Press release

GPE.
Greater together

24 May 2023

Strong operating performance, supported by record leasing and flex expansion

The Directors of Great Portland Estates plc announce the results for the Group for the year ended 31 March 2023[1], with highlights including:

- **Strong strategic positioning with flight to quality delivering success; £55.5m of leasing, a new record, 3.3% ahead of ERV[2]; market-leading customer NPS of +44.0[5]**
- **Expanding our Flex offer, now 414,000 sq ft (c.21% of office portfolio), targeting 1 million sq ft including two recent acquisitions for £53 million with more expected**
- **Significant capex programme of £0.8 billion; 1.4 million sq ft delivering into Grade A supply drought**
- **ERVs up 2.1%, with yield driven valuation decline of 6.6%; outperforming MSCI central London benchmark by 4.8 pps; EPRA NTA per share of 757 pence**
- **Significant financial strength; low LTV of 19.8% and £457m of liquidity**
- **Sustainability - Statement of Intent 2.0 and Brief for Creating Sustainable Spaces launched**
- **GPE well positioned to capitalise on opportunities emerging in London's bifurcating market; customers demanding centrally located, prime sustainable space**

Toby Courtauld, Chief Executive, said: *"During a year marked by elevated political and economic uncertainty, we have delivered a strong operating performance with record leasing, positive rental growth and resilient financial results.*

Despite the impact of recent interest rate rises, London has continued to recover and is evidently busier than this time last year; centrally located offices are returning to more normal levels of occupation, and the West End is seeing higher numbers of both shoppers and tourists, supported by the opening of the Elizabeth Line.

From here, whilst macro-economic challenges are likely to persist, we do not expect the recovery to be uniform. For some time, we have witnessed a growing divergence between the prospects of the best spaces versus the rest, and we believe this is set to widen further as customers seek out sustainable and well designed, prime spaces, of which there is a marked shortage, particularly in the West End. Consequently, we have increased our rental growth guidance for our prime offices to be between 3% to 6% for the year.

Through our strategic focus on prime HQ and Flex offerings, we are well positioned to benefit, and we are growing our ambition. Our office-led capex programme extends to more than £800 million of best-in-class sustainable spaces and we are targeting growth of our Flex space to more than one million square feet, underpinned by our Customer First service approach which is delivering industry-leading customer satisfaction. So, with exceptionally strong finances and plentiful liquidity, we will continue capitalising on opportunities that are emerging, and with our experienced team, we can look to our future with confidence."

Customer First approach driving record leasing inc. pre-let of all offices at 2 Aldermanbury Square, EC2

- £55.5 million p.a. of new annual rent across 686,700 sq ft (inc. £10.2 million in retail), market lettings 3.3% above March 2022 ERV, including;
  - our largest ever pre-let at 2 Aldermanbury Square, EC2; £24.7 million, 20-year term; with all the planning conditions met the agreement for lease with Clifford Chance is now unconditional;
  - £11.8 million of Flex lettings, 10.8% ahead of March 2022 ERV inc. 14 Fully Managed leases, achieving on average £181 per sq ft; and
  - 35 new retail leases securing £10.2 million of rent with market lettings 9.1% below March 2022 ERV, including leasing all the retail units at 70/88 Oxford Street, W1.
- Outstanding customer satisfaction, NPS score +44.0 v industry average +3.8; 'Together We Thrive' service proposition launched
- Rental income growth of 6.5%[3]; vacancy down to 2.5% (Mar 2022: 10.8%); 7 day rent collection 99.5%; further £5.7 million of lettings under offer at 18.0% premium to March 2023 ERV

Flex expansion, now 414,000 sq ft, targeting one million sq ft including two recent acquisitions

- Our Flex offer now c.21% of office portfolio (up from 15% in Sep 2022), targeting 1 million sq ft or c.41% of office portfolio over next five years
- Two acquisitions (£37.1 million) inc. 6/10 St Andrew Street, EC4 for £30.0 million (£650 per sq ft)
- Since 1 April, two further Flex acquisitions (£53 million) inc. 141 Wardour Street, W1 in core Soho for £39 million (£1,156 per sq ft) and Bramah House, 65/71 Bermondsey Street, SE1 for £14 million (£892 per sq ft)

Total prospective capex of £0.8 billion; commitment to 2 Aldermanbury Square, EC2

- Good progress across 11 schemes, well timed to deliver into supply constrained market; 1.4 million sq ft; c.49% of portfolio
- Following pre-let, commitment to develop net-zero carbon 2 Aldermanbury Square, EC2, good progress, building demolished; anticipated completion Q4 2025
- Three further near-term development schemes, first starting later this year; with significant refurbishment programme to enhance our Fully Managed offer inc. 6/10 St Andrews Street, EC4

ERVs up 2.1%, with valuation down 6.6% driven by yield expansion; EPRA[4] NTA per share of 757 pence

- Portfolio valuation of £2.4 billion, down 6.6%[3]; -7.3% offices (inc. Flex -5.1%) and -4.5% retail
- Rental values up by 2.1%[3] (+3.3% offices (inc. Flex +4.0%) and -1.5% retail); yield expansion of 42 bp
- Capital return outperformance of 4.8pp v MSCI Central London (annual index)
- Portfolio rental value growth guidance of 0% to 5% for the new financial year, prime offices 3% to 6%
- IFRS NAV and EPRA[4] NTA per share of 757 pence, down 9.3% over twelve months
- EPRA[4] earnings of £24.0 million, down 12.4% on 2022. EPRA[4] EPS of 9.5 pence, down 12.0%
- IFRS loss after tax of £163.9 million (2022: profit of £167.2 million); total dividend maintained at 12.6 pence

Significant strength; low LTV of 19.8%, £457 million of liquidity

- EPRA LTV of 19.8%, weighted average interest rate of 2.7%, cash and undrawn facilities of £457 million[5]; weighted average debt maturity of 6.4 years
- £217.8 million of sales inc. 50 Finsbury Square, EC2 for £190 million, reflecting a topped up NIY of 3.85%
- Reviewing £0.7 billion of acquisitions and £0.2 billion of sales

Sustainability Strategy updated

- Sustainability Statement of Intent 'The Time is Now' updated; greater focus on adapting our whole business to the physical impacts of climate change
- New Brief for Creating Sustainable Spaces; challenging performance requirements for our supply chain to deliver on our commitments as we design, construct, fit out and operate our spaces

[1] All values include share of joint ventures unless otherwise stated [2] Leasing in period to 31 March 2023 [3] On a like-for-like basis [4] In accordance with EPRA guidance. We prepare our financial statements using IFRS, however we also use a number of adjusted measures in assessing and managing the performance of the business. These include like-for-like figures to aid in the comparability of the underlying business and proportionately consolidated measures, which represent the Group's gross share of joint ventures rather than the net equity accounted presentation included in the IFRS financial statements. These metrics have been disclosed as management review and monitor performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector, see note 7 to the financial statements. Our primary NAV metric is EPRA NTA which we consider to be the most relevant measure for the Group. [5] Source: RealService.

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The results presentation will be broadcast live at 8.30am today with the link available at:

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

A conference call facility will also be available to listen to the presentation at 8.30am today on the following numbers:

UK: 0808 109 0701 (freephone) International: +44 (0) 33 0551 0211
Conference PIN: 5216721#

A video interview with Toby Courtauld and Nick Sanderson is available, along with accompanying presentation materials and appendices, at:

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

For further information see www.gpe.co.uk or follow us on Twitter at @GPE_plc

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

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

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

Statement from the Chief Executive

Please see accompanied graphics (see appendix 1)

Strategic positioning delivering success

Despite an uncertain political and economic backdrop, our leasing successes, positive progress at our development schemes, successful recycling and disciplined capital management together delivered resilient financial results.

Last year we outlined our evolving strategy, setting out two complementary, overlapping activities:

- HQ repositioning – delivering large, best-in-class HQ buildings; and
- Flex spaces – smaller fitted units, often Fully Managed and with higher service levels.

This year we saw the benefit of our efforts: we completed our largest ever pre-let, sold 50 Finsbury Square, EC2 for a market-beating yield, increased our Flex space footprint to 414,000 sq ft and raised our ambition for growth to one million sq ft, with recent acquisitions further demonstrating our intent. With a portfolio full of opportunity, exceptional financial strength and a talented team, we remain extremely well positioned.

Customer First; together we thrive

The foundation of our success, across the breadth of our business, rests on our providing spaces and experiences that our customers want. Our Customer First approach, puts customer needs at the centre of everything we do, helping them to thrive, by designing, creating, managing and owning market-leading, sustainable workspaces, delivering personal customer experiences every single day.

This year, to ensure we continue to deliver and maintain the highest standards, we have developed our new service proposition 'Together we thrive' which sets out five service standards that we will always adhere to, ensuring both a consistency in our approach and the promise of a compelling offer to our customers. We have also restructured and enhanced our teams to increase our capability and improve the diversity of our customer facing roles. Encouragingly, our approach is working well, with positive feedback from our customers and our Net Promoter Score rising to +44.0, significantly ahead of the industry average of +3.8.

Another record leasing year

During the year, we saw sustained demand for both our office and retail spaces. We delivered a record £55.5 million of new leases, with market lettings 3.3% ahead of the March 2022 ERV. In October, we pre-let all 321,100 sq ft of office space at our 2 Aldermanbury Square, EC2 development to Clifford Chance LLP, demonstrating, once again, the enduring attraction of well-designed and located, modern, sustainable offices. We also signed 31 new deals across our Flex spaces, securing £11.8 million in rent. With our portfolio well suited to Flex, and our long track record of delivering best-in-class spaces, we are being rewarded for our endeavours, setting new record rents as we further expand our offer.

Retail activity also continued to recover, with levels of footfall in the West End's key shopping streets close to pre-pandemic levels. This was reflected in our leasing, with 35 deals completed, securing £10.2 million of rent and reducing our retail vacancy rate significantly, from 20.4% to 5.5%.

Outperforming in challenging markets

Despite our operational successes, the challenging macro-economic and geopolitical environment put property values in our markets under pressure. Across our portfolio, property values reduced by 6.6% over the year, reflecting the global impact of rising interest rates on property yields. Whilst values were down, our portfolio performance was well ahead of our central London benchmarks. Our retail space was down 4.5%, outperforming our office space, which was down by 7.3%, with our Flex office spaces again outperforming traditional offices, down 5.1%. Despite the economic disruption, office ERVs continued to grow, up 3.3% in the year, reflecting the continued shortage of high quality office space across our markets. Our retail ERVs declined by 1.5%; however, looking forward, we are increasingly optimistic for the coming year.

The valuation decline reduced IFRS NAV and EPRA NTA per share by 9.3% over the year. When combined with an ordinary dividend maintained at 12.6 pence per share, our Total Accounting Return was minus 7.8%. Including the revaluation of the portfolio, we delivered an IFRS loss for the year of £163.9 million. Diluted EPRA EPS was 9.5 pence, a decline of 12.0%, driven by our reduced surrender premium, investment in our Customer First and digitisation initiatives, along with the impact of our strong outperformance against our MSCI benchmark on performance-related pay.

Strong London fundamentals

Whilst macro-economic volatility persists, we remain confident that we are well placed for the prevailing market conditions. London remains a dominant global city and has bounced back quickly from the pandemic, with London business activity and optimism recovering in the first three months of 2023. It is clear from our recent leasing experience that high quality offices remain in high demand. With hybrid working here to stay, and customers having more choices about where they work, our spaces need to provide compelling reasons to come into the office. With average office rents only c.5% – 10% of a typical London business' salary cost, and the office environment a key tool in attracting and retaining talent, we anticipate that competition for the very best spaces will remain healthy.

So, with office demand robust, we expect that the uncertain economic outlook in the near term will exacerbate the shortage of new deliveries in central London, further restricting supply. As a result, we anticipate supportive rental conditions for the best spaces with rents for prime office space likely to rise over the next 12 months by 3.0% to 6.0%. We expect retail rents to grow between 0.0% to 5.0%.

Our opportunity-rich portfolio

With these supportive market conditions characterised by the sharp bifurcation between the best spaces and the rest, our clear strategy means we have a portfolio which is well positioned for growth. Furthermore, as lower quality space falls from favour, we anticipate that the investment market will present opportunities for us to add to our HQ development pipeline and expand our Fitted and Fully Managed offers. Crucially, we have the financial strength to deliver on these ambitions with our EPRA loan-to-value ratio at only 19.8%, and £457 million of available firepower.

HQ repositioning – significant progress

During the year, we completed the development of 50 Finsbury Square, EC2, which was verified as our first net zero carbon development, eight years ahead of our sustainability target. Despite a challenging backdrop, we sold the building in October 2022, achieving a headline sale price of £190.0 million which reflected a market-beating topped-up net initial yield of 3.85%.

We also had significant success at 2 Aldermanbury Square, EC2. In November 2022, following the pre-let of the offices, we committed to the redevelopment of the building and entered a building contract with Lendlease. The demolition of the existing building is almost complete, including the extraction of the steel to repurpose in other developments, and we expect to deliver a new best-in-class, net zero carbon building in December 2025.

We have made good progress in preparing our three other near-term schemes which, together with 2 Aldermanbury Square, will deliver 0.9 million sq ft of prime, predominantly office space with exemplary sustainability credentials, along with £60.0 million of ERV following our proposed £0.7 billion of total investment.

Flex spaces – targeting growth to one million sq ft

With continued demand for our Flex spaces, we have significantly expanded our footprint to 414,000 sq ft across 22 of our buildings. With customers prepared to pay a premium for a hassle free, high quality, real estate experience, our Flex offers are achieving significant rental and cashflow premia. This year, we completed our largest ever Fitted letting at The Hickman, E1 where an existing customer took 23,200 sq ft, moving from Wells & More, W1. We have also experienced significant growth in the rents we have been achieving for our Fully Managed spaces with an average rent of £181 per sq ft achieved in the year.

With our portfolio ideally suited to delivering more Flex, and the investment market presenting more opportunities to buy, we have increased our ambition and are now seeking to grow our Flex office offering to more than one million sq ft over the next five years. Since the year end, we have made continued progress, having completed two further Flex acquisitions.

Sustainability and embracing the circular economy

Today's customers have increasingly ambitious sustainability strategies, in part reflecting growing expectations from employees wanting to work in businesses demonstrating a progressive and responsible approach to sustainability. Our customers are therefore rightly expecting that the spaces they occupy reflect those ambitions, and we are working hard to satisfy their, and other stakeholders', sustainability needs.

Our original Statement of Intent was launched in 2020. Since then, our approach and thinking on sustainability has developed considerably and we recently released version 2.0, which sets out our progress to date and updates our approach. Alongside this we published 'Our Brief for Creating Sustainable Spaces', which sets out how we will meet our commitments as we design, construct, fit out and operate our spaces. The Brief is designed to inform and help our supply chain as we respond to climate risk and the opportunities inherent in the transition to a low carbon economy. This includes our sector-leading approach to the circular economy and the future proofing of our spaces.

Our valuation

Please see accompanied graphics (see appendix 2 and 5)

Portfolio down 6.6%, driven by higher investment yields

The valuation of our portfolio, including our share of joint ventures, declined over the 12 months by 6.6% on a like-for-like basis, to £2,380.0 million at 31 March 2023.

The key drivers behind the Group's valuation decrease for the year, including joint ventures at share, were:

- higher investment yields – given the backdrop of higher interest rates, equivalent yields increased by 42 basis points (2022: -13 basis points) during the year (office: +48 basis points; retail: +22 basis points) reducing valuations. At 31 March 2023, the portfolio true equivalent yield was 4.8%;
- rental value growth – since the start of the financial year we have seen continued demand for the best spaces and our rental values increased by 2.1% on a like-for-like basis, with our office portfolio up by 3.3%. ERVs in our retail portfolio reduced by 1.5%. However, we anticipate that we are nearing the trough for retail rents given the declines experienced in previous years;
- active portfolio management – we delivered a record leasing year, signing 116 new leases, rent reviews and renewals, with new lettings 3.3% ahead of ERV. This secured £59.1 million (our share) of annual income, supporting the valuation over the year; and
- developments – the valuation of our committed development properties decreased by 21.0% on a like-for-like basis to £89.0 million during the year. Our development returns are especially sensitive to movements in investment yields. At 2 Aldermanbury Square, EC2 this impact more than outweighed the benefit of securing a major pre-letting ahead of the valuer's assumptions.

Including rent from pre-lets and leases currently in rent-free periods, the adjusted initial yield of the investment portfolio at 31 March 2023 was 3.8%, the same as at the start of the financial year.

