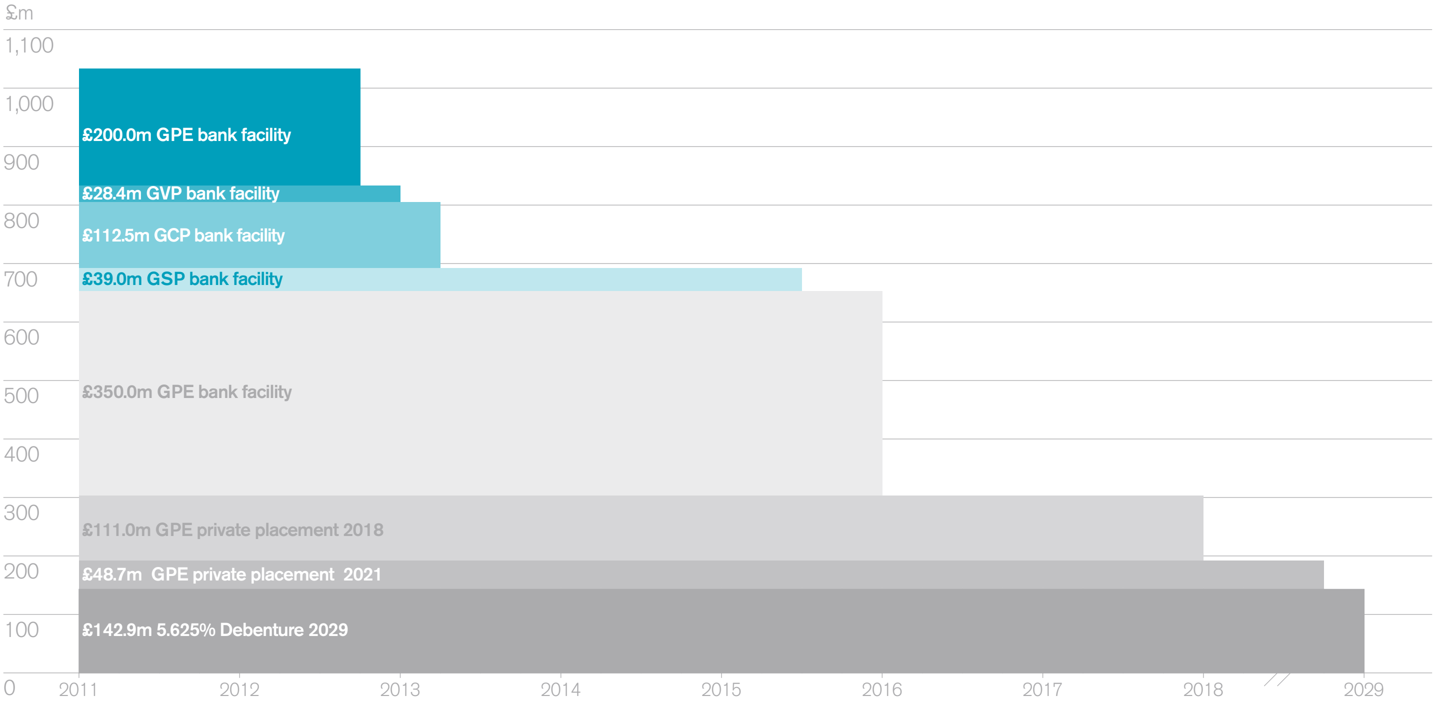


Debt analysis

	March 2011 £m	March 2010 £m
Net debt excluding JVs	**349.1**	232.6
Net gearing	**31.4%**	26.5%
Total net debt including 50% JV non-recourse debt	**514.0**	359.2
Loan-to-property value	**31.1%**	28.8%
Total net gearing	**46.2%**	41.0%
Interest cover	**4.0x**	3.4x
Weighted average interest rate	**4.3%**	4.9%
% of debt fixed/capped	**57%**	61%
Cash and undrawn facilities	**518**[1]	477

