Press Release

24 May 2017

GREAT PORTLAND ESTATES

Annual Results – strong operational performance and well positioned

The Directors of Great Portland Estates plc announce the results for the Group for the year to 31 March 2017.

Highlights for the year:

Valuation lower – driven by yield expansion in H1
- Portfolio valuation down 4.9%[1] in year (developments: down 1.2%[1]) and down 0.4%[1] in H2
- Yield expansion of 15 bp (H1: +16 bp; H2: -1 bp)
- Rental value decline of 1.3%[1] (H1: -0.5%; H2: -0.8%); -1.8% offices, +0.5% retail
- 12 month capital return of -5.1% v 0.4% for IPD Central London Index (10 year capital return: 75.4% v 45.6%)

Resilient financial performance – strong uplift in EPRA earnings and dividend
- EPRA[2] NAV per share of 799 pence, down 5.7% in year and 1.7% in H2
- Net assets of £2,738.4 million (March 2016: £2,912.2 million)
- EPRA[2] earnings of £59.3 million, up 24.1% on 2016. EPRA[2] EPS of 17.3 pence, up 28.1%
- After revaluation deficit, reported loss before tax of £140.2 million (March 2016: profit of £555.1 million)
- Total dividends per share of 10.1 pence (2016: 9.2 pence), up 9.8%

Record year of capital recycling, crystallising development profits - net sales of £656 million
- Disposals of £727 million at a 3.1% discount to March 2016 book value, including forward sales of two long-let commercial development schemes (73/89 Oxford Street and Rathbone Square, W1) for £651 million crystallising a combined whole life profit of in excess of £227 million
- £71 million of bolt-on acquisitions, all in West End

Continued successful leasing activity ahead of ERV and capturing reversion - rent roll growth potential
- 52 new lettings (282,700 sq ft) securing annual income of £20.5 million, including nine development lettings (£8.3 million, all on at least 10 year terms); market lettings 0.6% ahead of March 2016 ERV
- 32 rent reviews settled securing £12.9 million; 45.3% above previous passing rent, 2.6% ahead of ERV
- Vacancy rate at 6.8%, average office rent only £50.10 sq ft, reversionary potential of 21.2% (£23.3 million)
- Since year end, lettings of £5.1 million at 2.1% premium to March 2017 ERV; further £6.9 million under offer, 2.4% above March 2017 ERV
- Rent roll growth of 13.2% to £109.6 million; total potential future rent roll growth of 54.5% to £169.3 million

De-risked development programme – exceptional flexible pipeline of opportunity (40% of existing portfolio)
- Four schemes completed and two forward sold (500,800 sq ft, profit on cost of 28%) since March 2016; 17 schemes now completed since 2009, delivering 1.5 million sq ft of high quality space at an average profit on cost of 38%
- Three committed schemes (350,000 sq ft), 65% pre-sold, expected profit on cost of 2%, capex to come of £44.5 million, all due to complete in next nine months
- Good progress across two near-term uncommitted consented schemes (309,300 sq ft), both adjacent to West End Crossrail stations with potential starts over next 12 months
- Exceptional development opportunity from medium-term flexible pipeline; 12 uncommitted schemes (1.3 million sq ft), 4.0 years average lease length, income producing off low average office rents (£48.20 sq ft)

Strongest ever financial position - ongoing commitment to balance sheet discipline
- Pro forma[3] LTV of 12.2%, weighted average interest rate lower at only 2.7%, debt maturity extended to 6.4 years
- Pro forma[3] cash & undrawn facilities of £618 million post payment of 32.15p special dividend per share

[1] On a like for like basis, including Joint Ventures
[2] In accordance with EPRA guidance
[3] See our Financial Results

EPRA and adjusted metrics: we prepare our financial statements using IFRS, however we also use a number of adjusted measures in assessing and managing the performance of the business. These include measures defined by EPRA, which are designed to enhance transparency and comparability across the European real estate sector, see note 9 to the financial statements. For a definition of pro forma debt metrics see Appendix 4.

Toby Courtauld, Chief Executive, said:

"We are pleased to report resilient financial results for the year driven by a strong operational performance. With multiple leasing successes and record levels of capital recycling, we have taken advantage of elevated prices to crystallise development surpluses. As a result, our balance sheet has never been stronger and, in addition to our recently declared special dividend, we have raised the final dividend by 14.3%.

Today, tenant interest is healthy for our brand of high quality, well located, sensibly priced space with £6.9 million of lettings currently under offer at a 2.4% premium to March 2017 ERVs. Whilst the weight of international capital looking to invest in London remains high, we expect the uncertain political and economic environment to weigh on rental levels across London's commercial property markets in the near term. Looking longer-term, we are optimistic that the capital will retain its status as one of only a handful of truly global cities.

In this context, GPE is exceptionally well positioned: Four years of net property sales combined with our recent refinancing successes gives us unprecedented financial capacity to exploit any market weakness with accretive acquisitions; our investment portfolio is well let, off low average rents and with significant reversionary potential; our remaining committed development projects are already 65% pre-sold with strong interest in much of the balance; our exceptional, income-producing, development pipeline is rich with opportunity, offering more than 1.6 million sq ft of flexible future growth potential, covering 40% of our existing portfolio; and, our first class, refreshed team is ready to capitalise on this period of uncertainty."

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

www.gpe.co.uk/investors/reports-and-presentations/presentations

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

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

Interviews with Toby Courtauld, Chief Executive and Nick Sanderson, Finance Director are available at www.gpe.co.uk/investors/latest-results and http://video.merchantcantos.com/

Statement from the Chief Executive

We are pleased to report resilient financial results for the year driven by our strong operational performance. With multiple leasing successes and record levels of capital recycling, we have taken advantage of elevated prices to crystallise development surpluses.

EPRA NAV per share fell by 5.7% in the year following seven consecutive years of growth delivering a cumulative uplift of 142%, whilst EPRA EPS grew strongly by 28.1% and ordinary dividends per share increased 9.8% to 10.1 pence. Returns to shareholders were further enhanced by a special dividend of 32.15 pence per share declared last month.

Less buoyant market conditions given more uncertain economic environment
Central London's property markets remain open for business with the weight of international capital and healthy tenant demand supporting the prime investment and occupational markets, despite the slowdown in activity levels over the last 12 months. Whilst the market was already slowing ahead of the EU referendum after seven years of consecutive capital value growth, with both rents and yields at record levels, the increased uncertainty following the result triggered a small increase in yields and rental falls. Across our portfolio, yield expansion of 15 basis points and rental falls of 1.3% resulted in a 4.9% like-for-like property valuation decline.

In the near term, we expect London's commercial markets to weaken further with the benefits of lower bond yields, weaker sterling and London's continued safe-haven status to be offset by potential further rental falls, particularly for more secondary properties. However, we remain positive on the long-term prospects for London as a truly global city with enduring appeal for businesses and investors alike.

Record year of capital recycling crystallising development profit
For the fourth consecutive year, we were a net seller with sales of £727.0 million, including the forward sale of two prime, long-let commercial development schemes at 73/89 Oxford Street, W1 and Rathbone Square, W1 which crystallised whole life capital returns of 74% and 20% respectively (a combined profit in excess of £227.0 million). Our £71.0 million of off-market acquisitions secured two West End properties, both enhancing existing Group interests. Looking ahead, we expect our investment market activity to be more balanced as prices correct, particularly for riskier assets.

Continued successful leasing activity ahead of ERV and capturing reversion
We have maintained our strong leasing momentum with £20.5 million of annual rent secured this year, on average 0.6% above our valuer's ERV, in a market where supply of new high quality office space remains tight. Our 52 new lettings included nine development lettings, which secured £8.3 million of rent from a diverse range of occupiers and all on leases with a term certain of at least ten years. Our team was also successful in capturing rental reversion across the investment portfolio, with 32 rent reviews settled securing £12.9 million at an average increase of 45.3% above the previous rent and beating ERV by 2.6%. Taken together, our annual rent roll increased by 13.2% over the year to £109.6 million and we can look forward to further growth given our significant reversionary potential of 21.2%, off low average office rents of £50.10 per sq ft. Today, we have a further £6.9 million of lettings under offer at a premium to March 2017 ERVs of 2.4%.