The overall valuation decline of 6.6% during the year was largely driven by our office portfolio which reduced by 7.3%, driven by yield expansion of 48 basis points. Our Flex offices were only down 5.1% as a result of rental value increases of 4.2% across the Flex portfolio on a like-for-like basis. Our retail performed slightly better, falling in value by only 4.5%. Furthermore, properties with an EPC rating of A or B reduced in value by 4.5%, outperforming properties with an EPC of C or greater, which fell by 8.6%. Short leasehold properties (<100 years), which represent around 9% of the portfolio, reduced in value by 10.4% compared to a decrease of 6.2% in the rest of the portfolio, as investor demand for shorter leasehold assets remained low. We also saw a significant bifurcation in valuation based on capital value per sq ft. Properties with a value greater than £1,000 per sq ft fell by 4.5% compared to a greater decline in those less than £1,000 per sq ft of 10.5%.

Our joint venture properties fell in value by 6.3% over the year, driven by higher investment yields partially offset by leasing successes at our recently completed development at Hanover Square, W1. The wholly-owned portfolio decreased by 6.7% on a like-for-like basis.

Our relative performance

The Group delivered a Total Property Return (TPR) for the year of minus 4.1%, compared with the central London MSCI annual index of minus 8.1%, and a capital return of minus 6.2%, versus minus 11.0% for MSCI. This outperformance was driven by greater than benchmark weighting to the West End, along with GPE delivering a record leasing year.

Our development activities

In a busy year, our development activities continued to play to the theme of the best quality assets outperforming the rest. This was demonstrated by the completion, and subsequent sale, of 50 Finsbury Square, and the pre-letting and commencement of our development of 2 Aldermanbury Square. Today, our capex programme provides a significant platform for growth, with a potential capital commitment of more than £0.8 billion from our on-site and near-term schemes, and from our programme of Flex conversions.

Repositioning our buildings through redevelopment and refurbishment is a core part of the GPE business model and presents a significant organic growth opportunity. Our forecasts suggest that the future supply of new spaces in London is severely constrained. We estimate that only 2.8 million sq ft p.a. of new space will be delivered on average over the next four years, in a market where the average take-up of new space is almost double that, at 5.0 million sq ft p.a.. Given this shortage, we have a significant capex programme aimed to meet this expected excess demand.

One scheme completed in the year

At 50 Finsbury Square, EC2, refurbishment of the building completed in January 2023, with the leases to Inmarsat Global Limited and various smaller retailers commencing shortly thereafter.

The finished 129,200 sq ft building comprises nine floors of office space, an integrated cafe and business lounge and new retail and leisure facilities. With innovation at the heart of the design, the project was designed to be highly operationally efficient and adaptable and provide a healthy and productive environment for its occupiers. It is also our first building to be verified as net zero carbon, beating industry standards for embedded carbon at only 270kg per m^2 and low energy consumption in-use at only 115kWh per m^2. It is also the first GPE development to have our internal carbon price applied, contributing almost £365,000 to GPE's Decarbonisation Fund. The proceeds of the fund will be reinvested across our wider GPE portfolio to improve the Group's energy performance.

With the lettings concluded, the sale to a private German family office completed in February 2023. Based on the sales price, the scheme delivered a profit on cost of 37.4%.

One committed scheme, offices 100% pre-let

Following the pre-let of all the office space to Clifford Chance in November 2022, we committed to the redevelopment of 2 Aldermanbury Square, EC2. Our scheme will substantially increase the size of the building to 322,600 sq ft (up from 176,000 sq ft) and will deliver our second net zero carbon building, after 50 Finsbury Square, EC2.

We are currently on-site demolishing the old building and, as part of this process, are carefully extracting the structural steel and reconditioning it for reuse. Once removed, the steel will be tested, processed, recertified and stored in appropriate conditions in the UK until such a time that it can be reused to form some structural elements on the new building and the structural frame for our proposed development at French Railways House & 50 Jermyn Street, SW1, one of our near-term development schemes. This pioneering approach will reduce the embodied carbon of the steel when reused by around 99%.

The scheme also includes a number of public realm and amenity improvements that will have a positive impact on the local area and improve accessibility to the western entrance of the Liverpool Street Elizabeth line station. The cost to complete the scheme is £265.2 million. Given recent upward pressure on yields, the scheme is expected to deliver a loss on cost of 2.1%. However, cost saving measures and the anticipated future correction of valuation yields, once interest rates reduce, should enable the scheme to make an acceptable profit.

In total, we have £307.4 million of committed capital expenditure, including £265.2 million at our committed development.

Three near-term development schemes

Beyond our one committed scheme, we have a substantial and flexible pipeline of six uncommitted schemes, including three schemes in our near-term pipeline.

In May 2022, we obtained planning permission at French Railways House & 50 Jermyn Street, SW1, part of our Piccadilly Estate. Our proposed major office-led redevelopment will provide 66,600 sq ft (up from 54,700 sq ft) of new Grade A space. The scheme is designed to embrace the principles of the circular economy. We will retain the existing foundations and basement, typically the largest embodied carbon element of a building, and build as light a new building as possible to allow the retention of the substructure. We will also reuse the structural steel from the demolition of 2 Aldermanbury Square, EC2, in its construction. If successful, this will save around 1,000 tonnes of carbon and almost eliminate the embodied carbon in the steelwork. The development of the building is subject to freeholder consent.

At New City Court, SE1, we have submitted two planning applications, one in 2018 and one in 2021. Having explored all avenues to have both schemes approved by Southwark Council without success, we regretfully appealed for non-determination, with the associated public inquiry taking place in July 2022. With the inquiry now concluded, we expect a decision from the Secretary of State in summer 2023. Once planning consent is obtained, given the size of this development, we anticipate seeking a partner to help deliver the ultimate development.

At Minerva House, SE1, we submitted planning permission for a 140,300 sq ft major office refurbishment in November 2021, with the planning decision now expected in June 2023. Our proposals will reposition this building, taking full advantage of its river frontage and, by adding additional storeys, we will be able to create outdoor terraces and amenity space with commanding views over central London. The refurbishment will also improve the public realm around the building, creating new and improved connections through the site as well as attractive new gardens that will contribute to local greening and biodiversity and provide space for people to enjoy in the setting of Southwark Cathedral. Our proposals will retain and reuse the majority of the existing building's structure, including two primary façades, leading to an anticipated embodied carbon of 450kg CO2/sqm (saving 3,067 tonnes of CO2) and expected BREEAM Outstanding, NABERS 5*, WELL Core Platinum, WiredScore Platinum, SmartScore Platinum and CyclingScore Platinum accreditations.

In total, our three near-term schemes comprise around £700 million of anticipated capital expenditure and are expected to deliver 0.9 million sq ft of best-in-class, highly sustainable space, perfectly placed to benefit from a market where forward look supply is severely constrained. With a further three schemes in the medium-term pipeline, our development programme totals 1.1 million sq ft and will provide strong growth potential over the coming years, which we plan to supplement through further acquisitions.

Significant capex programme

In order to expand our Flex office offers, and meet our ambitious targets for growth, we are planning to refurbish four standalone buildings to provide new dedicated Fully Managed spaces, as well as converting a significant number of individual floors across our portfolio. The dedicated buildings to be refurbished include our recent purchases at 6/10 St Andrew Street, EC4, 7/15 Gresse Street, W1, Alfred Place, WC1 and Egyptian House, SW1 (Piccadilly).

Two major committed refurbishments

At 6/10 St Andrew Street, EC4, which was purchased as a vacant building in May 2022, we have recently agreed a new head lease and will be shortly starting on-site. Our plans include the addition of two new storeys, together with extensive terracing and significant amenity throughout the building. We anticipate that the scheme will cost £31.2 million to construct and will complete in August 2024, delivering 46,200 sq ft of new Grade A Fully Managed offices.

At 31/34 Alfred Place, WC1, in the heart of Fitzrovia, we have committed to an extensive refurbishment of the entirety of the 42,700 sq ft building to provide outstanding Fully Managed office space. The cost to convert the space will be £11.0 million and we anticipate the scheme will be completed January 2024.

Further expanding our Flex offers

Together with our other planned conversions, we anticipate growing our Flex offerings organically to around 0.5 million sq ft. Moreover, we are aiming to add to this programme through acquisition, as demonstrated by the recent purchases of Bramah House, SE1 and 141 Wardour Street, W1 and are targeting enlarging our Flex offerings to one million sq ft over the next five years.

How we are positioned

In total, our anticipated development and Flex capex programme provides a strong platform for organic growth, totalling around £830 million over the next five years, and will deliver 1.4 million sq ft of well-designed, tech-enabled and sustainable space with high levels of service delivery and amenity provision.

Our leasing and Flex activities

Despite the challenging macro-economic and geopolitical environment, demand for best-in-class spaces remained robust, delivering strong leasing activity and helping us deliver a record leasing year, signing £55.5 million of new leases and beating rental values by 3.3%. This included our largest ever pre-let at 2 Aldermanbury Square, EC2 to leading international law firm Clifford Chance LLP.

Given the continued demand for the very best spaces, we have continued to focus our efforts on delivering high-quality HQ redevelopments, growing our Flex offerings and concentrating our retail efforts on the very best shopping streets. We expect the trend of the best spaces outperforming the rest to continue. This supportive demand, combined with the limited future supply of new prime space in central London, means that occupational market dynamics remain in our favour.

During the year, our rental values increased by 2.1% across the portfolio. Within this, our offices continue to perform better than our retail space, with our office rental values increasing by 3.3% compared with a 1.5% fall in retail rental values. Within our offices, our Flex property rental values outperformed, increasing by 4.0% on a like-for-like basis.

The key leasing highlights for the year included:

- 105 new leases and renewals completed during the year (2022: 65 leases), generating annual rent of £55.5 million (our share: £52.8 million; 2022: £38.5 million), with market lettings 3.3% ahead of ERV;
- of the new leases signed, 17 were Fitted and 14 were Fully Managed space, achieving on average £181 per sq ft on the Fully Managed space, 8.2% ahead of March 2022 ERV;
- 35 new retail leases securing £10.2 million of rent with market lettings 9.1% below March 2022 ERV, including three units at Hanover Square, W1, where all of the retail space is now let, with the exception of a small unit which is under offer;
- 11 rent reviews securing £11.5 million of rent (our share: £6.3 million; 2022: £4.1 million) were settled at an increase of 2.6% over the previous rent and 5.0% ahead of ERV at review date;
- total space covered by new lettings, reviews and renewals was 861,200 sq ft (2022: 580,800 sq ft);
- the Group's vacancy rate decreased to 2.5% (31 March 2022: 10.8%);
- the Group's rent roll has increased by 2.2% to £106.4 million following a successful leasing period (not including the pre-let at 2 Aldermanbury Square, EC1); and
- 91% (by area) of the 122 leases with breaks or expiries in the 12 months to 31 March 2023 were retained, re-let, or are under offer, leaving 32,000 sq ft still to transact.

Flex: £11.8 million, continues to grow

During the year, including our Flex partnerships, we increased our committed Flex offerings across the portfolio and they now total 414,000 sq ft (or c.21% of our offices). This included rolling out our offering to three new buildings in the year, including at Wells & More, W1, as well as committing to the 46,200 sq ft refurbishment of our recent acquisition of 6/10 St Andrews Street, EC4, and extensive refurbishment of Alfred Place, WC1; see Our development activities.

In total, we signed £11.8 million of new leases in our Flex space; 17 Fitted and 14 Fully Managed leases at a combined 10.8% ahead of March 2022 ERV. Our Fully Managed deals achieved on average £181 per sq ft, 8.2% ahead of March 2022 ERV. Whilst inflationary pressures have reduced the margins on our Fully Managed space, recent and anticipated leasing deals demonstrate that this is being more than outweighed by rental uplifts.

We also let a further 27,900 sq ft of office space at The Hickman in two lettings, both on Fitted terms. The first customer will occupy the offices on the third and fourth floors (23,250 sq ft) on ten-year leases with a break at year seven. The second has moved from a nearby location and now occupies the second floor (North), 4,650 sq ft on a 37-month term. The Hickman is now 100% let or under offer.

Ready to Fit: £33.5 million, significant pre-let

The largest transaction in the year, and our largest ever leasing transaction, was the pre-let of all 321,100 sq ft of office space at our 2 Aldermanbury Square, EC2 net zero carbon development to leading international law firm Clifford Chance. Clifford Chance will pay an initial rent of £77.00 per sq ft on a 20-year term and benefit from an initial 38 months rent free. Clifford Chance also has an option to hand back the first to fourth floors of the building (up to 89,000 sq ft) which expires on 1 March 2024. Demolition of the existing building has commenced, with completion anticipated in December 2025; see Our development activities.

At 1 Newman Street, W1, we signed a further two office leases (27,700 sq ft) in the year for a combined rent of £2.6 million p.a. These two lettings completed the 80,700 sq ft office leasing at an average 3.2% ahead of ERV and an average void period of only five months.

Retail: £10.2 million, strong leasing progress

During the year, our retail leasing was strong. At 70/88 Oxford Street, W1, we leased a new London flagship store to Reserved (19,645 sq ft) on the ground and first floors. We also leased a two further smaller units to the jewellery brand Pandora (3,675 sq ft) and to The Fragrance Shop (2,300 sq ft). Following these lettings, the building is now fully let.

At Hanover Square, W1, we achieved four further retail lettings to premium brands on New Bond Street, including: Opera Gallery, which will be relocating further north on New Bond Street to create a new larger flagship premises (6,100 sq ft), Bang & Olufsen (4,000 sq ft), Dsquared2 (4,700 sq ft) and Hackett (2,350 sq ft). All of the retail space at Hanover Square is now let, with the exception of a small unit which is under offer.

Overall, our retail vacancy rate reduced from 20.4% to 5.5% over the year.

Vacancy rate now only 2.5%

At 31 March 2023, the Group's overall vacancy rate (including share of joint ventures) was 2.5%, down from 10.8% at 31 March 2022, due to our strong leasing. Activity at our completed developments significantly contributed to this reduction, including Hanover Square, W1, 70/88 Oxford Street, W1 and The Hickman, E1.

How we are positioned

Despite heightened levels of uncertainty, we expect current trends to continue, with demand for the best space outstripping supply and a greater need for smaller spaces to be provided on a flexible basis. Buildings that are unable to meet this evolving demand, particularly in the face of competition from growing secondary supply, will underperform. The gap between the best and the rest is likely to widen further.

We have further ambitions for growth and are targeting to grow our Flex offer to more than one million sq ft over the next five years. This growth would take these offerings to more than 40% of our office portfolio. We expect a proportion of this growth to come from acquiring new raw material to convert, as demonstrated by our acquisitions of 7/15 Gresse Street, W1 and 6/10 St Andrew Street, EC4 earlier in 2022 as well as the recent acquisition of Bramah House, SE1 and 141 Wardour Street, W1 in May 2023.

Against this backdrop we remain well positioned: our leasing record remains strong, our committed development programme is focused on high quality, well-located office-led schemes that have enduring demand, we are delivering innovative products that lease well, our average office rent remains low at £69.20 per sq ft and 92% of our portfolio is within walking distance of an Elizabeth line station.

Our investment activities

Please see accompanied graphics (see appendix 3)

During the period, the investment market and property values came under pressure as they adjusted to increased inflation and a higher interest rate environment. Against this backdrop, we made a significant sale, disposing of 50 Finsbury Square, EC2 at a market-beating yield of 3.85%, and bought two smaller properties to augment our portfolio.

In June 2022, we sold the freehold of 6, 7/8 and 9/10 Market Place, W1 to a UK private property company. The property comprises three adjoining mixed-use assets totalling 18,000 sq ft including multi-let offices and restaurant/cafe space. The headline sale price of £28.2 million reflects a net initial yield of 4.1% on a topped-up basis and capital value of £1,480 per sq ft. After deduction of outstanding occupier incentives and rental guarantees, the net price was £27.8 million, 3.0% ahead of the March 2022 book value.

In October 2022, despite the wider macro uncertainty, we exchanged on the sale of our 50 Finsbury Square, EC2 development to a private German family office. The headline price of £190.0 million reflected a topped-up net initial yield of 3.85% and capital value of £1,471 per sq ft (or £1,690 per sq ft on expiry of rent frees) and was marginally below the March 2022 book value. Construction of the 129,200 sq ft building completed in January, with the leases to Inmarsat, and various retailers, commencing shortly thereafter. With the lettings concluded, the sale completed in February 2023.