1 Pro forma including £159.7 million private placement.

Debt maturity profile – committed facilities

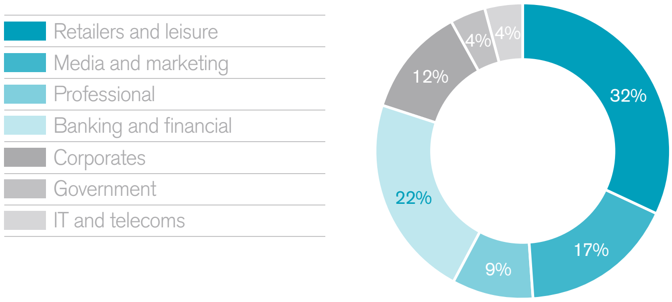


Appendix 5

Top 10 tenants

	Top 10 tenants	Percentage of rent roll
1	The Engine Group Limited	5.5%
2	Intesa Sanpaulo S.p.A	4.2%
3	New Look Limited	3.7%
4	Fallon London Limited	2.2%
5	Cleary Gottlieb Steen & Hamilton LLP	2.0%
6	Secretary of State for Communities and Local Government	1.8%
7	Austin Reed Limited	1.8%
8	Ahli United Bank (UK) Plc	1.7%
9	Next Group plc	1.4%
10	Russell & Bromley Limited	1.3%
Total		**25.6%**

Tenant diversity including share of joint ventures



Lease profile

			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	24.2	0.8	25.0	2.4	0.2	2.6	27.6
		Retail	4.7	0.1	4.8	4.3	1.0	5.3	10.1
	Rest of West End	Office	3.5	0.1	3.6	7.3	0.6	7.9	11.5
		Retail	2.6	0.8	3.4	5.3	–	5.3	8.7
	Total West End		**35.0**	**1.8**	**36.8**	**19.3**	**1.8**	**21.1**	**57.9**
	City and Southwark	Office	8.2	1.6	9.8	5.9	1.1	7.0	16.8
		Retail	0.9	0.4	1.3	0.1	–	0.1	1.4
	Total City and Southwark		**9.1**	**2.0**	**11.1**	**6.0**	**1.1**	**7.1**	**18.2**
Total let portfolio			**44.1**	**3.8**	**47.9**	**25.3**	**2.9**	**28.2**	**76.1**
Voids					1.5			1.3	2.8
Premises under refurbishment					11.3			14.1	25.4
Total portfolio					**60.7**			**43.6**	**104.3**

Rent roll security, lease lengths and voids

			Wholly-owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length years	EPRA vacancy %	Rent roll secure for five years %	Weighted average lease length years	EPRA vacancy %
London	North of Oxford Street	Office	39.9	5.3	2.8	0.4	2.5	7.5
		Retail	62.3	5.3	1.8	75.7	8.3	–
	Rest of West End	Office	–	1.7	–	17.3	3.5	2.1
		Retail	6.0	2.1	4.0	76.1	11.4	0.5
	Total West End		**36.1**	**4.7**	**2.4**	**45.5**	**6.7**	**3.8**
	City and Southwark	Office	53.1	5.8	2.3	62.2	5.2	0.7
		Retail	72.2	9.1	1.1	83.3	9.4	–
	Total City and Southwark		**54.9**	**6.2**	**2.7**	**62.7**	**5.3**	**0.9**
Total let portfolio			**40.0**	**5.0**	**2.5**	**49.7**	**6.4**	**3.0**

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	40	48	26	44	4.2	5.2	3.8	5.2
		Retail	29	39	70	82	4.5	5.0	4.8	4.9
	Rest of West End	Office	30	33	36	38	3.1	4.4	5.2	5.4
		Retail	43	61	48	48	2.7	4.4	4.7	4.9
	Total West End		**37**	**45**	**42**	**45**	**3.8**	**4.9**	**4.8**	**5.1**
	City and Southwark	Office	26	32	35	38	3.9	6.0	3.8	6.2
		Retail	21	33	39	38	4.1	5.8	6.1	6.5
	Total City and Southwark		**26**	**32**	**35**	**37**	**3.9**	**5.9**	**3.8**	**6.2**
Total portfolio			**34**	**41**	**40**	**42**	**3.8**	**5.1**	**4.5**	**5.4**