De-risked and reduced committed development programme, with our exceptional pipeline of opportunity
Our committed development exposure has significantly reduced following the successful completion of four schemes this year combined with the two profitable forward sales. Having now delivered 17 schemes since 2009, creating 1.5 million sq ft of high quality space with an average profit on cost of 38%, our immediate focus is on completing our three on-site schemes (350,000 sq ft) over the next nine months. These include the 142 residential apartments (with 140 already pre-sold) at Rathbone Square, W1 (151,700 sq ft), which are due to practically complete in September, and our 161,000 sq ft office redevelopment at 160 Old Street, EC1, where early leasing interest is encouraging ahead of expected completion in early 2018.

Looking further ahead, excellent progress has been made in preparing our substantial pipeline of future development opportunities, which extends to 1.6 million sq ft across 14 schemes, including two West End projects with potential starts in the next 12 months at Hanover Square and Oxford House on Oxford Street, both adjacent to Crossrail stations.

Unprecedented financial strength and discipline
Our net sales activity and successful refinancing activities, including the recent issue of £175 million US private placement notes with a coupon of only 2.15%, means our financial position has never been stronger. Our pro forma loan to value ratio is low at 12.2%, even after the disciplined capital return of the Rathbone development profit of approximately £110 million to shareholders by special dividend. Our weighted average interest rate of 2.7% is at record low levels, with £618 million of cash and committed undrawn liquidity giving us plentiful financial firepower.

Experienced and talented team
Our expanded Executive Committee, including our two new appointments, is operating well and our Board welcomed three new Non-Executive Directors during the year. We were delighted that the effort of the whole team was recognised with GPE ranked first in the property sector in Management Today's 'Britain's Most Admired Companies'. Pleasingly, in our inaugural engagement survey, 96% of our employees stated they would recommend GPE as a great place to work and I would like to thank them all for making it so and for their dedication throughout the year.

Outlook
GPE is exceptionally well positioned: Four years of net property sales combined with our recent refinancing successes gives us unprecedented financial capacity to exploit any market weakness with accretive acquisitions; our investment portfolio is well let, off low average rents and with significant reversionary potential; our remaining committed development projects are already 65% pre-sold with strong interest in much of the balance; our exceptional, income-producing, development pipeline is rich with opportunity, offering more than 1.6 million sq ft of flexible future growth potential, covering 40% of our existing portfolio; and, our first-class, refreshed team is ready to capitalise on this period of uncertainty.

Our market

Our market is accompanied by graphics (see Appendix 1)

London remains a truly global city with a track record of successfully adapting to changing market conditions. However, while the long-term ramifications of the EU referendum result will likely be unclear for some time, we expect London's commercial property markets to weaken further in the near term given the political and economic uncertainty.

The economic backdrop is more uncertain
The UK proved to be one of the fastest growing advanced economies in 2016 with central London's economy and commercial property markets showing unexpected strength since the EU referendum result. Business and consumer surveys rebounded from immediate post referendum lows and whilst activity levels in our occupational and investment markets have declined, both remain open for business for better quality assets. However, the small increase in office property yields that occurred immediately following the referendum remains and market headline rental levels have fallen marginally.

Most economic forecasters now expect growth to slow as uncertainty about the shape of the UK's future outside of the EU reduces business investment and employment growth. Furthermore, the depreciation in sterling following the vote is expected to increase inflation and suppress consumer spending which has been a key driver of GDP in recent years. Accordingly, Oxford Economics' annual forecast GDP growth over the next three years has reduced from 2.2% a year ago to 1.6% today and recent data shows GDP growth in the first quarter of 2017 of 0.3% was the worst in the last 12 months. Moreover, the recent Deloitte survey of UK CFOs painted a mixed picture with optimism recovering from the lows in the weeks following the referendum, but risk appetite remaining well below the long-term average.

Looking ahead, despite the triggering of Article 50 in March, we remain in the early stages of a likely protracted process to both negotiate our exit from the EU and reshape our trading arrangements with the rest of the world. Furthermore, following seven years of consecutive growth and with both rents and yields at record levels, capital value growth was already slowing ahead of the referendum with the London market in the late stage of the cycle. As a result, our expectation is that London's commercial property markets will weaken further in the near term with the benefits of lower bond yields, weaker sterling and London's continued safe-haven status being offset by reduced rental growth prospects in a potentially more inflationary environment.

However, while the long-term ramifications will likely be unclear for some time, London remains a truly global city with a track record of successfully adapting to changing market conditions and offering significant attractions for a diverse range of businesses and investors as Europe's business capital.

London – long-term growth despite near-term uncertainties
With the largest economy of any city in Europe and generating around 22% of UK GDP, London remains one of the world's dominant commercial, creative and financial centres and continues to lead the Global Power City Index. Against a backdrop of slowing UK economic growth, London is expected to continue to outperform with Oxford Economics forecasting annual GDP growth of 2.3% over the next five years, making it one of Europe's fastest growing cities.

Despite the outcome of the EU referendum, London's population is forecast to increase to more than ten million by 2030 and CBRE/Oxford Economics predict that this will translate into inner London office-based employment growth with 129,000 new jobs (down from 165,000 a year ago) created over the next five years, driven by the professional services and creative industries. With London's deep pool of talented labour and collection of world-class universities and business schools, more than a third of Fortune 500 companies now have their global headquarters in London.

Notwithstanding London's long-term potential, it is likely that the near-term outlook will be dominated by the uncertainty created by our exit from the EU and the resultant negative impact on the London economy and its property market. Furthermore, wider global uncertainties persist given the recent change in the US administration, elections in the UK and Europe, and the outlook for global interest rates, along with a variety of other geopolitical risks. As a result, we continue to monitor closely prevailing market conditions and the fortunes of our diverse tenant base.

Occupational demand resilient
Whilst the growth rate of economic activity in London has reduced, demand in our occupational markets remains resilient. For the year ended 31 March 2017, central London take-up was 11.7 million sq ft, 20.7% below the preceding 12 months but only marginally behind the ten year annual average of 12.4 million sq ft. This take-up was once again

from a broad range of industries, including professional and business services (32%), TMT businesses (22%) and banking and finance (18%). Our own leasing successes this year reflect the diversity of the wider market, in particular demonstrating continued demand from the TMT and professional services sectors.

The central London market has witnessed significant growth in the provision of flexible office space in recent years. More recently, since the EU referendum, we have also seen some traditional landlords offering increased lease flexibility, including through shorter lease terms. Whilst this offering may be attractive for some occupiers, our own leasing track record demonstrates that for many businesses securing high quality, well-located space for longer-term occupation is vital, particularly as a tool for retaining and recruiting talent. In fact, all of our nine development lettings in the year (securing an annual rent of £8.3 million) were on leases with a term certain of ten years or more.

Whilst the central London vacancy rate has increased to 4.7%, it remains low in absolute terms which has continued to drive occupiers to secure new space early and ahead of lease events through pre-lets. This in turn has helped to support headline rental values across our key markets, although tenant incentives (including rent-frees) have increased. The average time taken from commencing discussions with prospective tenants to finally signing new deals has also marginally increased.

New office supply remains tight, reflecting more uncertain backdrop
Development completions across central London have been rising, albeit from a low base with Grade A vacancy rates still near historical lows. Central London office development completions for the year to 31 March 2017 rose to 5.8 million sq ft, up from 3.6 million sq ft in the preceding 12 months. However, in the core of the West End, the focus of our development activities, development completions totalled only 2.1 million sq ft over the year. This has helped support rental values and letting activity across our markets as tenants continue to secure space in advance of buildings completing with pre-lets representing around a quarter of central London office take-up during the year to 31 March 2017.