In May 2022, we completed the off-market acquisition of the long leasehold interest at 6/10 St Andrew Street, EC4 for £30.0 million (£650 per sq ft).

The 46,200 sq ft building is currently vacant and benefits from planning permission for a two-storey extension. The building is located within five minutes' walking distance of Chancery Lane and Farringdon stations and is only 450 metres from the new Farringdon Elizabeth line. It has excellent fundamentals and requires substantial refurbishment to bring it in line with GPE's net zero carbon commitment. It will provide approximately 48,000 sq ft over lower ground and eight upper floors, with two private terraces as well as a communal roof terrace and winter garden. St Andrew Street will deliver best-in-class Fully Managed office space in a core location, with outstanding amenity space at ground floor and rooftop levels. We anticipate starting on-site in June this year.

Also in May 2022, we acquired 2 Cathedral Street, SE1 for £7.1 million, reflecting a 4.4% net initial yield and £1,100 per sq ft. The 6,400 sq ft freehold building is currently let until 2029 at a rent of £332,000 per annum. The property is located in the heart of Borough Market and will complement GPE's Minerva House holding in this exciting submarket.

Disciplined approach

We have seen a clear shift in sentiment in our investment markets over the last 12 months, as greater economic uncertainty and rising interest rates have put upward pressure on property yields and lowered values. Looking forward, we anticipate that this will present an opportunity to buy and there is some evidence of owners being more motivated to sell. However, we remain disciplined. Any potential purchase needs to outperform the assets we already own, and with our existing portfolio stacked with opportunity, the hurdle is high.

Of the £524 million deals we had under review since November 2022, encouragingly 26% have subsequently traded within 10% of our view of fair value.

How we are positioned

We are actively seeking new buildings for our Flex offerings, as well as opportunities for repositioning or development and we increasingly expect the sustainability challenge to provide us with opportunities to acquire stranded assets needing a sustainability solution.

Our deal flow remains good and we are constantly reviewing acquisition opportunities. We currently have £0.7 billion of potential acquisitions under review, predominantly off-market, and assets which play into our strategic focus on Flex and HQ repositioning.

In May 2023, we acquired the freehold interest at Bramah House, SE1 and 141 Wardour Street, W1 for £14.0 million and £39.0 million respectively. We will substantially refurbish both buildings to provide outstanding Fully Managed office space.

Our financial results

Please see accompanied graphics (see appendix 4)

As is usual practice in our sector, we use alternative performance measures (APMs) to help explain the performance of the business. These include quoting a number of measures on a proportionately consolidated basis to include joint ventures, as it best describes how we manage the portfolio, like-for-like measures and using measures prescribed by EPRA. The measures defined by EPRA are designed to enhance transparency and comparability across the European real estate sector. Reconciliations of APMs are included in note 8 of the financial statements.

Lower IFRS NAV and EPRA NTA per share driven by valuation declines

IFRS NAV and EPRA NTA per share at 31 March 2023 were 757 pence per share, a decrease of 9.3% over the year, largely due to the 6.6% like-for-like valuation decrease in the property portfolio. When combined with ordinary dividends paid of 12.6 pence per share, this delivered a Total Accounting Return of minus 7.8%.

The main drivers of the 78 pence per share decrease in EPRA NTA from 31 March 2022 were:

- the decrease of 73 pence per share arising from the revaluation of the property portfolio;
- the small loss on disposal after sale fees from 50 Finsbury Square, EC2 and 6/10 Market Place, W1 reduced NTA by one pence per share;
- EPRA earnings for the year of ten pence per share enhanced NTA;
- ordinary dividends paid of 13 pence per share reduced NTA; and
- other items reduced NTA per share by one pence per share.

At 31 March 2023, the Group's net assets were £1,918.6 million, down from £2,112.9 million at 31 March 2022, with the decrease largely attributable to the decrease in property valuation of £184.9 million. EPRA NDV and EPRA NRV were 790 pence and 826 pence at 31 March 2023 respectively, compared with 838 pence and 911 pence at 31 March 2022.

Revenue increased due to increased rental income

Revenue for the year was £91.2 million, up from £84.2 million on the prior year, driven by higher gross rental income, increased service charge income and greater income associated with our Fully Managed spaces given its expansion. The increase in revenue was supported by our successful leasing, where we signed 105 leases, generating new annual income of £55.5 million p.a. and greatly reduced our investment void from 10.8% at 31 March 2022 to 2.5% at 31 March 2023.

Net rental income, after taking account of expected credit losses (see below), lease incentives and ground rents, was £70.9 million, up from £62.6 million in the prior year, as we saw the benefit from the lease commencements at our recently completed developments and a reduced credit loss provision as rental collection rates return to pre-pandemic levels.

Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income (including share of joint ventures) increased by 6.5% excluding expected credit losses.

Joint venture fee income for the year was £2.4 million, a decrease of £2.7 million, as a result of no property disposals and associated fees in the current year (2022: sale of 160 Old Street, EC1 by the Great Ropemaker Partnership).

Improving rent collection

Over the course of the financial year, and as the impact of the pandemic continued to fade, we experienced a further improvement in our rent collection performance. We secured 99.5% of all rents, including in our joint ventures, due for the December 2022 and March 2023 quarterly charge. Accordingly, the level of expected credit loss provisions in the Group reduced to £0.8 million (£0.6 million including our share of joint ventures) from £4.1 million in the prior year.

At 31 March 2023, we had around 16% of our rent roll on monthly payment terms (March 2022: 8%), with the increase attributable to an increase in Fully Managed leases. Since 1 April 2022, six of our customers have gone into administration, representing less than 1.2% of our rent roll. At 31 March 2023, we held rent deposits and bank guarantees totalling £20.2 million, including our share of joint ventures.

Cost of sales increased

Cost of sales increased from £30.1 million to £32.2 million for the year ended 31 March 2023. This increase was primarily driven by increased costs associated with our leasing initiatives, given the record leasing year, greater service charge costs as we emerged from the pandemic and additional costs associated with managing our Fully Managed offer.

Taken together, net service charge income, other property costs and expected credit loss provisions for service charges reduced to £15.2 million from £17.7 million in the prior year.

Joint venture earnings

EPRA earnings from joint ventures were £9.8 million, down from £14.5 million last year, largely as a result of the disposal of 160 Old Street, EC1 and the one-off surrender premium of £3.9 million (our share) at 103/113 Regent Street, W1 received in the prior year.

Administration costs

Administration costs were £38.3 million, £3.3 million higher than the previous year. The increase in the Group's overhead was primarily as a result of the investment associated with digitising elements of the business, the delivery of our Customer First programme and marketing costs associated with our growing Flex activities. Employment costs also rose, due to inflationary salary uplifts, increased headcount to support our enhanced operational capabilities and higher performance-related pay given our strong relative outperformance against our TPR benchmarks.

Increased interest costs

Gross interest paid on our debt facilities was £20.3 million, £4.0 million higher than the prior year. This increase was primarily due to a combination of higher average drawn debt on our £450 million revolving credit facility, which was used to fund both our recent acquisitions as well as the Group's development capital expenditure, together with higher underlying interest rates. Capitalised interest increased by £1.6 million to £8.8 million as our development activity increased, following the commitment to develop 2 Aldermanbury Square, EC2. As a result, the Group had net finance costs (including interest receivable) of £5.5 million (2022: £1.7 million).

EPRA earnings

EPRA earnings were £24.0 million, 12.4% lower than last year as expected, predominantly due to reduced surrender premiums, together with increased administration and finance costs offset by increased net rental income and lower credit loss provisions.

Revaluation declines in the Group's investment properties, together with reduced EPRA earnings, led to the Group's reported IFRS loss after tax of £163.9 million (2022: profit of £167.2 million). Basic and diluted loss per share for the year were both a 64.8 pence loss, compared with a 66.0 pence profit for 2022. Diluted EPRA EPS was 9.5 pence (2022: 10.8 pence), a decrease of 12.0% and cash EPS was 1.4 pence (2022: 5.7 pence).

For the forthcoming year, we anticipate that EPRA earnings will be broadly stable given the balance of new income coming on line as spaces are converted to our Flex offer being offset by new spaces going into refurbishment and other inflationary pressures.

Results of joint ventures

The Group's net investment in joint ventures decreased to £538.8 million at 31 March 2023, down from £582.8 million in the previous year. The decrease is largely due to the 6.3% like-for-like decrease in value of the property portfolio. Our share of joint venture net rental income was £18.2 million, down 24.2% from last year. This decrease was primarily as a result of the profitable sale of 160 Old Street, EC1 and a one-off surrender premium of £3.9 million (our share) received in the prior year, offset by increased leasing activity at Hanover Square, W1.

Our capital strength

While our primary objective is to deliver returns consistently ahead of our cost of capital, we also seek to minimise the cost of our capital through the appropriate mix of equity and debt finance, and to ensure that we have access to sufficient financial resources to implement our business plans. Optimising and flexing the allocation of capital across our portfolio, including between our investment and development activities, is key to our business and ensuring that we maximise returns on a risk-adjusted basis through the property cycle. Accordingly, we operate with four key 'givens':

- conservative leverage to enhance, not drive, returns;
- sustainable ordinary dividends;
- disciplined capital allocation; and
- balance sheet efficiency – track record of accretively raising and returning capital.

Our preference for low financial leverage helps to provide downside protection when operating in the cyclical central London property market and to maintain the financial flexibility to allow us to act quickly on new investment opportunities as they arise.

EPRA LTV low at 19.8%

The Group's consolidated net debt decreased to £457.7 million at 31 March 2023, compared with £531.2 million at 31 March 2022. The decrease was largely due to the sales proceeds received from 50 Finsbury Square, EC2 for £190.0 million offset by £112.8 million of development capital expenditure across the Group and two acquisitions, including 6/10 St Andrew Street, EC4 for £37.1 million (excluding costs). As a result, the Group's gearing decreased to 24.0% at 31 March 2023 from 25.4% at 31 March 2022.

Including cash balances in joint ventures, total net debt was £440.0 million (2022: £502.3 million), equivalent to a low EPRA LTV of 19.8% (2022: 20.5%). At 31 March 2023, we had no external debt in any of our joint ventures. At 31 March 2023, the Group, including its joint ventures, had unrestricted cash (£21 million) and undrawn committed credit facilities (£436 million) totalling £457 million.

The Group's weighted average cost of debt for the year, including fees and joint venture debt, was 3.0%, marginally higher than the prior year. The weighted average interest rate (excluding fees) was 2.7% at the year end, up 20 basis points over the 12 months. Our weighted average drawn debt maturity was 6.4 years at 31 March 2023 (31 March 2022: 6.9 years), supported by one of our relationship banks in our revolving credit facility extending their £50 million commitment to January 2027, in line with the other banks.

At 31 March 2023, 97% of the Group's total drawn debt was at fixed or hedged rates (2022: 84%). The Group is operating with substantial headroom over its debt covenants. At 31 March 2023, given our low levels of leverage, property values would have to fall by around 58% before covenant breach.

Balance sheet discipline

When considering the appropriate level of financial leverage in the business, we apply the same capital discipline that we use when making asset-level decisions. Typically, we aim for an LTV ratio of between 10% and 35% through the cycle and today we are at the lower end of the range, given our portfolio activities and market cycle position. Additionally, we have a track record of accretively raising and returning equity capital to shareholders at the appropriate time and in the appropriate circumstances, including returning £616 million to shareholders between 2017 and 2020, following profitable recycling activity. Our key considerations when making such capital decisions include:

- the market outlook;
- opportunities for growth (both capital expenditure and acquisitions);
- opportunities for profitable recycling activity; and
- current and prospective debt ratios (including LTV and interest cover).

Taxation

The tax credit in the income statement for the year was £0.1 million (2022: £0.5 million) and the effective tax rate on EPRA earnings was 0% (2022: 0%). The majority of the Group's income is tax free as a result of its REIT status, and other allowances were available to set against non-REIT profits (including the taxable profit on the sale of 50 Finsbury Square, EC2). The Group complied with all relevant REIT tests for the year to 31 March 2023.

As a REIT, the majority of rental profits and chargeable gains from our property rental business are exempt from UK corporation tax, provided we meet a number of conditions, including distributing at least 90% of the rental income profits of this business (known as Property Income Distributions (PIDs)) on an annual basis. These PIDs are then typically treated as taxable income in the hands of shareholders. During the year, the Group paid £25.8 million of PIDs.

The Group's REIT exemption does not extend to either profits arising from the sale of trading properties or gains arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years (including the sale of 50 Finsbury Square, EC2, which completed in February 2023). The Group is otherwise subject to corporation tax.

Despite being a REIT, we are subject to a number of other taxes and certain sector-specific charges in the same way as non-REIT companies. During the year, we incurred £17.3 million in respect of stamp taxes, section 106 contributions, community infrastructure levies, empty rates in respect of vacant space, head office rates, employer's National Insurance and irrecoverable VAT.

All entities within the Group are UK tax resident; as our business is located wholly in the UK, we consider this to be appropriate. The Group maintains an open working relationship with HMRC and seeks pre-clearance in respect of complex transactions. HMRC regards the Group as 'low risk' and maintaining this status is a key objective of the Group.

Ordinary dividends

Given the low yielding nature of London real estate, the Group operates a low and progressive ordinary dividend policy, with the aim of maintaining average dividend cover of 1.0x through the cycle. The Board has recommended a final dividend of 7.9 pence per share (2022: 7.9 pence) which will be paid, subject to shareholder approval, on 10 July 2023 to shareholders on the register on 2 June 2023. All of this final dividend will be a REIT PID in respect of the Group's tax-exempt property rental business.

Together with the interim dividend of 4.7 pence per share, the total dividend for the year is 12.6 pence per share, consistent with the prior 12 months.

Group income statement

For the year ended 31 March 2023

	Notes	**2023** **£m**	2022 £m
Revenue	2	**91.2**	84.2
Cost of sales	3	**(32.2)**	(30.1)
		59.0	54.1
Administration expenses	4	**(38.3)**	(35.0)
Expected credit losses	13	**(0.8)**	(4.1)
Development management losses		**(0.1)**	(0.4)
Operating profit before (deficit)/surplus from property and results of joint ventures		**19.8**	14.6
(Deficit)/surplus from investment property	9	**(145.0)**	107.9
Surplus on revaluation of other investments	12	**0.1**	–
Share of results of joint ventures	10	**(33.4)**	45.9
Operating (loss)/profit		**(158.5)**	168.4
Finance income	5	**6.0**	7.4
Finance costs	6	**(11.5)**	(9.1)
(Loss)/profit before tax		**(164.0)**	166.7
Tax	7	**0.1**	0.5
(Loss)/profit for the year		**(163.9)**	167.2

Basic (loss)/earnings per share	8	**(64.8p)**	66.1p
Diluted (loss)/earnings per share	8	**(64.8p)**	66.0p
Basic EPRA earnings per share	8	**9.5p**	10.8p
Diluted EPRA earnings per share	8	**9.5p**	10.8p

All results are derived from continuing operations in the UK and are attributable to ordinary equity holders.

Group statement of comprehensive income

For the year ended 31 March 2023

	Notes	**2023** **£m**	2022 £m
(Loss)/profit for the year		**(163.9)**	167.2
Items that will not be reclassified subsequently to profit and loss			
Actuarial gain on defined benefit scheme	25	**0.3**	2.6
Deferred tax on actuarial gain on defined benefit scheme	7	**(0.1)**	(0.5)
Total comprehensive (expense)/income for the year		**(163.7)**	169.3

Group balance sheet

At 31 March 2023

	Notes	2023 £m	Restated* 2022 £m
Non-current assets			
Investment property	9	**1,922.2**	2,144.4
Investment in joint ventures	10	**538.8**	582.8
Property, plant and equipment	11	**3.5**	5.0
Pension asset	25	**4.1**	3.5
Other investments	12	**1.8**	1.0
		2,470.4	2,736.7
Current assets			
Trade and other receivables	13	**15.8**	21.1
Cash and cash equivalents	21	**19.4**	16.7
		35.2	37.8
Total assets		**2,505.6**	2,774.5
Current liabilities			
Interest-bearing loans and borrowings		**–**	(0.2)
Trade and other payables	14	**(56.8)**	(71.9)
		(56.8)	(72.1)
Non-current liabilities			
Interest-bearing loans and borrowings	15	**(458.5)**	(531.0)
Head lease obligations	17	**(66.7)**	(55.6)
Occupational lease obligations	18	**(2.0)**	(2.9)
Provisions in respect of warranties on sold buildings		**(3.0)**	–
Deferred tax	7	**–**	–
		(530.2)	(589.5)
Total liabilities		**(587.0)**	(661.6)
Net assets		**1,918.6**	2,112.9
Equity			
Share capital	19	**38.7**	38.7
Share premium account		**46.0**	46.0
Capital redemption reserve		**326.7**	326.7
Retained earnings		**1,504.4**	1,697.9
Investment in own shares	20	**2.8**	3.6
Total equity		**1,918.6**	2,112.9
Basic net assets per share (diluted)	8	**757p**	835p
EPRA NTA (diluted)	8	**757p**	835p

* Cash and cash equivalents and monies held in trade and other payables have been restated as at 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions, see note 1 for further details.