Risk and impact	Mitigation	Change From last year	Commentary
Market risk			
Central London real estate market underperforms other UK property sectors leading to poor relative financial results	Research into the economy and the investment and occupational markets is evaluated as part of the Group's annual strategy process covering the key areas of investment, development and asset management and updated regularly throughout the year.	→	The central London real estate market has considerably out performed the wider UK Market during the year ended 31 March 2011, demonstrated by IPD's central TPR exceeding IPD's universe by 6.7 percentage points and the outlook continues to be favourable.
Economic recovery falters resulting in worse than expected performance of the business given decline in economic output	Regular economic updates received and scenario planning for different economic cycles. 46% of income from committed developments secured.	→	Whilst the economic environment appears to have stabilised and take up has increased markedly on last year, there remains the continued downward pressure from the Eurozone Sovereign debt crisis and the impact of the Government's austerity measures have yet to be seen.
Investment			
Not sufficiently capitalising on market investment opportunities through difficulty in sourcing investment opportunities at attractive prices, poor investment decisions and mistimed recycling of capital	The Group has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions. 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 choice of those buildings with limited relative potential performance.	↓	With independent forecasts indicating that capital values are expected to rise over the near to medium term, limited disposals were made during the year. The Group has committed in excess of £370 million since its Rights Issue in May 2009 equating to nearly a quarter of the portfolio at 31 March 2011. With the market having risen from the low of 2009, the risk of missing compelling acquisitions has lessened.
Asset management			
Failure to maximise income from investment properties through poor management of voids, mispricing, low tenant retention, sub-optimal rent reviews, tenant failures and inappropriate refurbishments	The Group's in-house asset management and leasing teams proactively manage tenants to ensure changing needs are met with a focus on retaining income in light of vacant possession requirements for refurbishments and developments.	→	The Group continues to maintain a low void rate which was 2.7% at 31 March 2011. Tenant delinquencies were less than 1% of the rent roll for the year to 31 March 2011. The Group continues to actively manage the portfolio to maximise occupancy and drive rental growth.
Development			
Poor development returns relating to: – incorrect reading of the property cycle; – inappropriate location; – failure to gain viable planning consents; – level of development undertaken as a percentage of the portfolio; – level of speculative development; – contractor availability and insolvency risk; – quality of the completed buildings; and – poor development management	See market risk 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. 46% of income from committed developments secured. Due diligence is undertaken of the financial stability of demolition and main contractors prior to awarding of contracts. Working with agents, potential occupiers' needs and aspirations are identified during the planning application and design stages. 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.	↑	With forecasted supply of central London office space expected to be scarce in the near to medium term, the Group has embarked on a near-term development programme to capitalise on the expected resulting rental growth. The Group's exposure to development risk has increased accordingly.

Risk and impact	Mitigation	Change From last year	Commentary
Financial risks			
Limited availability of further capital constrains the growth of the business	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. 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.	↓	Since 31 March 2010, the Group has refinanced all of its 2012 debt maturities. Pro forma undrawn cash and committed credit facilities are £518 million.
Adverse interest rate movements reduce profitability	Formal policy to manage interest rate exposure by having a high proportion of debt with fixed or capped interest rates through derivatives.	→	With the strength of economic recovery still uncertain, the timing of interest rate rises remains unclear.
Inappropriate capital structure results in suboptimal NAV per share growth	Regular review of current and forecast debt levels.	→	The Group's existing capital structure is well placed to take advantage of opportunities as they arise and to deliver our near-term development programme.
People			
Correct level, mix and retention of people to execute our Business Plan. Strategic priorities not achieved because of inability to attract, develop, motivate and retain talented employees	Regular review is undertaken of the Group's resource requirements. The Company has a remuneration system that is strongly linked to performance and a formal appraisal system to provide regular assessment of individual performance and identification of training needs.	→	With increased levels of activity, the Group has strengthened and broadened its team and the process to appoint a new Finance Director is ongoing. At the 2010 AGM, shareholders approved a new Long Term Incentive Plan.
Regulatory			
Adverse regulatory risk including tax, planning, environmental legislation and EU directives increases cost base and reduces flexibility	Senior Group representatives spend considerable time, using experienced advisers as appropriate, to ensure compliance with current and potential future regulations. Lobbying property industry matters is undertaken by active participation of the Executive Directors through relevant industry bodies.	↑	During the year new Building Regulations came into effect requiring further reductions on carbon emissions whilst the risk to the Group from increasing regulation having unforeseen consequences and the impact of certain EU directives including the AIFM directive continues to be uncertain.
Health and safety incidents Loss of or injury to employees, contractors or tenants and resultant reputational damage	The Company has dedicated Health & Safety personnel to oversee the Group's management systems which include regular risk assessments and annual audits to proactively address key Health & Safety areas including employee, contractor and tenant safety. On developments, the Group operates a pre-qualification process to ensure selection of competent consultants and contractors.	↑	The Group had no reportable accidents during the year, however, as a result of our near-term development programme we have increased exposure to health and safety incidents on our development sites.