Looking ahead, 20.1 million sq ft of new office space is expected to be delivered in central London over the five years to December 2021, of which 1.6 million sq ft is in the West End core, equating to only 0.6% per annum. Whilst the speculative development pipeline is forecast to increase from the lows of recent years, the heightened uncertainty created by the EU referendum has moderated the forecast growth, with some developers reluctant to commit until greater clarity prevails, particularly as construction costs continue to rise. As a result, the speculative development pipeline between 2017 and 2020 is now lower than the position we reported at 31 March 2016 with forecast completions reduced by 2.5 million sq ft or 13.1% over the year.

West End occupational markets
Over the year to 31 March 2017, West End office take-up was 3.8 million sq ft, 11.5% lower than the preceding year. Whilst availability has increased to 4.6 million sq ft (up from 4.3 million sq ft in the prior year), vacancy rates remain low with Grade A space vacancy estimated by CBRE to be only 3.2%. CBRE has reported that prime office rental values in the West End reduced over the year to £110 per sq ft, down from last year's peak of £120 per sq ft. In addition, rent free periods on average increased by six months over the last year to around 22 months on a ten year term. Looking ahead, CBRE are forecasting a reduction in rental values with West End prime office rents expected to reduce by around 6% over the next two years.

The West End prime retail market (where 31.2% of our West End portfolio by value is located) has continued to outperform offices. Over the last year, sustained demand for prime retail space has maintained a near zero vacancy, with leasing activity supporting prime rental values. Demand for retail space has been supported by increased spending from tourist visitors benefiting from weaker sterling, although business rates increases and the forecast squeeze on domestic consumer spending are likely to have some offsetting impact.

City, Midtown and Southwark occupational markets
Over the year to 31 March 2017, City office take-up was 4.6 million sq ft, down 23.0% on the preceding year, with availability rising to 6.2 million sq ft (up 26.7%) but in line with the ten year average. Although higher than in the West End, vacancy rates remain low with Grade A vacancy estimated by CBRE to be only 4.0%. CBRE has also reported that prime City rental values remained stable at £70 per sq ft.

Midtown and Southwark office take-up was 2.3 million sq ft, down 21.1% on the preceding year, while availability at 31 March 2017 was 2.5 million sq ft, slightly ahead of the ten year average. CBRE reported prime office rents in Southwark remained stable at £62.50 per sq ft with Midtown office rents reducing to £76.50 per sq ft from £80.00 per sq ft a year earlier.

GPE occupational market positioning
Whilst occupational demand has remained resilient to date and supply remains limited, the impact of the EU referendum means tenants have become increasingly discerning on the nature and pricing of their space requirements. Against this backdrop, we are well positioned: our leasing record remains strong, our committed development programme is nearing completion with the majority pre-sold, our average rents are low with further reversionary potential across the Group of 21.2% and 85% of our portfolio is within walking distance of a Crossrail station. However, we estimate that for the next 12 months rental values will reduce across our office and retail portfolio by between 0% and 7.5%, although our leasing transactions since 31 March 2017 would indicate we are more likely to be at the tighter end of this range.

Investment markets
Central London office investment activity was volatile in 2016. Activity slowed in the months leading up to the EU referendum and remained muted in the months immediately thereafter, barring a small number of forced sales by UK open-ended funds experiencing redemptions. However, following the significant weakening in sterling and reductions to both UK interest rates and bonds yields, activity returned to more normalised levels during the last quarter of 2016. In total, investment volumes were robust with CBRE reporting £13.1 billion of deals in 2016, a reduction of £3.0 billion on 2015, albeit in line with the ten year average. In the first quarter of 2017, investment transactions in central London totalled £4.9 billion, an increase on the last quarter of 2016 as investor sentiment remained robust, particularly at the prime end of the market with strong liquidity in large lot size City office properties.

Overseas investors continue to be the largest buyer constituency, accounting for 70% of transactions over the 12 months to December 2016, with Asian investors particularly active. The depreciation in sterling has added to London's attractiveness and it has maintained its reputation as a safe investment haven for international investors seeking to diversify away from their domestic markets. As we reported last year, strong competition for limited stock had driven investment yields for office properties to record lows. Subsequent to the EU referendum, prime yields adjusted upwards by 25 basis points as investors approached pricing with more caution (West End and City rising to 3.75% and 4.25% respectively). However, in the first quarter of 2017, the strength of demand for City offices reversed this outward movement returning the prime City yield to 4.00%, unchanged from March 2016.

2016 proved to be strong for retail investment volumes, with £2.2 billion of turnover broadly in line with the five year average of £2.3 billion. As a result, prime yields remained firm during the year at 2.25% on Bond Street and 2.50% on Oxford Street. In November 2016, we took advantage of the supportive retail investment market selling 73/89 Oxford Street, W1 for £275.2 million, reflecting a net initial yield to the buyer of 3.2%, recycling capital out of an asset where we have created significant value.

The central London residential market continues to be muted as increased stamp duty rates, over-supply concerns and cooling measures implemented in some Asian international markets continue to weigh on demand. Whilst transactional activity picked up in the last quarter of 2016, helping to deliver year-on-year house price growth of 1.6%, so did residential construction starts. As a result, the outlook remains challenging. Today, our residential exposure is limited, totalling some 9% of the portfolio by value or less than 1% if pre-sold units are removed. At Rathbone Square, W1, we have exchanged contracts to sell 140 of the 142 private units and we expect completions to start from September once we practically complete the residential building. Pricing on the Rathbone apartments which have been assigned in the secondary market is supportive of valuations.

Weight of money continues to support yields
The excess of equity capital to invest over commercial property available for sale across central London has remained high (estimated at £39.5 billion versus £5.3 billion respectively) as a number of international investors, particularly high net worth individuals, looked to deploy capital in the London market immediately after the EU referendum.

Whilst London real estate continues to offer relative value in a global environment where yield is scarce, we expect to witness some further modest expansion of prime yields in the medium term given the rental outlook, as the economic uncertainty persists as the UK negotiates its exit from the EU. For some secondary properties, we are seeing additional further upward pressure on yields as buyers look to discount prices to reflect the greater risks these assets possess.

GPE investment market positioning
Yield expansion tends to occur ahead of falls in rental values towards the end of a property cycle. With yields moving out last summer, we would expect rents to follow and, therefore, values to reduce.

In advance of this less favourable backdrop, GPE has been a net seller for the last four financial years, taking advantage of cyclically low yields to crystallise surpluses, either recycling the proceeds into our accretive development programme or using them to reduce the Group's leverage. Looking forward, with the bulk of our sales programme complete, we expect our investment market activity to be more balanced if vendors become more realistic on pricing, particularly for properties with a higher risk profile.

Our lead indicators have weakened
Given the cyclical nature of our markets, we actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the last 12 months, we have seen our property capital value indicators weaken. Whilst investment activity in the central London commercial property market is robust and the real yield spread over gilt yields remains supportive, yields increased modestly in 2016 and we expect this trend to continue for more secondary properties. Moreover, although forecast rates of economic growth and business confidence levels bounced back from immediate post referendum lows, they remain lower than this time last year. Therefore, we expect further rental value declines over the next 12 months.

Valuation

Valuation is accompanied by graphics (see Appendix 2)

The valuation of the Group's properties reduced to £3,145.5 million from £3,703.9 million during the year. The reduction was due to our significant profitable recycling activities with net sales of £656.0 million and a valuation decline of 4.9% on a like-for-like basis.

At 31 March 2017, the wholly-owned portfolio was valued at £2,580.0 million and the Group had four active joint ventures which owned properties valued at £565.5 million (our share) by CBRE. The combined valuation of the portfolio of £3,145.5 million was down 4.9% on a like-for-like basis or £162.2 million since 31 March 2016.