Approved by the Board on 24 May 2023 and signed on its behalf by:

Toby Courtauld
Chief Executive

Nick Sanderson
Chief Financial & Operating Officer

Group statement of cash flows

For the year ended 31 March 2023

	Notes	2023 £m	Restated* 2022 £m
Operating activities			
Operating (loss)/profit		**(158.5)**	168.4
Adjustments for non-cash items	22	**175.1**	(149.7)
Decrease in receivables		**5.3**	0.5
(Decrease)/increase in payables		**(6.1)**	3.1
Cash generated from operations		**15.8**	22.3
Interest paid		**(17.6)**	(13.9)
Interest received		**0.1**	0.1
Tax repaid		**–**	0.4
Cash flows from operating activities		**(1.7)**	8.9
Investing activities			
Distributions from joint ventures		**7.5**	7.3
Funds from joint ventures		**9.0**	89.5
Purchase of other investments		**(0.7)**	–
Purchase and development of property		**(120.4)**	(120.6)
Purchase of plant and equipment		**(0.2)**	(0.3)
Sale of properties		**217.4**	–
Cash flows from/(used in) investing activities		**112.6**	(24.1)
Financing activities			
Revolving credit facility repaid	15	**(387.0)**	(202.5)
Revolving credit facility drawn	15	**314.0**	244.5
Payment of lease obligations		**(3.3)**	(3.0)
Dividends paid	23	**(31.9)**	(32.7)
Cash flows (used in)/from financing activities		**(108.2)**	6.3
Net increase/(decrease) in cash and cash equivalents		**2.7**	(8.9)
Cash and cash equivalents at 1 April		**16.7**	25.6
Cash and cash equivalents at 31 March		**19.4**	16.7

* Cash and cash equivalents and payables in respect of customer deposits have been restated as at 1 April 2021 and 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions. As a result, the previously reported cash flows from operating activities for the year ended 31 March 2022 increased from £6.7m to £8.9m. There was no impact on the other components of the statement of cash flows for the year ended 31 March 2022. See note 1 for further details.

Group statement of changes in equity

For the year ended 31 March 2023

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2022		**38.7**	**46.0**	**326.7**	**1,697.9**	**3.6**	**2,112.9**
Loss for the year		**–**	**–**	**–**	**(163.9)**	**–**	**(163.9)**
Actuarial gain on defined benefit scheme	25	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Deferred tax on defined benefit scheme		**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total comprehensive expense for the year		**–**	**–**	**–**	**(163.7)**	**–**	**(163.7)**
Employee Incentive plan charges	20	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Dividends to shareholders	23	**–**	**–**	**–**	**(31.9)**	**–**	**(31.9)**
Transfer to retained earnings	20	**–**	**–**	**–**	**2.1**	**(2.1)**	**–**
Total equity at 31 March 2023		**38.7**	**46.0**	**326.7**	**1,504.4**	**2.8**	**1,918.6**

Group statement of changes in equity

For the year ended 31 March 2022

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2021		38.7	46.0	326.7	1,560.0	0.2	1,971.6
Profit for the year		–	–	–	167.2	–	167.2
Actuarial gain on defined benefit scheme	25	–	–	–	2.6	–	2.6
Deferred tax on defined benefit scheme		–	–	–	(0.5)	–	(0.5)
Total comprehensive income for the year		–	–	–	169.3	–	169.3
Employee Long-Term Incentive Plan charge	20	–	–	–	–	3.9	3.9
Dividends to shareholders	23	–	–	–	(31.9)	–	(31.9)
Transfer to retained earnings	20	–	–	–	0.5	(0.5)	–
Total equity at 31 March 2022		38.7	46.0	326.7	1,697.9	3.6	2,112.9

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 financial statements for the year ended 31 March 2022. Whilst the financial information included in this announcement has been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 March 2023 or 2022, but is derived from those financial statements. The auditors' reports on both the 2023 and 2022 financial statements were not qualified or modified.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and certain financial instruments which are held at fair value. The consolidated financial statements, including the results and financial position, are expressed in sterling (£), which is the presentation currency of the Group.

The Directors have considered the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2023, with particular focus on the impact of the macro-economic conditions in which the Group is operating. This assessment is for the 12-month period following the date of approval of the accounts and is based on the Group's financial forecasts, including a going concern scenario which included the following key assumptions:

- a 20% decline in the valuation of the property portfolio; and
- a marginal decline in EPRA earnings.

The going concern scenario demonstrates that the Group over the next 12 months:

- has significant liquidity to fund its ongoing operations;
- is operating with significant headroom above its Group debt financing covenants;
- property values would have to fall by a further 26% before breach (or 58% from 31 March 2023 values);
- earnings before interest and tax would need to fall by a further 80% before breach (or 87% from 31 March 2023 levels); and
- has sufficient liquidity to continue its operations if the Group's £175 million private placement notes, that mature in May 2024, are not refinanced. However, the Directors are confident in the Group's ability to refinance this facility.

The Directors also conducted extensive stress testing, sensitising the potential impact of climate change as detailed further in the viability statement as well as the impact of removing non-committed disposal proceeds and capital expenditure. Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing the accounts for the year ended 31 March 2023. The Group has adopted a number of alternative performance measures, see note 8 for further detail.

Critical judgements and key sources of estimation uncertainty

In the process of preparing the financial statements, the Directors are required to make certain judgements, assumptions and estimates. Not all of the Group's accounting policies require the Directors to make difficult, subjective or complex judgements or estimates. Any estimates and judgements made are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results may differ from those estimates.

No critical judgements have been made.

The following is intended to provide an understanding of the estimates that management consider critical because of the level of complexity, judgement or estimation involved in their application and their material impact on the financial statements.

Key source of estimation uncertainty: property portfolio valuation

The valuation to determine the fair value of the Group's investment properties is prepared by its external valuer. The valuation is based upon a number of assumptions, including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate. The valuer also makes reference to market evidence of transaction prices for similar properties. An adjustment to any of these assumptions could lead to a material change in the property valuation. For the current year and prior year, the Directors adopted the valuation without adjustment – further information is provided in the accounting policy for investment property and note 9.

New accounting standards

In the current year, the Group has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. These new standards and amendments are listed below:

- Amendments to IFRS 3 – Reference to the conceptual framework;
- Amendments to IAS 16 – Property, plant and equipment proceeds before intended use;
- Amendments to IAS 37 – Onerous contracts, cost of fulfilling a contract; and
- Annual improvements to IFRS Standards 2018–20.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 – Insurance contracts;
- Amendments to IAS 1 – Classification of liabilities as current or non current (including deferral of effective date);
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies;
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 8 – Definition of accounting estimates; and
- Amendments to IFRS 10 and IAS 28 – Sales or Contributions of Assets between an investor and its Associate or Joint Venture.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

The Group has assessed the impact of the IFRS Interpretation Committee's recent agenda decision in respect of Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7). The Group holds customer deposits in separate designated bank accounts where the use of the monies is restricted and defined in the lease agreements; however, the access to these monies by the Group is not restricted. Following the clarification by IFRIC, these customer deposits are judged to meet the definition of 'cash' under IAS 7. The Group comparative balances have been restated to reflect this change in classification, which resulted in £16.7 million of customer deposits as at 31 March 2022 being reclassified and presented gross as cash and cash equivalents and payables with no impact on net assets or the income statement.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2023. Subsidiary undertakings are those entities controlled by the Group. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Revenue

Gross rental income comprises rental income and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable, on a straight-line basis. Initial direct costs incurred in arranging a lease are added to the carrying value of investment properties and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives, including rent-free periods and payments to customers, 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, with the aggregate cost of the incentive recognised as a reduction in rental income on a straight-line basis over the term of the lease.

Revenue from Fully Managed spaces is split between an amount attributable to the rent on a fitted basis and services income. The rent is recognised in gross rental income (see above) and the services income is recorded over the period when the services are provided and benefit the customer.

The Group's Flex Partnerships represent leases with third-party operators where the rent payable is calculated by reference to the profitability of the space under management. The rent is recognised in gross rental income (see above).

Service charge income is recorded over the period when the services are provided and benefit the customer.

Cost of sales

Service charge expenses (including the cost of service provision in our Fully Managed spaces) represent the costs of operating the Group's portfolio and are expensed as incurred.

Other property expenses represent irrecoverable running costs directly attributable to specific properties within the Group's portfolio. 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 payments

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 recognised over the vesting period and reversed if it is likely that any non-market-based performance or service criteria will not be met. Any cost in respect of share-based payments relating to the employees of a subsidiary company is recharged accordingly.

Segmental analysis

The Directors are required to present the Group's financial information by business segment or geographical area. This requires a review of the Group's organisational structure and internal reporting system to identify reportable segments and an assessment of where the Group's assets or customers are located.

All of the Group's revenue is generated from investment properties located in central London. The properties are managed as a single portfolio by a portfolio 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 (including Flex space), retail and any residential space is managed together. Within the 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, or if it is a trading property, it is sold. 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 the external valuer, are set out in note 9.

Investment property

Both leasehold and freehold investment properties and investment properties under development are professionally valued on a fair value basis by qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Group's properties is appropriate for inclusion in the accounts without adjustment. The valuation of the property portfolio reflects its fair value taking into account the market view of all relevant factors, including the climate-related risks associated with the properties. This includes the impact of expected regulatory changes.

The valuations have been prepared in accordance with the current versions of the RICS Valuation – Global Standards (incorporating the International Valuation Standards (IVS)) and the UK national supplement (the Red Book) and have been primarily derived using comparable recent market transactions on arm's length terms.

For investment property, this approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods.

These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details, non-payment of rent, planning, building and environmental factors that might affect the property.

In the case of investment property under development, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for the costs necessary to complete the development, together with an allowance for the remaining risk.

The Group recognises sales and purchases of property when control passes on completion of the contract. Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure.

Lease obligations

Where the Group is a lessee, a right of use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments based on the Group's expectations of the likelihood of the lease term. The lease liability is subsequently adjusted to reflect an imputed finance charge, payments made to the lessor and any lease modifications.

The right of use asset is initially measured at cost, which comprises the amount of the lease liability and direct costs incurred, less any lease incentives received by the Group. The Group has two categories of right of use assets: those in respect of head leases related to its leasehold properties and an occupational lease for its head office. The right of use asset in respect of head leases is classified as investment property and is added to the carrying value of the leasehold investment property. The right of use asset in respect of its occupational leases is classified as property, plant and equipment and is subsequently depreciated over the length of the lease.

Depreciation

No depreciation is provided in respect of freehold investment properties and leasehold investment properties. Plant and equipment is held at cost less accumulated depreciation. Depreciation is provided on plant and equipment, at rates calculated to write off the cost, less residual value 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, in the Directors' judgement, the Group has joint control of the entity. The Group's level of control in its joint ventures is driven both by the individual agreements which set out how control is shared by the partners and how that control is exercised in practice. 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. There have been no new joint ventures during the year and no changes to any of the agreements in place.

Income tax

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of previous years. 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 and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax assets can be utilised. No provision is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Tax is included in the income statement except when it relates to items recognised directly in other comprehensive income or equity, in which case the related tax is also recognised directly in other comprehensive income or equity.

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 onto the balance sheet at each balance sheet date. Actuarial gains and losses are taken to other comprehensive income; all other movements are taken to the income statement.

Capitalisation of interest

Interest associated with direct expenditure on investment and trading 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 where no intention existed. Interest is capitalised from the start of the development work until the date of practical completion. The rate used is the Group's weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings.

Other investments

Other investments comprise investments in Pi Labs European PropTech venture capital fund, which is measured at fair value, based on the net assets of the fund; this is a Level 3 valuation as defined by IFRS 13. Changes in fair value are recognised in profit or loss.

Financial instruments

i Borrowings The Group's borrowings in the form of its debentures, private placement notes 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.

ii 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.

iii Trade receivables and payables Trade receivables are initially measured at the transaction price, and are subsequently measured at amortised cost using the effective interest rate method. See note 13 for further information on trade receivables and associated expected credit losses. Trade payables are initially measured at fair value and subsequently measured at amortised cost.

2 Revenue

	2023 £m	2022 £m
Gross rental income	**66.6**	66.1
Spreading of lease incentives	**5.9**	1.2
Service charge income	**12.5**	11.2
Fully Managed services income	**3.7**	0.6
Trading property revenue	**0.1**	–
Joint venture fee income	**2.4**	5.1
	91.2	84.2

The table below sets out the Group's gross rental income split between types of space provided:

	2023 £m	2022 £m
Ready to Fit	**42.4**	45.5
Retail	**11.1**	13.1
Fitted	**3.8**	3.4
Fully Managed	**4.1**	1.6
Flex Partnerships	**5.2**	2.5
	66.6	66.1

The table below sets out the Group's net rental income, which is an alternative performance measure:

	2023 £m	2022 £m
Gross rental income	**66.6**	66.1
Expected credit loss	**(0.6)**	(3.6)
Rental income	**66.0**	62.5
Spreading of lease incentives	**5.9**	1.2
Ground rents	**(1.0)**	(1.1)
Net rental income	**70.9**	62.6

3 Cost of sales

	2023 £m	2022 £m
Service charge expenses (including Fully Managed service costs)	**18.2**	15.8
Other property expenses	**13.0**	13.2
Ground rent	**1.0**	1.1
	32.2	30.1

The table below sets out the Group's property costs, which is an alternative performance measure:

	2023 £m	2022 £m
Service charge income	**(12.5)**	(11.2)
Fully Managed services income	**(3.7)**	(0.6)
Service charge expenses (including Fully Managed service costs)	**18.2**	15.8
Other property expenses	**13.0**	13.2
Expected credit loss	**0.2**	0.5
Property costs	**15.2**	17.7

4 Administration expenses

	2023 £m	2022 £m
Employee costs	**26.3**	24.5
Depreciation	**1.7**	1.6
Other head office costs	**10.3**	8.9
	38.3	35.0

Included within employee costs is an accounting charge for the Employee Long Term Incentive Plan and deferred bonus shares of £1.3 million (2022: £2.3 million). Employee costs, including those of Directors, comprise the following:

	2023 £m	2022 £m
Wages and salaries (including annual bonuses)	**22.4**	18.3
Share-based payments	**1.5**	3.9
Social security costs	**3.4**	2.7
Other pension costs	**2.3**	2.2
	29.6	27.1
Less: recovered through service charges	**(2.0)**	(1.8)
Less: capitalised into development projects	**(1.3)**	(0.8)
	26.3	24.5

Key management compensation

The emoluments and pension benefits of the Directors are set out in detail within the Directors' remuneration report. The Directors and the Executive Committee are considered to be key management for the purposes of IAS 24 – Related Party Transactions with their aggregate compensation set out below:

	2023 £m	2022 £m
Wages and salaries (including annual bonuses)	**6.8**	5.4
Share-based payments	**0.3**	1.5
Social security costs	**1.0**	1.0
Other pension costs	**0.5**	0.4
	8.6	8.3

The number of people considered key management totalled 18 (2022: 17). The Group had loans to key management of £17,882 outstanding at 31 March 2023. The Group's key management, its pension plan and joint ventures are the Group's only related parties.

Employee information

The monthly average number of employees of the Group, including Directors, was:

	2023 Number	2022 Number
Head office and property management	**145**	129

Auditor's remuneration

	2023 £000	2022 £000
Audit of the Company's annual accounts	**242**	212
Audit of subsidiaries	**94**	119
	336	331
Audit-related assurance services, including the interim review	**49**	42
Sustainability assurance	**63**	61
Auditor's remuneration	**448**	434

5 Finance income

	2023 £m	2022 £m
Interest on balances with joint ventures	**5.9**	7.3
Interest on cash deposits	**0.1**	0.1
	6.0	7.4

6 Finance costs

	2023 £m	2022 £m
Interest on revolving credit facilities	**5.7**	2.1
Interest on private placement notes	**10.9**	11.0
Interest on debenture stock	**1.2**	1.2
Interest on obligations under occupational leases	**0.1**	0.1
Interest on obligations under head leases	**2.4**	1.9
Gross finance costs	**20.3**	16.3
Less: capitalised interest at an average rate of 3.0% (2022: 2.9%)	**(8.8)**	(7.2)
	11.5	9.1

7 Tax

	2023 £m	2022 £m
Current tax		
UK corporation tax – current period	**–**	–
UK corporation tax – prior periods	**–**	–
Total current tax	**–**	–
Deferred tax	**(0.1)**	(0.5)
Tax credit for the year	**(0.1)**	(0.5)

The effective rate of tax is lower (2022: lower) than the standard rate of tax. The difference arises from the items set out below:

	2023 £m	2022 £m
(Loss)/profit before tax	**(164.0)**	166.7
Tax (credit)/charge on (loss)/profit at standard rate of 19% (2022: 19%)	**(31.2)**	31.7
REIT tax exempt rental profits and gains	**(7.1)**	(8.0)
Changes in fair value of properties not subject to tax	**35.1**	(25.8)
Difference between accounting profit and tax profit on disposal	**2.0**	–
Other	**1.1**	1.6
Tax credit for the year	**(0.1)**	(0.5)

During the year, £0.1 million (2022: £0.5 million) of deferred tax was debited directly to equity. The Group recognised a net deferred tax asset at 31 March 2023 of £nil (2022: £nil). This consists of deferred tax assets of £1.2 million (2022: £0.8 million) and deferred tax liabilities of £1.2 million (2022: £0.8 million).

Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. The standard rate of tax increased on 1 April 2023 from 19% to 25%.

Movement in deferred tax

	At 1 April 2022 £m	Recognised in the income statement £m	Recognised in equity £m	At 31 March 2023 £m
Net deferred tax asset/(liability) in respect of other temporary differences	–	**0.1**	**(0.1)**	**–**

A further deferred tax asset of £6.9 million (2022: £5.9 million), mainly relating to revenue losses and contingent share awards, was not recognised because it is uncertain whether future taxable profit will arise against which this asset can be utilised.

As a REIT, the majority of rental profits and chargeable gains from the Group's property rental business are exempt from UK corporation tax. The Group is otherwise subject to corporation tax. In particular, the Group's REIT exemption does not extend to either profits arising from the sale of trading properties or gains arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years (including the sale of 50 Finsbury Square, EC2, which completed in February 2023).

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

8 Alternative performance measures and EPRA metrics

As is usual practice in our sector, we use alternative performance measures (APMs) to help explain the performance of the business. These include quoting a number of measures on a proportionally consolidated basis to include joint ventures, as it best describes how we manage the portfolio, and using measures prescribed by the European Public Real Estate Association (EPRA). The measures defined by EPRA are designed to enhance transparency and comparability across the European real estate sector in accordance with its Best Practice Recommendations. The Directors consider these EPRA metrics, and the other metrics provided, to be the most appropriate method of reporting the value and performance of the business. EPRA capital expenditure and EPRA NIY are included in note 9 and EPRA vacancy as set out in the appendix.

Earnings per share

Weighted average number of ordinary shares

	2023 Number of shares	2022 Number of shares
Issued ordinary share capital at 1 April	**253,867,911**	253,867,911
Investment in own shares	**(941,432)**	(877,335)
Weighted average number of ordinary shares at 31 March – basic	**252,926,479**	252,990,576

Basic and diluted earnings per share

	Loss after tax 2023 £m	**Number of shares 2023 million**	**Loss per share 2023 pence**	Profit after tax 2022 £m	Number of shares 2022 million	Earnings per share 2022 pence
Basic	**(163.9)**	**252.9**	**(64.8)**	167.2	253.0	66.1
Dilutive effect of LTIP shares	**–**	**–**	**–**	–	0.1	(0.1)
Diluted	**(163.9)**	**252.9**	**(64.8)**	167.2	253.1	66.0

Basic and diluted EPRA earnings per share

	Loss after tax 2023 £m	**Number of shares 2023 million**	**(Loss)/Earnings per share 2023 pence**	Profit after tax 2022 £m	Number of shares 2022 million	Earnings per share 2022 pence
Basic	**(163.9)**	**252.9**	**(64.8)**	167.2	253.0	66.1
Deficit/(surplus) from investment property net of tax (note 9)	**145.0**	**–**	**57.3**	(107.9)	–	(42.7)
Deficit/(surplus) from joint venture investment property (note 10)	**43.2**	**–**	**17.1**	(31.4)	–	(12.4)
Trading property revenue	**(0.1)**	**–**	**–**	–	–	–
Surplus on revaluation of other investments (note 12)	**(0.1)**	**–**	**–**	–	–	–
Deferred tax (note 7)	**(0.1)**	**–**	**(0.1)**	(0.5)	–	(0.2)
Basic EPRA earnings	**24.0**	**252.9**	**9.5**	27.4	253.0	10.8
Dilutive effect of LTIP shares (note 20)	**–**	**0.2**	**–**	–	0.1	–
Diluted EPRA earnings	**24.0**	**253.1**	**9.5**	27.4	253.1	10.8

Net assets per share

In October 2019, EPRA issued new Best Practice Recommendations for Net Asset Value (NAV) metrics; these recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group. The recommendations include three NAV metrics: EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV). We consider EPRA NTA to be the most relevant measure for the Group and the primary measure of NAV, definitions are included in the glossary.

Number of ordinary shares

	2023 Number of shares	2022 Number of shares
Issued ordinary share capital	**253,867,911**	253,867,911
Investment in own shares	**(887,159)**	(877,335)
Number of shares – basic	**252,980,752**	252,990,576
Dilutive effect of LTIP shares	**326,340**	145,862
Number of shares – diluted	**253,307,092**	253,136,438

EPRA net assets per share at 31 March 2023

	IFRS £m	**EPRA NTA £m**	**EPRA NDV £m**	**EPRA NRV £m**
IFRS basic and diluted net assets	**1,918.6**	**1,918.6**	**1,918.6**	**1,918.6**
Fair value of financial liabilities (note 16)	**–**	**–**	**83.4**	**–**
Real estate transfer tax	**–**	**–**	**–**	**173.6**
Net assets used in per share calculations	**1,918.6**	**1,918.6**	**2,002.0**	**2,092.2**

	IFRS	**EPRA NTA**	**EPRA NDV**	**EPRA NRV**
Net assets per share (pence)	**758**	**758**	**791**	**827**
Diluted net assets per share (pence)	**757**	**757**	**790**	**826**

EPRA net assets per share at 31 March 2022

	IFRS £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m
IFRS basic and diluted net assets	2,112.9	2,112.9	2,112.9	2,112.9
Fair value of financial liabilities (note 16)	–	–	7.9	–
Real estate transfer tax	–	–	–	193.2
Net assets used in per share calculations	2,112.9	2,112.9	2,120.8	2,306.1

	IFRS	EPRA NTA	EPRA NDV	EPRA NRV
Net assets per share (pence)	835	835	838	912
Diluted net assets per share (pence)	835	835	838	911

Total Accounting Return (TAR)

	2023 Pence per share	2022 Pence per share
Opening EPRA NTA (A)	**835.0**	779.0
Closing EPRA NTA	**757.0**	835.0
(Decrease)/increase in EPRA NTA	**(78.0)**	56.0
Ordinary dividends paid in the year	**12.6**	12.6
Total return (B)	**(65.4)**	68.6
Total Accounting Return (B/A)	**(7.8%)**	8.8%

Net gearing

	2023 £m	2022 £m
Nominal value of interest-bearing loans and borrowings (see note 15)	**460.9**	533.9
Obligations under occupational leases	**2.0**	2.9
Less: cash balances (unrestricted)	**(3.2)**	–
Adjusted net debt (A)	**459.7**	536.8
Net assets	**1,918.6**	2,112.9
Pension asset	**(4.1)**	(3.5)
Adjusted net equity (B)	**1,914.5**	2,109.4
Net gearing (A/B)	**24.0%**	25.4%

EPRA loan-to-value and net debt

We consider loan-to-property value, including our share of joint ventures, to be the best measure of the Group's risk from financial leverage. We also present net gearing as it is a key covenant on our loan facilities (see note 16).

	2023 £m	2022 £m
£21.9 million 5⅝% debenture stock 2029	**21.9**	21.9
£450.0 million revolving credit facility	**14.0**	87.0
Private placement notes	**425.0**	425.0
Current interest-bearing loans and borrowings	**–**	0.2
Less: cash balances (unrestricted)	**(3.2)**	–
Group net debt	**457.7**	534.1
Net payables (excluding customer rent deposits)	**27.8**	34.1
Group net debt including net payables	**485.5**	568.2
Joint venture net payables (at share)	**3.4**	4.7
Less: joint venture cash balances (at share)	**(17.7)**	(28.9)
Net debt including joint ventures (A)	**471.2**	544.0
Group properties at market value	**1,855.5**	2,088.8
Joint venture properties at market value	**524.5**	558.6
Properties at fair value including joint ventures (B)	**2,380.0**	2,647.4
EPRA loan-to-value (A/B)	**19.8%**	20.5%

EPRA cost ratio (including share of joint ventures)

	2023 £m	2022 £m
Administration expenses	**38.3**	35.0
Property costs	**15.2**	17.7
Joint venture management fee income (note 2)	**(2.4)**	(5.1)
Joint venture property and administration costs (note 10)	**2.2**	1.9
EPRA costs (including direct vacancy costs) (A)	**53.3**	49.5
Direct vacancy costs	**(7.8)**	(8.9)
Joint venture direct vacancy cost	**(0.3)**	(0.8)
EPRA costs (excluding direct vacancy costs) (B)	**45.2**	39.8
Net rental income (note 2)	**70.9**	62.6
Joint venture net rental income (note 10)	**18.2**	24.0
Gross rental income (C)	**89.1**	86.6
Portfolio at fair value including joint ventures (D)	**2,380.0**	2,647.4
Cost ratio (including direct vacancy costs) (A/C)	**59.8%**	57.1%
Cost ratio (excluding direct vacancy costs) (B/C)	**50.7%**	46.0%
Cost ratio (by portfolio value) (A/D)	**2.2%**	1.9%

Cash earnings per share

	Profit after tax 2023 £m	**Number of shares 2023 million**	**Earnings per share 2023 pence**	Profit after tax 2022 £m	Number of shares 2022 million	Earnings per share 2022 pence
Diluted EPRA earnings	**24.0**	**253.1**	**9.5**	27.4	253.1	10.8
Capitalised interest	**(8.8)**	**–**	**(3.5)**	(7.2)	–	(2.8)
Spreading of lease incentives	**(5.9)**	**–**	**(2.3)**	(1.2)	–	(0.5)
Spreading of lease incentives in joint ventures	**(7.0)**	**–**	**(2.8)**	(8.4)	–	(3.3)
Employee Long Term Incentive Plan charge	**1.3**	**–**	**0.5**	3.9	–	1.5
Cash earnings per share	**3.6**	**253.1**	**1.4**	14.5	253.1	5.7

9 Investment property

Investment property

	Freehold £m	**Leasehold £m**	**Total £m**
Book value at 1 April 2021	615.9	964.7	1,580.6
Costs capitalised	18.9	25.1	44.0
Acquisitions	–	52.3	52.3
Transfer from investment property under development	246.8	–	246.8
Net valuation surplus on investment property	48.0	5.1	53.1
Book value at 31 March 2022	929.6	1,047.2	1,976.8
Costs capitalised	**22.4**	**12.3**	**34.7**
Acquisitions	**7.5**	**36.1**	**43.6**
Disposals	**(27.3)**	**–**	**(27.3)**
Transfer to investment property under development	**–**	**(101.2)**	**(101.2)**
Net valuation deficit on investment property	**(48.7)**	**(69.4)**	**(118.1)**
Book value at 31 March 2023	**883.5**	**925.0**	**1,808.5**

Investment property under development

	Freehold £m	**Leasehold £m**	**Total £m**
Book value at 1 April 2021	313.9	–	313.9
Costs capitalised	38.5	–	38.5
Interest capitalised	7.2	–	7.2
Transfer to investment property	(246.8)	–	(246.8)
Net valuation surplus on investment property under development	54.8	–	54.8
Book value at 31 March 2022	167.6	–	167.6
Costs capitalised	**21.1**	**32.0**	**53.1**
Disposals	**(193.4)**	**–**	**(193.4)**
Interest capitalised	**4.7**	**4.1**	**8.8**
Transfer from investment property	**–**	**101.2**	**101.2**
Net valuation deficit on investment property under development	**–**	**(23.6)**	**(23.6)**
Book value at 31 March 2023	**–**	**113.7**	**113.7**
Total investment property	**883.5**	**1,038.7**	**1,922.2**

The book value of investment property includes £66.7 million (2022: £55.6 million) in respect of the present value of future ground rents. The market value of the portfolio (excluding these amounts) is £1,855.5 million. The total portfolio value including joint venture properties of £524.5 million (see note 10) was £2,380.0 million. At 31 March 2023, property with a carrying value of £111.0 million (2022: £119.5 million) was secured under the first mortgage debenture stock (see note 15).

Surplus from investment property

	2023 £m	2022 £m
Net valuation (deficit)/surplus on investment property	**(141.7)**	107.9
Loss on sale of investment properties	**(3.3)**	–
	(145.0)	107.9

The Group's investment properties, including those held in joint ventures (note 10), were valued on the basis of fair value by CBRE Limited (CBRE), external valuers, as at 31 March 2023. The valuations have been prepared in accordance with the current versions of the RICS Valuation – Global Standards (incorporating the International Valuation Standards (IVS)) and the UK national supplement (the Red Book) and have been primarily derived using comparable recent market transactions on arm's length terms.

The total fees, including the fixed fee for this assignment, earned by CBRE (or other companies forming part of the same group of companies within the UK) from the Group are less than 5.0% of its total UK revenues. CBRE has carried out valuation instructions, agency and professional services on behalf of the Group for in excess of 20 years.

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

Key inputs to the valuation at 31 March 2023

		ERV		**True equivalent yield**	
		Average £ per sq ft	**Range £ per sq ft**	**Average %**	**Range %**
North of Oxford Street	Office	**88**	**54 – 131**	**4.8**	**4.3 – 6.8**
	Retail	**63**	**33 – 107**	**4.5**	**4.2 – 7.5**
Rest of West End	Office	**101**	**57 – 163**	**5.4**	**3.3 – 7.3**
	Retail	**96**	**15 – 266**	**4.7**	**3.2 – 7.1**
City, Midtown and Southwark	Office	**75**	**47 – 167**	**5.0**	**4.5 – 6.1**
	Retail	**25**	**25 – 27**	**5.5**	**4.6 – 5.9**

Key inputs to the valuation at 31 March 2022

		ERV		**True equivalent yield**	
		Average £ per sq ft	**Range £ per sq ft**	**Average %**	**Range %**
North of Oxford Street	Office	79	43 – 96	4.3	3.9 – 5.7
	Retail	65	33 – 111	4.4	4.1 – 7.0
Rest of West End	Office	87	57 – 111	4.8	3.3 – 6.2
	Retail	97	15 – 226	4.5	3.4 – 6.2
City, Midtown and Southwark	Office	57	46 – 67	4.5	3.8 – 5.5
	Retail	29	25 – 71	5.2	4.9 – 5.2

Everything else being equal, there is a positive relationship between rental values and the property valuation, such that an increase in rental values will increase the valuation of a property and a decrease in rental values will reduce the valuation of the property. Any percentage movement in rental values will translate into approximately the same percentage movement in the property valuation. However, due to the long-term nature of leases, where the passing rent is fixed and often subject to upwards only rent reviews, the impact will not be immediate and will be recognised over a number of years. The relationship between capitalisation yields and the property valuation is negative and more immediate; therefore, an increase in capitalisation yields will reduce the valuation of a property and a reduction will increase its valuation. A decrease in the capitalisation yield by 50 basis points would result in an increase in the fair value of the Group's investment property by £275.7 million, whilst a 50 basis point increase would reduce the fair value by £223.8 million. A movement of 42 basis points was shown across the portfolio over the last 12 months and a 50 basis point movement is therefore considered to be a reasonably possible change. There are interrelationships between these inputs as they are determined by market conditions, and the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions (i.e. rental values increase and yields decrease), valuation movements can be amplified, whereas if they move in the same direction, they may offset, reducing the overall net valuation movement. Additionally, investment property under development is sensitive to income, cost and developer's profit assumptions included in the valuations.