Market uncertainty reducing valuations
The key drivers behind the Group's valuation movement for the year were:

- rental value decline – in the past 12 months rental values reduced by 1.3% on a like-for-like basis, predominantly driven by a 1.8% decline for offices, offset by an increase of 0.5% in retail rental values. At 31 March 2017, the portfolio was 21.2% reversionary;
- development properties – the valuation of current development properties decreased by 1.2% on a like-for-like basis to £392.6 million during the year;
- intensive asset management – during another strong year, 84 new leases, rent reviews and renewals were completed, securing £27.6 million (our share) of annual income, supporting the valuation over the year; and
- higher investment yields – in the immediate period following the EU referendum yields increased as investors sought higher returns given the more uncertain market outlook. Our portfolio equivalent yield rose by 15 basis points (2016: 20 basis point reduction) during the year (with a 16 basis point increase in the first half of year and a 1 basis point reduction in the second half). At 31 March 2017, the portfolio equivalent yield was 4.5%.

Including rent from pre-lets and leases currently in rent-free periods, the adjusted initial yield of the investment portfolio at 31 March 2017 was 3.5%, 30 basis points higher than at the start of the financial year.

Our Rest of West End portfolio produced the most resilient performance over the year, reducing in value by 4.1% on a like-for-like basis, in part driven by retail capital value growth of 2.7%. Our North of Oxford Street assets saw a 5.7% fall in values and the City, Midtown and Southwark properties reduced by 6.3%. Our joint venture properties fell in value by 8.0% over the year while the wholly-owned portfolio fell by 4.2% on a like-for-like basis.

The Group delivered a total property return (TPR) for the year of -3.0%, compared to the central London IPD benchmark of 3.6% and a capital return of -5.1% versus 0.4% for IPD. This relative underperformance resulted from our lower than benchmark exposure to long-dated investment properties, whose valuations proved more resilient in the year. Typically, we have sought to monetise surpluses created through the development of such assets allowing us to focus on the longer term growth opportunities available from our future development pipeline and active asset management properties, where income is necessarily shorter.

Our business

Our business is accompanied by graphics (see Appendix 3)

Investment management

Overview
Our profitable recycling activities continued as we crystallised material surpluses including the sale of two of our exceptional pre-let development schemes. As a result, for the fourth consecutive year, we were a net seller, with sales of £727.0 million and acquisitions of £71.0 million during the year.

Crystallising profits from our pre-let developments with £727.0 million of sales
Whilst the economic backdrop became more uncertain after the summer's referendum result, investment pricing for long-let, well-located, prime assets remained robust. We took advantage of these market conditions with the forward sales of both 73/89 Oxford Street, W1 and our largest ever development, Rathbone Square, W1 locking in significant development profits. In total, sales generated £727.0 million in gross proceeds at a 3.1% discount to 31 March 2016 book values.

In April 2016, we sold Mortimer House, 37/41 Mortimer Street, W1 for £27.0 million having secured the necessary planning consents to undertake a comprehensive refurbishment of the 23,800 sq ft office property. However, as a consequence of the strong demand at the time for vacant refurbishment opportunities, we sold the property and secured our profit without taking any development or letting risk.

Following the profitable disposal of 95 Wigmore Street, W1 in April 2015, we have continued to dispose of the residual buildings that comprise the Wigmore Island Site within the Great Wigmore Partnership, our joint venture with Aberdeen Asset Management. In June 2016, we sold the majority of the remaining properties and subsequently we have sold nearly all of the residential element for a combined price, to date, of £34.8 million (our share: £17.4 million).

In November 2016, we forward sold the freehold of 73/89 Oxford Street, W1 to Norges Bank Real Estate Management ('Norges') for a price of £275.2 million, reflecting a net initial yield to the buyer of 3.2%. Norges paid £205.2 million, with two further payments due on completion of the leases in July 2017 of £44.9 million in respect of deferred consideration and £25.1 million to reimburse us for the development costs on completing the scheme.

73/89 Oxford Street, W1 is a retail and office development located at the eastern end of Oxford Street and is currently under construction with practical completion expected in July 2017. With the scheme pre-let to New Look, Benetton and Moneysupermarket.com on an average lease length of 17.0 years, and the freehold acquired to augment our interest in May 2016, our activities created significant value. The sale crystallised a whole-life capital return of 74% (or £117.2 million).

In February 2017, we sold the freehold of Rathbone Square, W1 to Rathbone Place Jersey Limited, an entity owned by WestInvest Gesellschaft Für Investmentfonds mbH and Deka Immobilien Investment GmbH ('Deka'), for a headline price of £435.5 million (adjusted for final office area remeasurement), reflecting a net initial yield to the buyer of 4.25%.

The headline price was before deductions for Facebook tenant incentives and retail unit rent guarantees, totalling £59.6 million, resulting in a net price payable by Deka of £375.9 million (subject to settlement of the retail rental guarantees). The consideration comprised £369.4 million in respect of the freehold sale and £6.5 million for reimbursement of the development costs, under a development agreement, to complete the scheme. Deka paid £113.5 million on completion of the sale with a further £213.0 million paid in April 2017 on completion of the Facebook leases. A further £30.8 million is due on practical completion ('PC') of the retail units and £16.6 million on PC of the residential units and central garden in the summer of 2017 with a payment of £2.0 million 12 months thereafter. GPE retains the residual risk for completion of the sales of the private residential units, including the two remaining available units (after a further unit was sold during the year).

We expect the sale to crystallise a whole-life profit for GPE from the entire development project of approximately £110.0 million, equating to a 19.9% profit on cost and an annualised unlevered IRR of 12.1%.

In March 2017, the Great Victoria Partnership (our joint venture with Liverpool Victoria) sold 40/48 Broadway & 1/15 Carteret Street for £43.8 million (our share: £21.9 million) reflecting a net initial yield of 2.8%.

£71.0 million of off-market acquisitions
Rather than compete for assets in a highly competitive investment market, during the year we bought two properties, in a single off-market transaction, both of which enhanced existing interests.

In May 2016, we acquired the entire issued share capital of 73/77 Oxford Street Ltd, a debt-free company, for £71.0 million. The company owned two properties in London's West End, with the consideration split as follows:

- £38.5 million for the freehold interest at 73/89 Oxford Street, W1. The purchase improved our existing leasehold interest and created a 100% prime asset which helped unlock the sale to Norges, as set out above.

- £32.5 million for 95/96 New Bond Street, W1. This mixed-use virtual freehold/short leasehold site comprises 9,600 sq ft of retail and office space at the northern end of Bond Street, W1 and sits opposite the GHS Partnership's Hanover Square estate, which is set to benefit from our future development activity and the opening of Crossrail in 2018.

More balanced outlook for sales and acquisitions
Having been a net seller for the past four financial years, our material sales programme is now largely complete. Looking forward, given our expectation that property values may soften over the next 12 months, we expect our sale and acquisition activity to be more balanced if vendors become more realistic on pricing, particularly for riskier assets. Moreover, with our unprecedented financial strength, we have significant capacity to exploit any market weakness with the ability to take advantage of any attractive acquisition opportunities that may arise should a more substantial correction in the market occur.

Development management

Overview
Since 31 March 2016, our committed development exposure has significantly reduced following successful completion of four schemes and the profitable forward sale of a further two. Today, we have only 350,000 sq ft on-site across three schemes of which 65.2% is pre-sold. However, the long-term opportunity is substantial with 40% of our existing portfolio in our development pipeline.

1.5 million sq ft of high quality developments completed so far this cycle
Since 2009, we have completed 17 schemes, delivering 1.5 million sq ft of high quality space with an average profit on cost of 38%. This includes four completions and two forward sales since 31 March 2016, delivering a profit on cost of 27.7%. We currently have three committed schemes (350,000 sq ft of space), with two in the West End and one in the City fringe. Taken together, these schemes have an expected profit on cost of 2.0%, a yield on cost of 5.8% and an annualised unlevered IRR of 6.7%. To date, 65.2% of the space has already been pre-sold, helping to manage our development risk. Capital expenditure to come at our committed schemes totals £44.5 million, which could rise to £196.5 million (our share) if the two near-term uncommitted schemes were to commence. At 31 March 2017, the committed development properties were valued at £392.6 million and the near-term development properties at £250.8 million (our share).