The valuation of the property portfolio reflects its fair value taking into account the market view of all relevant factors including the climate related risks associated with the properties. This includes the impact of expected regulatory changes, including the need to ensure the Group's properties meet prospective EPC regulations, which is estimated to cost less than £20 million ahead of the 2030 deadline.

At 31 March 2023, the Group had capital commitments of £311.6 million (2022: £28.9 million). At 31 March 2023, £nil million of investment property was held for sale.

EPRA capital expenditure

	2023 £m	2022 £m
Group		
Acquisitions	**43.6**	52.3
Developments	**53.1**	38.5
Interest capitalised	**8.8**	7.2
Investment properties: incremental lettable space	**–**	–
Investment properties: no incremental lettable space	**28.8**	42.8
Lease incentives	**5.9**	1.2
Group total	**140.2**	142.0
Joint ventures (at share)		
Developments	**–**	–
Interest capitalised	**–**	–
Investment properties: incremental lettable space	**–**	–
Investment properties: no incremental lettable space	**1.3**	1.2
Lease incentives	**7.8**	8.4
Total capital expenditure	**149.3**	151.6
Conversion from accrual to cash basis	**7.3**	(3.8)
Total capital expenditure on a cash basis	**156.6**	147.8

EPRA net initial yield (NIY) and topped-up NIY

	2023 £m	2022 £m
Properties at fair value including joint ventures	**2,380.0**	2,647.4
Less: properties under development including joint ventures	**(89.0)**	(167.6)
Less: residential properties	**(12.4)**	(13.3)
Like-for-like investment property portfolio, proposed and completed developments	**2,278.6**	2,466.5
Plus: estimated purchasers' costs	**166.3**	180.0
Grossed-up completed property portfolio valuation (B)	**2,444.9**	2,646.5
Annualised cash passing rental income[1]	**76.7**	77.8
Net service charge expense including joint ventures	**(3.3)**	(4.8)
Other irrecoverable property costs including joint ventures	**(12.9)**	(13.0)
Annualised net rents (A)	**60.5**	60.0
Plus: rent-free periods and other lease incentives including joint ventures	**16.8**	22.6
Topped-up annualised net rents (C)	**77.3**	82.6

EPRA net initial yield (A/B)	**2.5%**	2.3%
EPRA topped-up initial yield (C/B)	**3.2%**	3.1%

1. Annualised passing rental income as calculated by the Group's external valuers including joint ventures at share.

See note 8 for further detail on EPRA measures.

10 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	Balances with partners £m	2023 Total £m	2022 Total £m
At 1 April	**365.3**	**217.5**	**582.8**	626.4
Movement on joint venture balances	**–**	**(3.1)**	**(3.1)**	(82.2)
Additions	**–**	**–**	**–**	–
Share of profit of joint ventures	**9.8**	**–**	**9.8**	14.5
Share of revaluation (deficit)/surplus of joint ventures	**(43.2)**	**–**	**(43.2)**	28.1
Share of profit on disposal of joint venture properties	**–**	**–**	**–**	3.3
Share of results of joint ventures	**(33.4)**	**–**	**(33.4)**	45.9
Distributions	**(7.5)**	**–**	**(7.5)**	(7.3)
At 31 March	**324.4**	**214.4**	**538.8**	582.8

All of the Group's joint ventures operate solely in the United Kingdom and comprise the following:

	Country of registration	2023 ownership	2022 ownership
The GHS Limited Partnership	Jersey	**50%**	50%
The Great Ropemaker Partnership	United Kingdom	**50%**	50%
The Great Victoria Partnerships	United Kingdom	**50%**	50%

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

	The GHS Limited Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	2023 Total £m	2023 At share £m	2022 At share £m
Balance sheets						
Investment property	**662.6**	**314.2**	**82.5**	**1,059.3**	**529.6**	563.8
Current assets	**2.5**	**4.0**	**0.8**	**7.3**	**3.6**	2.7
Cash	**5.3**	**13.0**	**17.0**	**35.3**	**17.7**	28.9
Balances from partners	**(226.5)**	**(129.2)**	**(73.1)**	**(428.8)**	**(214.4)**	(217.5)
Current liabilities	**(4.0)**	**(9.2)**	**(0.8)**	**(14.0)**	**(7.0)**	(7.4)
Head lease obligations	**–**	**(10.2)**	**–**	**(10.2)**	**(5.1)**	(5.2)
Net assets	**439.9**	**182.6**	**26.4**	**648.9**	**324.4**	365.3

	The GHS Limited Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	2023 Total £m	2023 At share £m	2022 At share £m
Income statements						
Net rental income	**16.7**	**16.0**	**3.8**	**36.5**	**18.2**	20.1
Surrender premium	**–**	**–**	**–**	**–**	**–**	3.9
Property and administration costs	**(0.8)**	**(2.4)**	**(1.2)**	**(4.4)**	**(2.2)**	(1.9)
Net finance costs	**(9.4)**	**(3.1)**	**–**	**(12.5)**	**(6.2)**	(7.6)
Profit from joint ventures	**6.5**	**10.5**	**2.6**	**19.6**	**9.8**	14.5
Revaluation of investment property	**(55.0)**	**(25.7)**	**(5.7)**	**(86.4)**	**(43.2)**	28.1
Profit on sale of investment property	**–**	**0.1**	**–**	**0.1**	**–**	3.3
Share of results of joint ventures	**(48.5)**	**(15.1)**	**(3.1)**	**(66.7)**	**(33.4)**	45.9

At 31 March 2023, the joint ventures had no debt facilities.

Transactions during the year between the Group and its joint ventures, which are related parties, are disclosed below:

	2023 £m	2022 £m
Movement on joint venture balances during the year	**3.1**	82.2
Balances receivable at the year end from joint ventures	**(214.4)**	(217.5)
Interest on balances with partners (see note 5)	**5.9**	7.3
Distributions	**7.5**	7.3
Joint venture fees paid (see note 2)	**2.4**	5.1

The joint venture balances are repayable on demand and bear interest as follows: the GHS Limited Partnership at 4.0% and the Great Ropemaker Partnership at 2.0%.

The investment properties include £5.1 million (2022: £5.2 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 £524.5 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. See notes 9, 13 and 16 for more information on the valuation of investment properties and expected credit losses in joint ventures.

At 31 March 2023, the Group had £nil contingent liabilities arising in its joint ventures (2022: £nil). At 31 March 2023, the Group had capital commitments in respect of its joint ventures of £0.4 million (2022: £1.4 million).

11 Property, plant and equipment

	Right of use asset for occupational leases £m	Leasehold improvements £m	Fixtures and fittings/other £m	Total £m
Cost				
At 1 April 2021	4.9	5.6	1.6	12.1
Costs capitalised	–	–	0.3	0.3
At 31 March 2022	4.9	5.6	1.9	12.4
Costs capitalised	**–**	**–**	**0.2**	**0.2**
At 31 March 2023	**4.9**	**5.6**	**2.1**	**12.6**
Depreciation				
At 1 April 2022	2.4	3.4	1.6	7.4
Charge for the year	**0.9**	**0.5**	**0.3**	**1.7**
At 31 March 2023	**3.3**	**3.9**	**1.9**	**9.1**
Carrying amount at 31 March 2022	2.5	2.2	0.3	5.0
Carrying amount at 31 March 2023	**1.6**	**1.7**	**0.2**	**3.5**

12 Other investments

	2023 £m	2022 £m
At 1 April	**1.0**	1.0
Acquisitions	**0.7**	0.7
Surplus on revaluation	**0.1**	–
Return of capital	**–**	(0.7)
At 31 March	**1.8**	1.0

In January 2020, the Group entered into a commitment of up to £5.0 million to invest in the Pi Labs European PropTech venture capital fund. At 31 March 2023, the Group had made net investments of £1.7 million. Launched in 2014, Pi Labs is Europe's longest standing PropTech VC, and this third fund has a primary focus to invest in early stage PropTech start-ups across Europe and the UK that use technology solutions to enhance any stage of the real estate value chain. The valuation of the fund is based on the net assets of its investments given these are not readily traded, we have classified the valuation of the investments as Level 3 as defined by IFRS 13. Key areas of focus for the fund include sustainability, future of work, future of retail, commercial real estate technologies, construction technology and smart cities.

13 Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**8.3**	14.4
Expected credit loss allowance	**(1.7)**	(6.0)
	6.6	8.4
Prepayments	**4.4**	0.5
Other taxes	**–**	4.0
Other trade receivables	**4.8**	8.2
	15.8	21.1

Trade receivables consist of rent and service charge monies, which are typically due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the customer's lease. Trade receivables are provided for based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on an assessment of each individual customer's circumstances. This assessment reviews the outstanding balances of each individual customer and makes an assessment of the likelihood of recovery, based on an evaluation of their financial situation. Where the expected credit loss relates to revenue already recognised, this has been recognised immediately in the income statement. For the portion of the expected credit loss that relates to future revenue which is no longer considered fully recoverable, the relevant amount of rent received in advance has been released.

Of the gross trade receivables of £8.3 million, £5.5 million (2022: £6.6 million) was past due, of which £3.0 million (2022: £2.0 million) was over 30 days.

	2023 £m	2022 £m
Movements in expected credit loss allowance		
Balance at the beginning of the year	**(6.0)**	(7.9)
Expected credit loss allowance during the year (see below)	**(1.0)**	(4.9)
Expected credit loss allowance in respect of future years	**0.8**	1.1
Amounts written-off as uncollectable	**4.5**	5.7
	(1.7)	(6.0)

The expected credit loss allowance during the year comprises:

	Gross 2023 £m	**Net of VAT 2023 £m**	Gross 2022 £m	Net of VAT 2022 £m
Expected credit loss allowance during the year				
Group	**1.0**	**0.8**	4.9	4.1
Joint ventures	**(0.2)**	**(0.2)**	(0.1)	(0.1)
	0.8	**0.6**	4.8	4.0

The expected credit loss for the year represents 26% of the net trade receivables balance at the balance sheet date.

14 Trade and other payables

	2023 £m	Restated* 2022 £m
Rents received in advance	**15.1**	16.0
Accrued capital expenditure	**5.9**	16.9
Payables in respect of customer rent deposits (see note 1)	**16.2**	16.7
Other accruals	**15.2**	19.2
Other taxes	**0.7**	–
Other payables	**3.7**	3.1
	56.8	71.9

* The 2022 comparatives have been restated to reflect the IFRIC Decision on Deposits. Amounts held in respect of customer rent deposits have been recorded as cash and cash equivalents, with a corresponding liability recorded within trade and other payables of £16.7 million.

The Directors consider that the carrying amount of trade payables approximates their fair value.

15 Interest-bearing loans and borrowings

	2023 £m	2022 £m
Non-current liabilities at amortised cost		
Secured		
£21.9 million 5⅝% debenture stock 2029	**22.0**	22.0
Unsecured		
£450.0 million revolving credit facility	**12.8**	85.4
£175.0 million 2.15% private placement notes 2024	**174.8**	174.7
£40.0 million 2.70% private placement notes 2028	**39.9**	39.9
£30.0 million 2.79% private placement notes 2030	**29.9**	29.9
£30.0 million 2.93% private placement notes 2033	**29.9**	29.9
£25.0 million 2.75% private placement notes 2032	**24.9**	24.9
£125.0 million 2.77% private placement notes 2035	**124.3**	124.3
Non-current interest-bearing loans and borrowings	**458.5**	531.0

In April 2023, the Group extended the maturity of £50 million of its £450 million unsecured revolving credit facility (RCF) to January 2027, coterminous with the remainder of the facility. The headline margin was unchanged at 90.0 basis points over SONIA (plus or minus 2.5 basis points subject to a number of ESG-linked targets in future years).

At 31 March 2023, the nominal value of the Group's interest-bearing loans and borrowing was £460.9 million (2022: £533.9 million) and the Group had £436.0 million (2022: £363.0 million) of undrawn credit facilities.

16 Financial instruments

Categories of financial instrument	**Carrying amount 2023 £m**	**Amounts recognised in income statement 2023 £m**	**Gain/(loss) to equity 2023 £m**	Carrying amount 2022 £m	Amounts recognised in income statement 2022 £m	Gain/(loss) to equity 2022 £m
Other investments	**1.8**	**0.1**	**–**	1.0	–	–
Assets at fair value	**1.8**	**0.1**	**–**	1.0	–	–
Balances with partners	**214.4**	**5.9**	**–**	217.5	7.3	–
Trade receivables	**11.4**	**(0.8)**	**–**	20.6	(4.1)	–
Cash and cash equivalents	**19.4**	**0.1**	**–**	16.7	0.1	–
Assets at amortised cost	**245.2**	**5.2**	**–**	254.8	3.3	–
Trade and other payables	**(4.4)**	**–**	**–**	(3.1)	–	–
Payables in respect of customer rent deposits	**(16.2)**	**–**	**–**	(16.7)	–	–
Interest-bearing loans and borrowings	**(458.5)**	**(9.0)**	**–**	(531.2)	(7.1)	–
Obligations under occupational leases	**(2.0)**	**(0.1)**	**–**	(2.9)	(0.1)	–
Obligations under finance leases	**(66.7)**	**(2.4)**	**–**	(55.6)	(1.9)	–
Liabilities at amortised cost	**(547.8)**	**(11.5)**	**–**	(609.5)	(9.1)	–
Total financial instruments	**(300.8)**	**(6.2)**	**–**	(353.7)	(5.8)	–

Financial risk management objectives

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to operate on a going concern basis 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, private placement notes and drawings against committed revolving credit facilities from banks. The Group aims to maintain a loan-to-property value of between 10–35% (see note 8). 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.

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 reviewing the financial information of prospective customers and only dealing with those that are creditworthy 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 customer base, with no one customer providing more than 10% of the Group's rental income. Details of the Group's receivables, and the associated expected credit loss, are summarised in note 13 of the financial statements. The Directors believe that there is no further expected credit loss required in excess of that provided. Impairment has been considered on the Balances with partners, but is considered insignificant because the property values in the joint ventures are in excess of any receivables due. 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. The Group's cash deposits are placed with a diversified range of investment grade banks, and strict counterparty limits ensure the Group's exposure to bank failure is minimised.

Liquidity risk

The Group operates a framework for the management of its 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 facility. The availability of this facility depends on the Group complying with a number of key financial covenants; these covenants and the Group's compliance with them are set out in the table below:

Key covenants	Covenant	March 2023 actuals
Group		
Net gearing (see note 8)	**<125%**	**24.0%**
Inner borrowing (unencumbered asset value/unsecured borrowings)	**>1.66x**	**4.0x**
Interest cover	**>1.35x**	**10.2x**

The Group has undrawn credit facilities of £436.0 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, including associated interest payments, based on the earliest date on which the Group is required to pay, and conditions existing at the balance sheet date adjusted for the extension of the maturity of £50 million of its £450 million unsecured revolving credit facility (RCF) in April 2023:

At 31 March 2023	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						
£21.9 million 5⅝% debenture stock 2029	**22.0**	**29.0**	**1.2**	**1.2**	**3.7**	**22.9**
£450.0 million revolving credit facility	**12.8**	**22.0**	**2.1**	**2.1**	**17.8**	**–**
Private placement notes	**423.7**	**500.2**	**10.8**	**182.5**	**20.8**	**286.1**
	458.5	**551.2**	**14.1**	**185.8**	**42.3**	**309.0**

At 31 March 2022	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						
Short-term interest-bearing loans and borrowings	0.2	0.2	0.2	–	–	–
£21.9 million 5⅝% debenture stock 2029	22.0	30.3	1.2	1.2	3.7	24.2
£450.0 million revolving credit facility	85.4	98.6	2.6	2.6	93.4	–
Private placement notes	423.6	511.0	10.8	10.8	196.3	293.1
	531.2	640.1	14.8	14.6	293.4	317.3

The maturity of lease obligations Is set out in notes 17 and 18.