Four schemes completed since 31 March 2016
At 30 Broadwick Street, W1, our 92,300 sq ft new build, office and retail scheme, construction work completed in November delivering the only new build office completion in the Soho market in 2016. Letting interest in the building has been strong and we pre-let the 7,950 sq ft restaurant unit to The Ivy Soho Brasserie and the third floor (14,600 sq ft) to EQT, the European private equity business. Since we finished the building, we have let three further office floors and the remainder of the retail space. In total, we have secured £5.6 million of rental income within seven months of completion. The building is now 69% let, with two office floors remaining (28,100 sq ft) of which a part floor is under offer with good interest in the remainder.

We also finished a collection of three smaller schemes at 78/82, 84/86 and 90/92 Great Portland Street, W1. These mixed-use schemes completed between August 2016 and May 2017 and total some 49,200 sq ft of new space, comprising 18,000 sq ft of offices, 10,700 sq ft of retail space and 26 residential units, including a number of off-site residential planning requirements for our developments at Hanover Square, 30 Broadwick Street and 55 Wells Street, all W1. We sold the affordable housing (nine units) to a housing association and we will start marketing 15 units for private sale shortly. In April 2017, we pre-let the 18,000 sq ft self-contained office unit at 84/86 Great Portland Street to a not-for-profit organisation for an annual rent of £1.2 million on a ten-year term (no breaks), 17.6% ahead of the March 2016 ERV.

Two schemes profitably forward sold
During the year we took advantage of supportive market conditions to forward sell both 73/89 Oxford Street, W1 and the commercial element of our largest ever development at Rathbone Square, W1, locking in significant development profits.

Three committed schemes all completing in next nine months
With the commercial element of Rathbone Square forward sold and the offices completed, our activities on the site now focus on delivering the 142 private residential units. Whilst the residential element of the scheme made a small loss (based on land valuation at scheme commitment), it helped unlock a whole life surplus in excess of £110.0 million for the scheme as a whole. Fit-out of the apartments is progressing well and we expect to achieve practical completion in September. We have forward sold 140 of the 142 units with 25% cash deposits already paid by the majority of buyers. We expect to be able to start completing the sales and handing over the apartments to the buyers in stages shortly after completion, with the remaining 75% of the sales proceeds to be collected by the end of the year.

At 160 Old Street, EC1 (formerly 148 Old Street), owned in our 50:50 joint venture with the BP Pension Fund, the construction works are well underway to transform the old 97,800 sq ft building into around 161,000 sq ft of high quality office and retail space. We are targeting completion of the fully consented scheme in early 2018 and, with our marketing campaign recently launched, early leasing interest is encouraging given the low average ERV of only £53.35 per sq ft across the office space.

At 55 Wells Street, W1 (formerly Tasman House), we completed the demolition of the existing 1950s building earlier in the year and the main construction contract is progressing well. The new building will deliver 37,300 sq ft of well-specified office and retail space into an area that is benefiting from significant local investment, including our activities at Rathbone Square. The 4,500 sq ft of retail space is under offer to a restaurant operator and marketing for the office space will commence shortly, although we expect it to be let on a floor-by-floor basis after completion, given the size of the building.

Two near-term schemes
Our near-term development programme comprises two schemes (309,300 sq ft), both with potential project starts over the next 12 months.

At Oxford House, 76 Oxford Street, W1, we achieved planning approval in June 2016 for a 89,100 sq ft major mixed-use refurbishment. As part of the letting to Facebook at Rathbone Square, Facebook had a right of first offer to take all of the 55,700 sq ft of office space which they chose not to exercise. We are now exploring whether a more substantial redevelopment, including improving the quality and scale of the retail space, would add additional value given the strong demand for high quality retail units at the eastern end of Oxford Street due to the opening of Crossrail in 2018.

At Hanover Square, W1, we have demolished the buildings facing New Bond Street on the western side of the site. These limited works give us the option, should the market be supportive, to accelerate the construction programme for the wider scheme ahead of delivery of the station structure by Crossrail in 2018. The development is owned in the GHS Partnership, our 50:50 joint venture with the Hong Kong Monetary Authority.

Substantial medium-term development pipeline already in place
Beyond our committed and near-term schemes, we have an extensive further pipeline of 12 uncommitted schemes (1.3 million sq ft), which we are preparing for the next cycle. These schemes include a number of exciting projects, including New City Court, SE1 where we hope to materially increase the size of the existing 97,800 sq ft building which sits within the regenerating London Bridge Quarter. At Mount Royal, W1, located at the western end of Oxford Street, we are drawing up early plans to redevelop this two acre site into a retail-led development scheme.

As we work up our development proposals, we are mindful of occupiers evolving space and use requirements together with the impact of climate change, both areas that we are assessing further as part of our in-house Disruption Project.

The future development opportunity for the next cycle is substantial. Together with our near-term schemes, our pipeline totals some 1.1 million sq ft, with the potential to increase this to more than 1.6 million sq ft post development. In total, our potential development programme covers 40% of GPE’s existing portfolio by value and will form the bedrock of our development activities for the next cycle.

Asset management

Overview
Momentum from last year’s record leasing has continued and we have delivered another 12 months of strong leasing performance. We agreed 52 new lettings, securing £20.5 million of rent, 0.6% ahead of March 2016 ERVs. This combined with 32 successful rent reviews helped capture significant reversion across the portfolio.

Activity has remained high following record leasing last year
Against a backdrop of more uncertain market conditions and marginally lower rental values, down 1.3% in the year, we have delivered positive leasing results across the portfolio, in particular at our recently completed developments, and have also captured significant reversion.

The key highlights of a busy year included:

- 52 new leases and renewals completed during the year (2016: 52 leases) generating annual rent of £20.5 million (our share: £19.1 million; 2016: £31.1 million), market lettings 0.6% ahead of ERV;
- 32 rent reviews securing £12.9 million of rent (our share: £8.6 million; 2016: £6.6 million) were settled at an increase of 45.3% over the previous rent, 2.6% ahead of ERV and capturing significant reversion;
- total space covered by new lettings, reviews and renewals was 480,000 sq ft (2016: 562,800 sq ft);
- £5.5 million reversion captured (our share) in the year to 31 March 2017; and
- tenant retention high; 71% of space that was subject to tenant break or expiry retained, refurbished or re-let/under offer at the year end.

Our average office rent remains low at £50.10 per sq ft and our investment portfolio vacancy rate increased to 6.8% at 31 March 2017 (2016: 3.1%) due to recent development/refurbishment completions.

Since 31 March 2017, we have completed 14 lettings delivering £5.1 million (our share: £4.4 million). We have a further 21 lettings currently under offer accounting for £6.9 million p.a. of rent (our share: £6.6 million), 2.4% ahead of March 2017 ERV. Should we convert all of the space under offer into lettings, the vacancy rate would fall to 4.3%.

Leasing momentum continued
We were encouraged by the continued positive momentum in the occupational market after the EU referendum for well-specified space with our leasing marginally accelerating in the second half of our financial year.

At our newly-completed development at 30 Broadwick Street, W1, we let a total 63,500 sq ft, including four office floors, for a combined annual rent of £5.6 million, all with a minimum ten years on the lease (no breaks). The new tenants in the building are from a variety of sectors including private equity (Exponent and EQT), digital gaming (Jagex) and digital ventures (BCG Digital Ventures). The lettings were 3.6% ahead of the March 2016 ERV, including a new record Soho office rent of £110 per sq ft demonstrating that, even in more uncertain markets, delivering quality buildings into a supply-restricted market can drive rental growth.