Interest rate risk

Interest rate risk arises from the Group's use of interest-bearing financial instruments. It is the risk that future cash flows arising from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy to reduce interest rate risk in respect of the cash flows arising from its debt finance either through the use of fixed rate debt or through the use of interest rate derivatives such as swaps, caps and floors. It is the Group's usual policy to maintain the proportion of floating interest rate exposure to between 20–40% of forecast total debt. However, this target is flexible, and may not be adhered to at all times depending on, for example, the Group's view of future interest rate movements. At 31 March 2023, the Group had no interest rate derivatives.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance sheet date, and represents management's assessment of possible changes in interest rates based on historical trends. For the floating rate liabilities, the analysis is prepared assuming the amount of the liability at 31 March 2023 was outstanding for the whole year:

	Impact on profit		Impact on equity	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Increase of 100 basis points	**(0.1)**	(0.9)	**(0.1)**	(0.9)
Increase of 50 basis points	**(0.1)**	(0.4)	**(0.1)**	(0.4)
Decrease of 50 basis points	**0.1**	0.4	**0.1**	0.4
Decrease of 100 basis points	**0.1**	0.9	**0.1**	0.9

Fair value of interest-bearing loans and borrowings

	Book value 2023 £m	**Fair value 2023 £m**	Book value 2022 £m	Fair value 2022 £m
Items not carried at fair value				
Short-term interest-bearing loans and borrowings	**–**	**–**	0.2	0.2
£21.9 million 5⅝% debenture stock 2029	**22.0**	**22.4**	22.0	25.7
£450.0 million revolving credit facility	**12.8**	**12.8**	85.4	85.4
Private placement notes	**423.7**	**339.9**	423.6	412.0
	458.5	**375.1**	531.2	523.3

The fair values of the Group's private placement notes were determined by comparing the discounted future cash flows using the contracted yields with those of the reference gilts plus the implied margins, representing Level 2 fair value measurements as defined by IFRS 13 – Fair Value Measurement. 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 Head lease obligations

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

	Minimum lease payments 2023 £m	**Impact of discounting 2023 £m**	**Present value of minimum lease payments 2023 £m**	Minimum lease payments 2022 £m	Impact of discounting 2022 £m	Present value of minimum lease payments 2022 £m
Less than one year	**2.4**	**(2.4)**	**–**	2.3	(2.3)	–
Between one and five years	**9.7**	**(9.5)**	**0.2**	11.7	(11.5)	0.2
More than five years	**304.5**	**(238.0)**	**66.5**	234.4	(179.0)	55.4
	316.6	**(249.9)**	**66.7**	248.4	(192.8)	55.6

18 Occupational lease obligations

Obligations in respect of the Group's occupational leases for its head office are payable as follows:

	Minimum lease payments 2023 £m	**Impact of discounting 2023 £m**	**Present value of minimum lease payments 2023 £m**	Minimum lease payments 2022 £m	Impact of discounting 2022 £m	Present value of minimum lease payments 2022 £m
Less than one year	**1.0**	**–**	**1.0**	1.0	(0.1)	0.9
Between one and five years	**1.0**	**–**	**1.0**	2.0	–	2.0
	2.0	**–**	**2.0**	3.0	(0.1)	2.9

19 Share capital

	2023 Number	**2023 £m**	2022 Number	2022 £m
Allotted, called up and fully paid ordinary shares of 15⁵⁄₁₉ pence				
At 1 April and 31 March	**253,867,911**	**38.7**	253,867,911	38.7

At 31 March 2023, the Company had 253,867,911 ordinary shares with a nominal value of $15\frac{5}{19}$ pence each.

20 Investment in own shares

	2023 £m	2022 £m
At 1 April	**(3.6)**	(0.2)
Employee Long-Term Incentive Plan charge and deferred bonus shares	**(1.3)**	(3.9)
Transfer to retained earnings	**2.1**	0.5
At 31 March	**(2.8)**	(3.6)

The investment in the Company's own shares is held at cost and comprises 887,159 shares (2022: 877,335 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, 192,112 shares (2022: no shares) were awarded to Directors and senior employees and 201,936 additional shares were acquired by the Trust (2022: nil shares). The fair value of shares awarded and outstanding at 31 March 2023 was £8.4 million (2022: £10.5 million).

21 Cash and cash equivalents

	2023 £m	Restated* 2022 £m
Cash held at bank (unrestricted)	**3.2**	–
Amounts held in respect of customer rent deposits (restricted)	**16.2**	16.7
	19.4	16.7

* The 2022 comparatives have been restated to reflect the IFRIC Decision on Deposits. Amounts held in respect of customer rent deposits have been recorded as cash and cash and equivalents, with a corresponding liability recorded within trade and other payables of £16.7 million.

22 Notes to the Group statement of cash flows

Reconciliation of financing liabilities

	1 April 2022 £m	**New obligations £m**	**Inflows/(outflows) £m**	**Other £m**	**31 March 2023 £m**
Long-term interest-bearing loans and borrowings	531.0	**–**	**(73.0)**	**0.5**	**458.5**
Short-term interest-bearing loans and borrowings	0.2	**–**	**(0.2)**	**–**	**–**
Obligations under leases	58.5	**11.1**	**(3.3)**	**2.4**	**68.7**
	589.7	**11.1**	**(76.5)**	**2.9**	**527.2**

	1 April 2021 £m	New obligations £m	Inflows/(outflows) £m	Other £m	31 March 2022 £m
Long-term interest-bearing loans and borrowings	488.6	–	42.0	0.4	531.0
Short-term interest-bearing loans and borrowings	–	–	0.2	–	0.2
Obligations under leases	44.6	14.9	(3.0)	2.0	58.5
	533.2	14.9	39.2	2.4	589.7

Adjustment for non-cash items

	2023 £m	2022 £m
Deficit/(surplus) from investment property	**145.0**	(107.9)
Surplus on revaluation of other investments	**(0.1)**	–
Employee Long Term Incentive Plan charge and deferred bonus shares	**1.3**	3.9
Spreading of lease incentives	**(5.9)**	(1.2)
Share of results of joint ventures	**33.4**	(45.9)
Depreciation	**1.7**	1.6
Other	**(0.3)**	(0.2)
Adjustments for non-cash items	**175.1**	(149.7)

23 Dividends

	2023 £m	2022 £m
Dividends paid		
Interim dividend for the year ended 31 March 2023 of 4.7 pence per share	**11.9**	–
Final dividend for the year ended 31 March 2022 of 7.9 pence per share	**20.0**	–
Interim dividend for the year ended 31 March 2022 of 4.7 pence per share	**–**	11.9
Final dividend for the year ended 31 March 2021 of 7.9 pence per share	**–**	20.0
	31.9	31.9

A final dividend of 7.9 pence per share was approved by the Board on 24 May 2023 and, subject to shareholder approval, will be paid on 10 July 2023 to shareholders on the register on 2 June 2023. The dividend is not recognised as a liability at 31 March 2023. The 2022 final dividend and the 2023 interim dividend are included within the Group statement of changes in equity.

24 Lease receivables

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

	2023 £m	2022 £m
The Group as a lessor		
Less than one year	**58.3**	56.4
Between two and five years	**129.9**	122.1
More than five years	**66.7**	78.9
	254.9	257.4

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2023 was 3.2 years (2022: 3.4 years). All investment properties, except those under development, generated rental income, and £nil contingent rents were recognised in the year (2022: £nil).

25 Employee benefits

The Group operates a UK-funded approved defined contribution plan. The Group's contribution for the year was £1.5 million (2022: £1.3 million). The Group also contributes to a defined benefit final salary pension plan (the Plan), the assets of which are held and managed 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 2020 by a qualified independent actuary using the projected unit method. The Plan was valued using the following key actuarial assumptions:

	2023 %	2022 %
Discount rate	**4.80**	2.80
Expected rate of salary increases	**4.20**	4.50
RPI inflation	**3.20**	3.50
Rate of future pension increases	**2.90**	3.20

Life expectancy assumptions at age 65:

	2023 Years	2022 Years
Retiring today age 65	**25**	24
Retiring in 25 years (age 40 today)	**27**	27

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

	2023 £m	2022 £m
Present value of unfunded obligations	**(26.9)**	(35.9)
Fair value of the Plan assets	**31.0**	39.4
Pension asset	**4.1**	3.5

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

	2023 £m	2022 £m
Defined benefit obligation at 1 April	**35.9**	39.1
Service cost	**0.3**	0.3
Interest cost	**1.1**	0.9
Effect of changes in financial assumptions	**(10.5)**	(3.4)
Effect of experience adjustments	**1.1**	–
Benefits paid	**(1.0)**	(1.0)
Present value of defined benefit obligation at 31 March	**26.9**	35.9

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

	2023 £m	2022 £m
Fair value of the Plan assets at 1 April	**39.4**	39.8
Interest income	**1.1**	0.9
Actuarial loss	**(9.1)**	(0.8)
Employer contributions	**0.6**	0.5
Benefits paid	**(1.0)**	(1.0)
Fair value of the Plan assets at 31 March	**31.0**	39.4
Net pension asset	**4.1**	3.5

The amount recognised immediately in the Group statement of comprehensive income was £0.3 million (2022: £2.6 million).

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

	2023 £m	2022 £m
Current service cost	**(0.3)**	(0.3)
Net interest income	–	–
	(0.3)	(0.3)

Virtually all equity and debt instruments have quoted prices in active markets. The fair value of the Plan assets at the balance sheet date is analysed as follows:

	2023 £m	2022 £m
Cash	**0.1**	0.1
Equities	**11.9**	16.8
Bonds	**19.0**	22.5
	31.0	39.4

Other than market and demographic risks, which are common to all retirement benefit schemes, there are no specific risks in the relevant benefit schemes which the Group considers to be significant or unusual. Detail on two of the more specific risks are detailed below:

Changes in bond yields

Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.

Life expectancy

The majority of the obligations are to provide a pension for the life of the member on retirement, so increases in life expectancy will result in an increase in the liabilities. The inflation-linked nature of the majority of benefit payments increases the sensitivity of the liabilities to changes in life expectancy.

The effect on the defined benefit obligation of changing the key assumptions, calculated using approximate methods based on historical trends, is set out below:

	2023 **£m**	2022 £m
Discount rate -0.25%	**27.9**	37.6
Discount rate +0.25%	**26.0**	34.4
RPI inflation -0.25%	**26.5**	35.2
RPI inflation +0.25%	**27.4**	36.7
Post-retirement mortality assumption – one year age rating	**27.9**	37.5

A funding plan has been agreed committing the Group to cash shortfall contributions of £246,000 p.a. over the five years to 31 March 2023 as well as a contribution rate of 52.9% p.a. of member pensionable salaries to the ongoing benefit accrual. Based on this, the Group expects to contribute £0.6 million to the Plan in the year ending 31 March 2024. The expected total benefit payments for the year ending 31 March 2024 are £0.9 million, rising to around £1.0 million per annum over the next five years. £6.0 million in total is expected to be paid over the subsequent five year period.

26 Reserves

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

Share capital: The nominal value of the Company's issued share capital, comprising $15\frac{5}{19}$ pence ordinary shares.

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

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

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

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

Glossary

Building Research Establishment Environmental Assessment Methodology (BREEAM)

Building Research Establishment method of assessing, rating and certifying the sustainability of buildings.

Cash EPS

EPRA EPS adjusted for certain non-cash items (including our share of joint ventures): lease incentives, capitalised interest and charges for share-based payments.

Core West End

Areas of London with W1 and SW1 postcodes.

Development profit on cost

The value of the development at completion, less the value of the land at the point of development commencement and costs to construct (including finance charges, letting fees, void costs and marketing expenses).

Development profit on cost %

The development profit on cost divided by the land value at the point of development commencement together with the costs to construct.

Earnings Per Share (EPS)

Profit after tax divided by the weighted average number of ordinary shares in issue.

EPRA metrics

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

EPRA Net Disposal Value (NDV)

Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax and fixed interest rate debt.

EPRA Net Reinstatement Value (NRV)

Represents the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives, real estate transfer taxes and deferred taxes on property valuation surpluses, are therefore excluded.

EPRA Net Tangible Assets (NTA)

Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets.

Estimated rental value (ERV)

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

Fair value – investment property

The amount as estimated by the Group'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.

Ready to fit

For businesses typically taking larger spaces on longer leases who want to fit out the space themselves.

Fitted spaces

Where businesses can move into fully furnished, well designed workspaces, with their own front door, furniture, meeting rooms, kitchen and branding.

Fully Managed

Fitted space where GPE handles all day-to-day services and running of the workplace in one monthly bill.

Flex space partnerships

Revenue share agreements with flexible space operators; these are typically structured via lease arrangements with the revenue share recognised within rental income.

Full repairing and Insuring (FRI) lease

In an FRI lease, the customer is responsible for managing the space they occupy, including all costs associated with repairing and maintaining the property, as well as obtaining insurance coverage.

Internal rate of return (IRR)

The rate of return that if used as a discount rate and applied to the projected cash flows that would result in a net present value of zero.

MSCI

Morgan Stanley Capital International (MSCI) is a company that produces an independent benchmark of property returns.

MSCI central London

An index, compiled by MSCI, of the central and inner London properties in their March annual valued universes.

Like-for-like (Lfl)

The element of the portfolio that has been held for the whole of the period of account.

EPRA Loan-to-Value (LTV)

The nominal value of total bank loans, private placement notes, debenture stock and any net liabilities/assets, net of cash (including our share of joint ventures balances), expressed as a percentage of the market value of the property portfolio (including our share of joint ventures).

Net assets per share or net asset value (NAV)

Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net debt

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

Net gearing

Total Group borrowings at nominal value plus obligations under occupational leases less short-term deposits and cash as a percentage of equity shareholders' funds adjusted for value of the Group's pension scheme, calculated in accordance with our bank covenants.

Net initial yield

Annual net rents on investment properties as a percentage of the investment property valuation having added notional purchasers' costs.

Net rental income

Gross rental income adjusted for the spreading of lease incentives less expected credit losses and ground rents.

Non-PIDs

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

Property costs

Service charge income less service charge costs plus other property expenses.

Property Income Distributions (PIDs)

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

REIT

UK Real Estate Investment Trust.

Rent roll

The annual contracted rental income.

Reversionary potential

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

Topped-up initial yield

Annual net rents on investment properties as a percentage of the investment property valuation having added notional purchasers' costs and contracted uplifts from tenant incentives.

Total potential future growth

Portfolio rent roll plus the ERV of void space, space under refurbishment and the committed development schemes, expressed as a percentage uplift on the rent roll at the end of the period.

Total Accounting Return (TAR)

The growth in EPRA NTA per share plus ordinary dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period.

Total Property Return (TPR)

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

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.

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 purchasers' costs. Assumes rent is received quarterly in advance.

Ungeared IRR

The ungeared internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero, without the benefit of financing. The internal rate of return is used to evaluate the attractiveness of a project or investment.

EPRA vacancy rate

The element of a property which is unoccupied, expressed as the ERV of the vacant space divided by the ERV of the total portfolio, excluding committed developments.

Weighted Average Unexpired Lease Term (WAULT)

The Weighted Average Unexpired Lease Term expressed in years.

Whole life surplus

The value of the development at completion, less the value of the land at the point of acquisition and costs to construct (including finance charges, letting fees, void costs and marketing expenses), plus any income earned over the period.

Appendix 1

Our markets softened over the year, as the monetary response to rising inflation pushed up interest rates across the world. The most immediate impact was felt in our investment market, with upward pressure on property yields impacting values. However, despite the economy slowing, our occupational markets were resilient, with the best spaces showing continued demand and rising rents.

Macro-economic backdrop

- IMF estimates global GDP growth of 3.4% in 2022 and forecasts 2.8% and 3.0% growth for 2023 and 2024 respectively.
- UK still forecast to grow; 0.3% GDP growth in 2023 or 1.3% p.a. over next three years with London expected to outperform at 1.6% p.a. (Oxford Economics).
- Consumer confidence recovering from 2022 lows, now at highest level since February 2022.
- Deloitte CFO survey: having run below average throughout 2022, business confidence has risen sharply and is now well above its long-term average.
- UK composite PMI surveys have improved, now indicating expansion; 53.9 in April 2023.
- Inflationary risks remain; UK CPI 10.1% in March 2023, forecast to decline over the course of 2023.

Occupational markets[1]

- Activity levels remain healthy; central London take-up 11.8 million sq ft in year, up 6.9%, although Q1 2023 slowed to 2.1 million sq ft, 33.0% below ten-year average.
- Central London active demand 6.6 million sq ft, down 4.8% year on year (Knight Frank).
- Availability remains elevated at 25.4 million sq ft, marginally ahead of 31 March 2022 and remains 55.0% ahead of the ten-year average.
- Space under offer 3.2 million sq ft, down from 4.4 million sq ft at 31 March 2022.
- Central London vacancy rate 8.3% at 31 March 2023; down from 9.0% last year.
- Supply remains tight; availability of space newly completed or under construction low at 33.1% of total stock (8.4 million sq ft).
- Rents for prime spaces significantly outperformed Grade B rents at +2.0% v -5.0% respectively for the West End (Savills).