At Mount Royal, W1, the Great Victoria Partnership agreed a back-to-back surrender and re-letting to replace an existing retailer with Holland & Barrett in a unit at our prime retail site at the western end of Oxford Street. Holland & Barrett will occupy the 10,200 sq ft store on a ten year lease paying annual rent of £1.6 million (£608 per sq ft Zone A), 26% ahead of the previous passing rent.

Capturing reversion through rent review
One of our strategic priorities for the year was to capture the significant reversionary potential (the difference between the passing rent and market rental value) within our investment portfolio. Of the reversion that could be captured this financial year, a large proportion was available through rent review. As a result, it was essential that we settled these reviews at, or ahead of, the market rental value. As the table below demonstrates, we had a busy year, settling 32 rent reviews, a record for this cycle, 45.3% ahead of the previous passing rent and at a 2.6% premium to ERV.

Significant transactions included:

- at Mount Royal, W1, we settled a rent review with Next plc, achieving an increase in the annual rent of £0.9 million to £2.9 million, equating to a Zone A rent of £615 per sq ft, up 45% from the previous rent; and
- at 200 Gray’s Inn Road, WC1, we settled a number of rent reviews with Carlton Communications increasing the combined passing rent by £0.9 million, an increase of 37%.

Reversion reduced with the remainder near dated
Our activities over the past 12 months have reduced the portfolio reversion from 33.1% to 21.2% at 31 March 2017. Looking forward, 69% of the reversion is available within the next 24 months and capturing this remains a priority for the asset management team.

Together, the combination of settling rent reviews and letting new space increased our rent roll (including share of joint ventures) by 13.2% to £109.6 million, up from £96.8 million last year. We have also maintained a diverse tenant base focused on retail and leisure (32%), TMT (27%) and professional services (18%) sectors, with less than 1.5% of rent roll coming from investment banking, securities trading and insurance companies.

Rent collection
Our quarterly cash collection performance throughout the year has remained very strong. We secured 99.4% of rent within seven working days following the March 2017 quarter date (March 2016: 99.9%). The average collection rate across the four quarters of the year was 99.6% (2016: 99.7%). Tenants on monthly payment terms represent around 3% of our rent roll (2016: 4%).

Financial management

Overview
Our balance sheet has never been stronger. With a pro forma loan to value ratio of just 12.2% and £618 million of cash and committed undrawn liquidity, we are very well placed for the current uncertain market conditions.

Reducing Group interest rates and extending maturities
The Group’s sources of debt funding are diverse, both secured and unsecured, and include the public, private and bank markets. Our financing activities this year focused on further reducing our cost of debt and enhancing our debt maturity profile. In October 2016, we obtained bank consent to extend the maturity date of our flexible, low cost £450 million revolving credit facility by 12 months to October 2021. In May 2017, we issued £175 million of new seven-year US private placement notes with a fixed rate coupon of only 2.15% in order to refinance £160 million of existing notes with shorter maturity dates and a coupon of 5.32%. Shortly after year end, following receipt of the majority of the Rathbone Square, W1 sales proceeds, we repaid our remaining £128 million of existing US private placement notes and will pay a special dividend of £110 million on 31 May 2017.

At 31 March 2017, our loan to value (LTV) ratio was 18.3%, weighted average interest rate was 3.0% and weighted average drawn debt maturity was 5.1 years. Pro forma for the above transactions and the receipt of the outstanding deferred consideration from our recycling activities, these metrics improve to 12.2%, 2.7% and 6.4 years respectively.

At 31 March 2017, we had £378 million of cash and undrawn committed debt facilities (£618 million on a pro forma basis), giving us significant financial flexibility going forward and meaning that we have no immediate additional debt funding requirements with our next debt maturity not until September 2018.

Low cost, flexible and diverse sources of debt finance – predominantly unsecured
At 31 March 2017, 75% of our total drawn debt (and 48% of our total debt) was from non-bank sources with 63% (and 76% of total debt) borrowed on an unsecured basis.

Due to the treatment of capitalised interest under our Group covenants, there is no net interest charge in the year applicable for the purposes of calculating our interest cover ratio. Given our low weighted average interest rate and increased earnings (with EPRA EPS rising 28.1% to 17.3 pence for the year), even without the benefit of interest capitalised, interest cover would be a very healthy 3.4 times.

Balance sheet discipline and £110 million special dividend
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 a loan to value ratio of between 10%–40% 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. 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).

The most recent example of this discipline in action was our announcement in April 2017 of a £110 million special dividend.

Our financial results

Our financial results is accompanied by graphics (see Appendix 4)

We calculate adjusted net assets and earnings per share in accordance with the Best Practice Recommendations issued by the European Public Real Estate Association (EPRA). The recommendations are designed to make the financial statements of public real estate companies clearer and more comparable across Europe enhancing the transparency and coherence of the sector. We consider these standard metrics to be the most appropriate method of reporting the value and performance of the business and a reconciliation to the IFRS numbers is included in note 9 to the accounts.

Lower EPRA NAV driven by valuation declines
EPRA net assets per share (NAV) at 31 March 2017 was 799 pence per share, a decrease of 5.7% over the year, largely due to the like-for-like reduction in value of the property portfolio. At 31 March 2017, the Group's net assets were £2,738.4 million, down from £2,912.2 million at 31 March 2016.

The main drivers of the 48 pence per share decrease in NAV from 31 March 2016 were:

- the reduction of 49 pence per share arising from the revaluation of the property portfolio;
- losses on property disposals of 9 pence per share reduced NAV;
- EPRA earnings for the year of 17 pence per share enhanced NAV;
- dividends paid of 9 pence per share reduced NAV;
- the removal of the potential dilution arising from the convertible bond increased NAV by 8 pence per share;
- the prepayment of US private placement notes reduced NAV by 5 pence per share; and
- other movements reduced NAV by 1 pence per share.

EPRA NNNAV was 782 pence at 31 March 2017 compared to 831 pence at 31 March 2016 (down 5.9%). At the year end, the difference between NAV and NNNAV was due to the negative mark to market of the Group's 2029 debenture and remaining private placement notes combined with the potential tax due on the Group's sale of the residential element of Rathbone Square, W1 more than offsetting the positive valuation of the Group's derivatives.

Attractive EPRA earnings per share growth

EPRA earnings were £59.3 million, 24.1% higher than last year predominantly due to increased rental income, increased capitalised interest from our development activity and lower provisions for performance related pay including share-based payments.

Rental income from wholly-owned properties and joint venture fees for the year were £80.2 million and £4.1 million respectively, generating a combined income of £84.3 million, up £4.7 million or 5.9% on last year. This increase predominantly resulted from £3.4 million of like-for-like growth through capturing reversion on lease renewals and rent reviews, £2.1 million of development lettings offset by £0.8 million of net income lost by our net sales activity in the prior year. Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income (including joint ventures) increased 8.6% on the prior year.

Following the completion in November 2015 of our forward sold development at 12/14 New Fetter Lane, EC4, development management profits reduced to £nil from £4.0 million in the prior year.

EPRA earnings from joint ventures were £2.5 million, down £1.3 million from £3.8 million last year, reflecting lower levels of joint venture activity following the sale, last year, of 95 Wigmore Street, W1 and securing vacant possession at Hanover Square, W1.

Property expenses were £0.9 million lower at £7.3 million predominantly due to reduced marketing activities as a result of lower pre-letting activity in the development programme. Administration costs were £20.1 million, a reduction of £4.3 million on last year, largely as a result of lower provisions for performance related pay including payments under share incentive plans.

Gross interest paid on our debt facilities was £25.7 million (in line with the prior year), although we capitalised interest of £18.3 million (2016: £13.3 million) as we continued to deliver our committed developments including Rathbone Square, W1, 30 Broadwick Street, W1 and 55 Wells Street, W1. As a result, the Group had an underlying net finance expense (including interest receivable on joint venture balances) of £0.2 million (2016: £7.0 million).