The West End

- Office take-up 4.9 million sq ft, up 22.5% on preceding year.
- Availability 6.1 million sq ft, up 2.4%.
- Vacancy 3.6%, down from 4.6% at 31 March 2022; vacancy of newly completed space only 0.6%.
- Prime office rental values £140 per sq ft at 31 March 2023, up 12.0% in year.
- Retail vacancy stabilised; Zone A rents maintained on key retail streets.

The City

- Office take-up 4.8 million sq ft, up 10.0% on preceding year.
- Availability 10.8 million sq ft, down 8.7%%.
- Vacancy 11.7% down from 12.9% at 31 March 2022; vacancy of newly completed space only 2.4%.
- Prime office rental values £72 per sq ft, up 1.4% in year.

Investment markets[1]

- Investment markets challenged given heightened interest rate environment.
- Demand for London real estate normalised post pandemic; office investment deals £11.2 billion in 2022; up 11.7% year on year. However, six months to 31 March 2023 demonstrate significant slowdown with only £2.3 million of transactions, down 53.1% on prior six months.
- We estimate that £4.6 billion of real estate is currently on the market to buy versus £27.5 billion of equity demand looking to invest.
- Given rising global interest rates, prime yields have softened; CBRE reports prime yields of 3.75% and 4.75% for the West End and City respectively.
- Retail yields now stable; 4.00% Regent Street, 4.25% Oxford Street and 2.75% Bond Street.

Near-term outlook

We actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the last year, our property capital value indicators have marginally worsened, driven by the continued macro-economic uncertainty, heightened levels of inflation and interest rates, and geopolitical tensions.

Today we expect the flight to quality to continue, with investment demand to support prime yields in the near term, with upward pressure on secondary spaces. In the occupational market, given a strong leasing and rental performance of the portfolio, our rental value growth range for the financial year to 31 March 2023 is positive at between 0.0% and 5.0%, predominantly driven by the positive expected performance of our office portfolio.

1. To 31 March 2023 and sourced from CBRE unless otherwise stated.

Appendix 1 continued

Selected lead indicators

Drivers of rents[1]	2022 Outlook	**2023 Outlook**
GDP/GVA growth	🟠	🟠
Business investment	🟠	🟠
Confidence	🟠	🟠
Employment growth	🟢	🟠
Active demand/take-up	🟢	🟠
Vacancy rates	🟠	🟠
Development completions	🟢	🟢
Drivers of yields		
Rental growth	🟢	🟠
Weight of money	🟢	🟠
Gilts	🟠	🟠
BBB Bonds	🟠	🟠
Exchange rates	🟠	🟠
Political risk	🟠	🟠

1. Offices.

Appendix 2

Portfolio performance

		Wholly-owned £m	Joint ventures[1] £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	742.4	–	742.4	31.1	(3.7)
	Retail	169.9	41.2	211.1	8.9	(5.9)
	Residential	4.6	–	4.6	0.2	11.5
Rest of West End	Office	245.0	237.8	482.8	20.3	(7.9)
	Retail	155.8	122.1	277.9	11.7	(4.1)
	Residential	5.0	–	5.0	0.2	(2.3)
Total West End		**1,322.7**	**401.1**	**1,723.8**	**72.4**	**(5.2)**
City, Midtown and Southwark	Office	392.9	123.4	516.3	21.7	(8.8)
	Retail	11.6	–	11.6	0.5	17.6
	Residential	2.8	–	2.8	0.1	(6.4)
Total City, Midtown and Southwark		407.3	123.4	530.7	22.3	(8.4)
Investment property portfolio		**1,730.0**	**524.5**	**2,254.5**	**94.7**	**(6.0)**
Development property		89.0	–	89.0	3.8	(21.0)
Total properties held throughout the year		**1,819.0**	**524.5**	**2,343.5**	**98.5**	**(6.6)**
Acquisitions		36.5	–	36.5	1.5	(11.3)
Portfolio valuation		**1,855.5**	**524.5**	**2,380.0**	**100.0**	**(6.7)**

1. GPE share.

Portfolio characteristics

		Investment properties £m	Development properties £m	Total property portfolio £m	Office £m	Retail £m	Residential £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		958.1	–	958.1	742.4	211.1	4.6	958.1	760
Rest of West End		765.7	–	765.7	482.8	277.9	5.0	765.7	568
Total West End		**1,723.8**	**–**	**1,723.8**	**1,225.2**	**489.0**	**9.6**	**1,723.8**	**1,328**
City, Midtown and Southwark		567.2	89.0	656.2	641.4	12.0	2.8	656.2	1,237
Total		**2,291.0**	**89.0**	**2,238.0**	**1,866.6**	**501.0**	**12.4**	**2,380.0**	**2,565**
By use:	Office	1,778.0	88.6	1,866.6					
	Retail	500.6	0.4	501.0					
	Residential	12.4	–	12.4					
Total		**2,291.0**	**89.0**	**2,380.0**					
Net internal area sq ft 000's		2,242	323	2,565					

Appendix 3

Sales for the year ended 31 March 2023

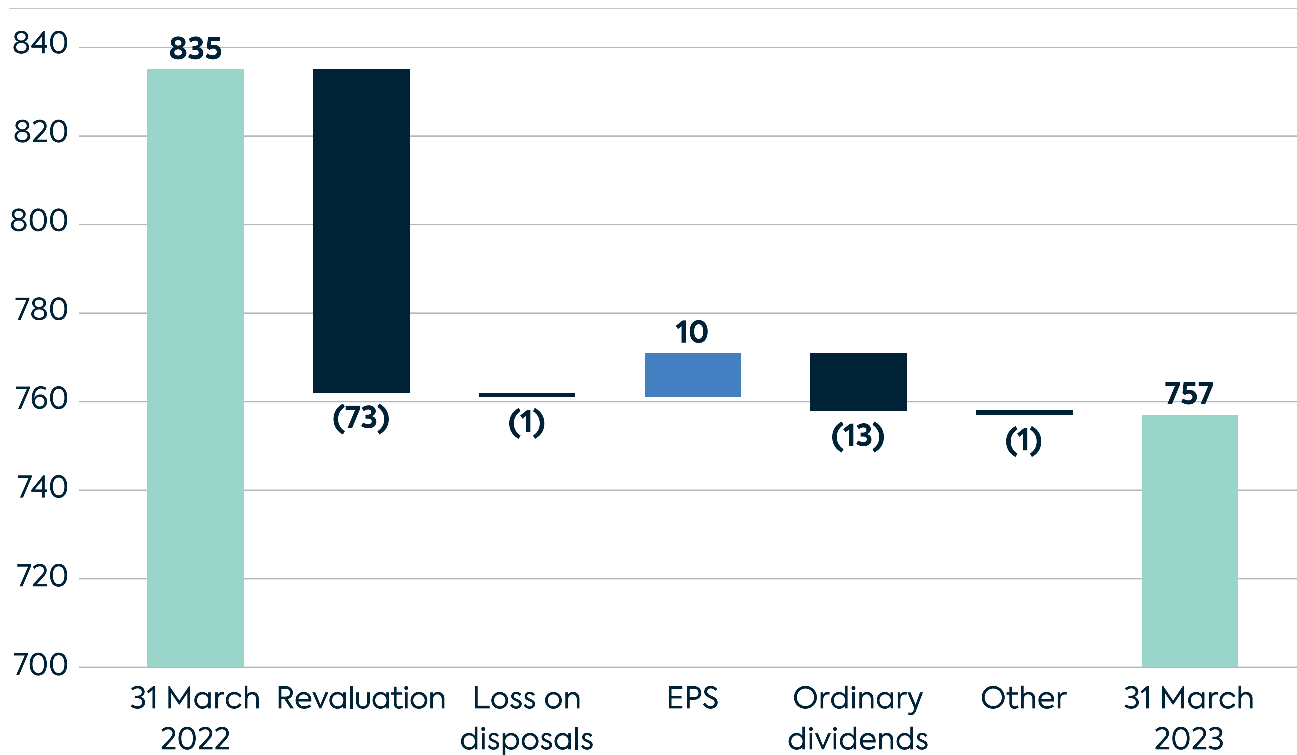
	Price £m	Premium/ (discount) to book value %	Price per sq ft £	NIY %
50 Finsbury Square, EC2	190.0	(1.7)	1,471	3.9
6/10 Market Place, W1	27.8	3.0	1,480	4.1
Total	**217.8**	**(1.1)**	**1,472**	**3.9**

Acquisitions for the year ended 31 March 2023

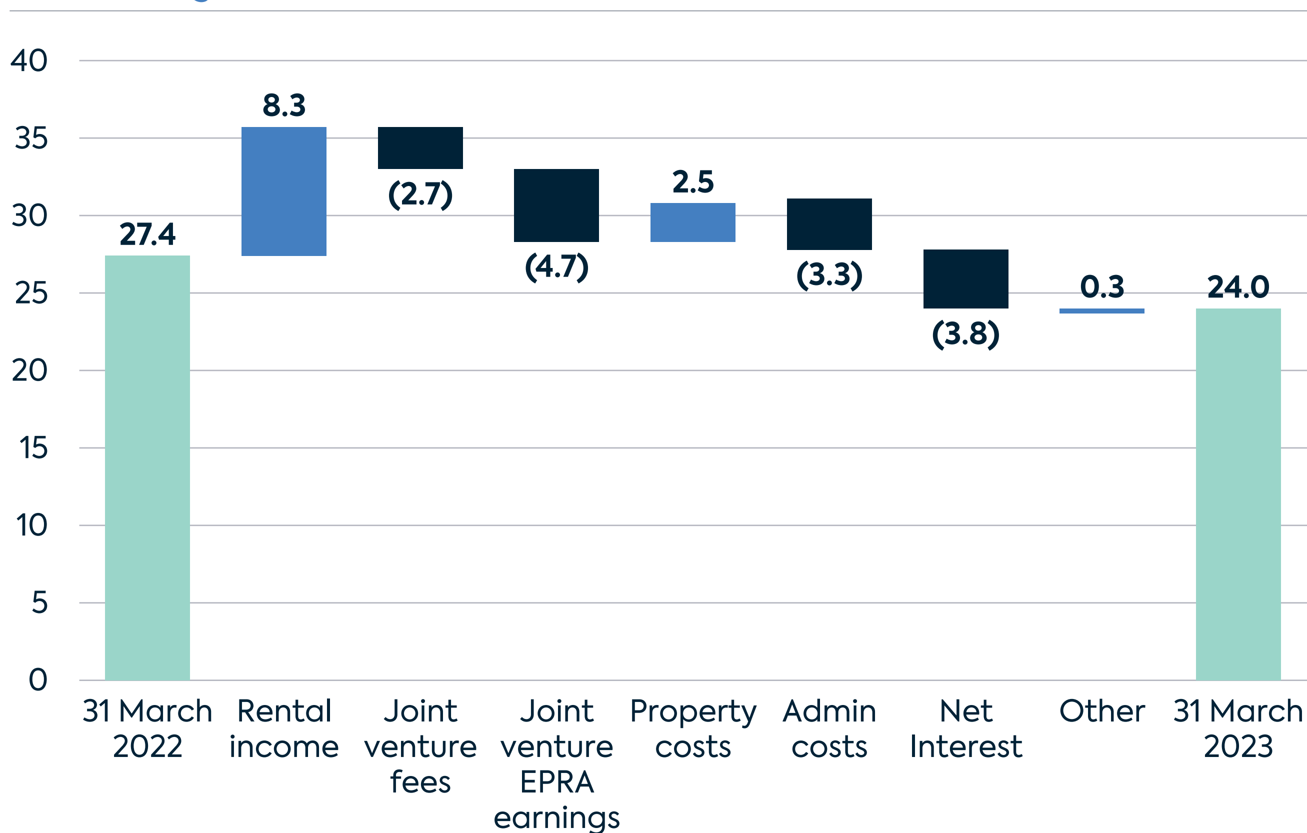
	Price £m	NIY %	Area sq ft	Cost per sq ft
6/10 St Andrew Street, EC4	30.0	n/a	46,200	650
2 Cathedral Street, SE1	7.1	4.4	6,400	1,100
Total	**37.1**	**4.4**	**52,600**	**705**

Appendix 4

EPRA NTA pence per share



EPRA earnings £m



● Increase ● Decrease ● Total

Appendix 4 continued

Debt analysis

	March 2023	March 2022
Net debt excluding JVs (£m)	**457.7**	531.2
Net gearing	**24.0%**	25.4%
Total net debt including 50% JV cash balances (£m)	**440.0**	502.3
EPRA LTV	**19.8%**	20.5%
Interest cover	**10.2x**	n/a
Weighted average interest rate	**2.7%**	2.5%
Weighted average cost of debt	**3.0%**	2.9%
% of drawn debt fixed/hedged	**97%**	84%
Cash and undrawn facilities (£m)	**457**	391

Appendix 5

Rental income

			Wholly-owned			Share of joint ventures			
			Rent roll £m	Reversionary potential £m	Rental values £m	Rent roll £m	Reversionary potential £m	Rental values £m	Total rental values £m
London	North of Oxford Street	Office	34.5	3.1	37.6	–	–	–	37.6
		Retail	5.2	(0.3)	4.9	3.0	0.3	3.3	8.2
	Rest of West End	Office	15.2	0.5	15.7	9.7	0.7	10.4	26.1
		Retail	6.8	2.0	8.8	5.1	0.1	5.2	14.0
	Total West End		**61.7**	**5.3**	**67.0**	**17.8**	**1.1**	**18.9**	**85.9**
	City, Midtown and Southwark	Office	16.8	3.3	20.1	7.7	0.9	8.6	28.7
		Retail	2.4	(0.7)	1.7	–	–	–	1.7
	Total City, Midtown and Southwark		**19.2**	**2.6**	**21.8**	**7.7**	**0.9**	**8.6**	**30.4**
Total let portfolio			**80.9**	**7.9**	**88.8**	**25.5**	**2.0**	**27.5**	**116.3**
Voids (A)					3.3			0.9	4.2
Premises under refurbishment and development					50.4			–	50.4
Total portfolio (B)					**142.5**			**28.4**	**170.9**
Vacancy rate % (A/B)					**2.3**			**3.2**	**2.5**

EPRA vacancy

	Wholly-owned £m	Joint ventures £m	Total £m
Voids and premises under refurbishment excluding developments (A)	28.9	0.9	29.8
Total portfolio	**142.5**	**28.4**	**170.9**
Less: premises under development	(24.8)	–	(24.8)
Total (B)	117.7	28.4	146.1
EPRA vacancy rate % (A/B)	**24.6**	**3.2**	**20.4**

Rent roll security, lease lengths and voids

			Wholly-owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length Years	Void %	Rent roll secure for five years %	Weighted average lease length Years	Void %
London	North of Oxford Street	Office	25.5	4.4	0.6	–	–	–
		Retail	47.5	5.5	8.6	13.2	2.6	16.7
	Rest of West End	Office	15.0	1.7	7.2	89.1	12.3	–
		Retail	14.7	3.4	1.1	38.1	6.3	0.9
	Total West End		**23.6**	**3.7**	**3.3**	**61.8**	**8.9**	**3.6**
	City, Midtown and Southwark	Office	6.7	1.8	1.9	–	1.4	2.1
		Retail	12.8	1.6	–	–	–	–
	Total City, Midtown and Southwark		**7.5**	**1.7**	**1.1**	–	**1.4**	**2.1**
Total portfolio			**19.8**	**3.2**	**2.3**	**43.2**	**6.7**	**3.2**

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	79	88	–	–	3.3	4.8	–	–
		Retail	54	63	83	86	2.4	4.5	4.9	5.7
	Rest of West End	Office	101	101	116	124	4.1	5.4	–	4.2
		Retail	75	96	105	109	3.8	4.7	2.4	3.8
	Total West End		**80**	**84**	**106**	**106**	**3.4**	**4.9**	**1.2**	**4.2**
	City, Midtown and Southwark	Office	52	73	46	52	3.4	5.0	5.8	5.3
		Retail	35	24	–	–	2.9	5.5	–	–
	Total City, Midtown and Southwark		**49**	**69**	**46**	**52**	**3.4**	**5.0**	**5.8**	**5.3**
Total portfolio			**69**	**77**	**76**	**81**	**3.4**	**4.9**	**2.3**	**4.5**