The revaluation deficit of the Group’s investment properties led to the Group’s reported IFRS loss after tax of £139.4 million (2016: profit of £556.2 million). Basic IFRS EPS for the year was a loss of 40.8 pence, compared to a profit of 162.6 pence for 2016. Diluted IFRS EPS for the year was a loss of 40.8 pence compared to a profit of 161.9 pence for 2016. Diluted EPRA EPS was 17.3 pence (2016: 13.5 pence), an increase of 28.1% and cash EPS of 10.6 pence (2016: 8.9 pence).

Results of joint ventures

The Group’s net investment in joint ventures was £480.8 million, a decrease from £543.4 million at 31 March 2016, largely due to the reduction in value of the property portfolio as well as several non-core asset disposals during the year. Our share of joint venture net rental income was £17.4 million, an increase of 2.4% on last year due to increased asset management transactions capturing reversion. Our share of non-recourse net debt in the joint ventures was lower at £74.0 million at 31 March 2017 (2016: £76.1 million) predominantly due to a higher cash balance being held.

Strongest ever financial position

Group consolidated net debt reduced to £502.8 million at 31 March 2017, down from £568.0 million at 31 March 2016 as proceeds from property disposals more than offset the Group’s acquisitions and capital expenditure against a backdrop of broadly stable working capital. Group gearing fell to 18.4% at 31 March 2017 from 19.5% at 31 March 2016.

Including non-recourse debt in joint ventures, total net debt was £576.8 million (2016: £644.1 million) equivalent to a low loan-to-property value of 18.3% (2016: 17.4%). The proportion of the Group’s total net debt represented by our share of net debt in joint ventures was 12.8% at 31 March 2017, compared to 11.8% a year earlier. At 31 March 2017, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £378 million.

Pro forma for the receipt of remaining deferred consideration on property sales, the special dividend of £110 million and the refinancing of the Group’s remaining private placement notes in May 2017, the Group’s loan-to-property value was 12.2%.

The Group’s weighted average cost of debt for the year, including fees and joint venture debt, was 4.0%, an increase of 10 basis points compared to the prior year. The weighted average interest rate (excluding fees) at the year end decreased to 3.0% (2016: 3.7%) due to the repayment in March 2017 of £159.7 million of private placement notes which had a blended fixed rate coupon of 5.3% and were due to mature in 2018 and 2021. The premium paid for the early repayment of these notes was £16.8 million (or 5 pence per share), representing the redemption value over book value of £51.5 million offset by £34.7 million received on the cancellation of the associated cross currency swaps. These notes were replaced with a new issue of seven-year private placement notes at a fixed rate coupon of 2.15% in May 2017.

At 31 March 2017, 82% of the Group’s total debt (including non-recourse joint ventures) was at fixed or hedged rates (2016: 100%). The Group, including its joint ventures, is operating with substantial headroom over its debt covenants.

Robust tenant base
None of our tenants went into administration around the March 2017 quarter day (March 2016: none) and we had no tenant delinquencies in the year (2016: two). However, we are vigilant and continue to monitor the financial position of our tenants on a regular basis.

Taxation
The tax credit in the income statement for the year is £0.8 million (2016: £1.1 million) and the underlying effective tax rate is 0% (2016: 0%) as a result of the tax free nature of much of the Group's income, and other allowances being available to set against non-REIT profits. The Group complied with all relevant REIT tests for the year to 31 March 2017.

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.

As a REIT, we are exempt from UK corporation tax in respect of our property rental business, 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. The Group's REIT exemption does not extend to either profits arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years or profits arising from trading properties (including the sale of the residential units at Rathbone Square, W1).

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 £8.9 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.

Dividend growth
The Group operates a low and progressive ordinary dividend policy. The Board has declared a final dividend of 6.4 pence per share (2016: 5.6 pence) which will be paid in July 2017. 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 3.7 pence, the total dividend for the year is 10.1 pence per share (2016: 9.2 pence), a 9.8% increase in the 12 months.

In addition, following the sale of the commercial element of Rathbone Square, W1, we announced a special dividend in April 2017 of £110 million, or 32.15 pence per share, representing approximately the whole life surplus generated from the development scheme. The special dividend will be paid on 31 May 2017 accompanied by a 19 for 20 share consolidation of the Company's ordinary share capital to maintain the Group's share price and per share financial metrics.

Group income statement

For the year ended 31 March 2017

	Notes	**2017 £m**	2016 £m
Total revenue	2	**121.9**	128.8
Net rental income	3	**80.2**	75.5
Joint venture management fee income	12	**4.1**	4.1
Rental and joint venture fee income		**84.3**	79.6
Property expenses	4	**(7.3)**	(8.2)
Net rental and related income		**77.0**	71.4
Administration expenses	5	**(20.1)**	(24.4)
Development management revenue	14	**25.2**	37.6
Development management costs	14	**(25.2)**	(33.6)
		–	4.0
Trading property – cost of sales		**(0.3)**	(0.6)
Operating profit before surplus on property and results of joint ventures		**56.6**	50.4
(Deficit)/surplus from investment property	10	**(136.9)**	422.2
Share of results of joint ventures	12	**(57.2)**	66.8
Operating (loss)/profit		**(137.5)**	539.4
Finance income	6	**9.0**	7.8
Finance costs	7	**(9.2)**	(14.8)
Premium paid on cancellation of private placement notes	16	**(51.5)**	–
Fair value movement on convertible bond		**10.1**	13.5
Fair value movement on derivatives		**38.9**	9.2
(Loss)/profit before tax		**(140.2)**	555.1
Tax	8	**0.8**	1.1
(Loss)/profit for the year		**(139.4)**	556.2
Basic (loss)/earnings per share	9	**(40.8)p**	162.6p
Diluted (loss)/earnings per share	9	**(40.8)p**	161.9p
Basic EPRA earnings per share	9	**17.3p**	14.0p
Diluted EPRA earnings per share	9	**17.3p**	13.5p

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

Group statement of comprehensive income

For the year ended 31 March 2017

	Notes	**2017 £m**	2016 £m
(Loss)/profit for the year		**(139.4)**	556.2
Items that will not be reclassified subsequently to profit and loss			
Actuarial (deficit)/gain on defined benefit scheme	25	**(3.6)**	0.1
Total comprehensive expense and income for the year		**(143.0)**	556.3

Group balance sheet

At 31 March 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Investment property	10	**2,351.9**	2,932.1
Investment in joint ventures	12	**480.8**	543.4
Plant and equipment	13	**5.1**	1.1
Deferred tax	8	**2.0**	1.3
		2,839.8	3,477.9
Current assets			
Trading property	11	**246.7**	172.4
Trade and other receivables	14	**351.8**	37.0
Corporation tax	8	**1.0**	0.6
Cash and cash equivalents		**25.5**	12.7
		625.0	222.7
Total assets		**3,464.8**	3,700.6
Current liabilities			
Trade and other payables	15	**(147.0)**	(135.0)
		(147.0)	(135.0)
Non-current liabilities			
Interest-bearing loans and borrowings	16	**(537.7)**	(600.2)
Obligations under finance leases	18	**(35.9)**	(50.5)
Pension liability	25	**(5.8)**	(2.7)
		(579.4)	(653.4)
Total liabilities		**(726.4)**	(788.4)
Net assets		**2,738.4**	2,912.2
Equity			
Share capital	19	**43.0**	43.0
Share premium account		**352.0**	352.0
Capital redemption reserve		**16.4**	16.4
Retained earnings		**2,330.8**	2,509.9
Investment in own shares	20	**(3.8)**	(9.1)
Total equity		**2,738.4**	2,912.2
Net assets per share	9	**796p**	847p
EPRA NAV	9	**799p**	847p

Approved by the Board on 24 May 2017 and signed on its behalf by:

Toby Courtauld
Chief Executive

Nick Sanderson
Finance Director

Group statement of cash flows

For the year ended 31 March 2017

	Notes	**2017 £m**	2016 £m
Operating activities			
Operating (loss)/profit		**(137.5)**	539.4
Adjustments for non-cash items	21	**192.4**	(491.8)
Deposits received on forward sale of residential units		**8.8**	34.9
Development of trading property		**(75.0)**	(45.2)
(Increase)/decrease in receivables		**(12.7)**	6.8
Decrease in payables		**(5.4)**	(1.5)
Cash (absorbed)/generated from operations		**(29.4)**	42.6
Interest paid		**(29.0)**	(27.4)
Tax repaid		**0.1**	–
Cash flows from operating activities		**(58.3)**	15.2
Investing activities			
Distributions from joint ventures		**56.2**	110.3
Purchase and development of property		**(187.3)**	(365.8)
Purchase of plant and equipment		**(4.9)**	(1.1)
Sale of properties		**346.5**	321.0
Investment in joint ventures		**(6.7)**	(4.4)
Cash flows from investing activities		**203.8**	60.0
Financing activities			
Revolving credit facility drawn/(repaid)		**109.0**	(28.0)
Redemption of private placement notes		**(159.7)**	–
Premium paid on redemption of private placement notes	16	**(51.5)**	–
Termination of cross currency swaps	16	**34.7**	–
Funds to joint ventures		**(33.6)**	(0.1)
Purchase of own shares		**–**	(8.1)
Equity dividends paid		**(31.6)**	(30.6)
Cash flows from financing activities		**(132.7)**	(66.8)
Net increase in cash and cash equivalents		**12.8**	8.4
Cash and cash equivalents at 1 April		**12.7**	4.3
Cash and cash equivalents at 31 March		**25.5**	12.7

Group statement of changes in equity

For the year ended 31 March 2017

	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 2016		**43.0**	**352.0**	**16.4**	**2,509.9**	**(9.1)**	**2,912.2**
Loss for the year		**–**	**–**	**–**	**(139.4)**	**–**	**(139.4)**
Actuarial deficit on defined benefit scheme		**–**	**–**	**–**	**(3.6)**	**–**	**(3.6)**
Total comprehensive expense for the year		**–**	**–**	**–**	**(143.0)**	**–**	**(143.0)**
Employee Long-Term Incentive Plan and Share Matching Plan charge	20	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Dividends to shareholders	22	**–**	**–**	**–**	**(31.8)**	**–**	**(31.8)**
Transfer to retained earnings	20	**–**	**–**	**–**	**(4.3)**	**4.3**	**–**
Total equity at 31 March 2017		**43.0**	**352.0**	**16.4**	**2,330.8**	**(3.8)**	**2,738.4**

Group statement of changes in equity

For the year ended 31 March 2016

	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 2015		43.0	352.0	16.4	1,991.2	(11.7)	2,390.9
Profit for the year		–	–	–	556.2	–	556.2
Actuarial gain on defined benefit scheme		–	–	–	0.1	–	0.1
Total comprehensive income for the year		–	–	–	556.3	–	556.3
Employee Long-Term Incentive Plan and Share Matching Plan charge	20	–	–	–	–	4.2	4.2
Purchase of own shares	20	–	–	–	–	(8.1)	(8.1)
Dividends to shareholders	22	–	–	–	(31.1)	–	(31.1)
Transfer to retained earnings	20	–	–	–	(6.5)	6.5	–
Total equity at 31 March 2016		43.0	352.0	16.4	2,509.9	(9.1)	2,912.2

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 2017. Whilst the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, 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 2017 or 2016, but is derived from those financial statements.

Financial statements for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 2017 and 2016 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

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

Significant judgements and 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 director's best knowledge of the amount, event or actions, actual results may differ from those estimates.

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

Significant judgements: recognition of sales and purchases of property
The Group recognises sales and purchases of property when the risks and rewards of ownership transfer to the new owner. Whilst in most instances this assessment is straightforward, arrangements such as forward sales, significant levels of deferred consideration or transactions with other complex arrangements require the directors to exercise judgement in recognising the transaction.

Key source of estimation uncertainty: property portfolio valuation
The valuation to assess 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 valuers also make reference to market evidence of transaction prices for similar properties. 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 10.

New accounting standards
During the year ended 31 March 2017, the following accounting standards and guidance were adopted by the Group:

- Amendments to IFRS (Annual improvements 2012-2014 cycle)
- Amendments to IFRS 11
- Amendments to IAS 16 and IAS 38
- Amendments to IAS 27
- Amendments to IAS 1
- Amendments to IAS 10, IFRS 12 and IAS 28

The adoption of the Standards and Interpretations has not significantly impacted these financial statements.

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

- Amendments to IAS 7 Statement of cash flows; disclosure initiative
- Amendments to IAS 12 Income taxes; recognition of deferred tax assets for unrealised losses
- Amendments to IFRS 2 Share-based payments; clarifying how to account for certain types of share-based payment transactions
- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers

- IFRS 16 Leases
- Amendments to IFRS 4 Insurance contracts; regarding the implementation of IFRS 9 Financial instruments
- Amendment to IAS 40 Investment property; relating to transfers of investment property
- Annual improvements (2014-2016 cycle)
- IFRIC 22 Foreign currency transactions and advance consideration

None of these are expected to have a significant effect on the financial statements of the Group. Certain Standards which may have an impact are discussed below.

- IFRS 9 Financial instruments

IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39 (Financial Instruments: recognition and measurement) with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Due to the Group's limited use of complex financial instruments, IFRS 9 is not expected to have a material impact on its reported results.

- IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. New disclosure requirements are also introduced. The majority of the Group's revenue is derived from rental income which is within the scope of IFRS 15. As a result, it is not anticipated that the new standard will have a material impact on the Group's reported results.

- IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset will be assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. Lessor accounting is unchanged from previous guidance. As the Group is primarily a lessor, it is not anticipated that the new standard will have a material impact on the Group's reported results.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2017. Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group directs the financial and operating policies of an entity to benefit from its activities.

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

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

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

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

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

Share-based payment
The cost of granting share-based payments to employees and directors is recognised within administration expenses in the income statement. The Group has used the Stochastic model to value the grants, which is dependent upon factors including the share price, expected volatility and vesting period, and the resulting fair value is amortised through the income statement over the vesting period. The charge is reversed if it is likely that any non-market-based criteria will not be met.

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 an asset management team whose responsibilities are not segregated by location or type, but are managed on an asset-by-asset basis. The majority of the Group's assets are mixed-use, therefore the office, 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 10.

Investment property
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 valuations have been prepared in accordance with the RICS Valuation – Professional Standards Global January 2014 including the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms.

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, 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.

Sales and purchases of investment properties are recognised when the risks and rewards of ownership transfer, based on the terms and conditions of each transaction.

Trading property
Trading property is being developed for sale or being held for sale after development is complete, and is carried at the lower of cost and net realisable value. Cost includes direct expenditure and capitalised interest. Cost of sales, including costs associated with off-plan residential sales, are expensed to the income statement as incurred.

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.

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 on to 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.

Financial instruments
i Derivatives The Group uses derivative financial instruments to hedge its exposure to foreign currency fluctuations and interest rate risks. The Group's derivatives are measured at fair value in the balance sheet. Derivatives are initially recognised at fair value at the date a derivative contract is entered into.

ii 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.

iii Convertible bond The Group's convertible bond can be settled in shares, cash or a combination of both at the Group's discretion. The bonds have been designated at fair value through profit and loss upon initial recognition, with any gains or losses arising subsequently due to re-measurement being recognised in the income statement.

iv 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.

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

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

Development management agreements
Should the Group sell a development property prior to completion, it will often have a development management agreement with the buyer to construct the remainder of the building on their behalf. Where the outcome of this development management agreement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the balance sheet date. This is normally measured as the proportion that contract costs incurred for work performed bear to the estimated total contract costs. Variations in work, claims and incentive payments are included to the extent that they have been agreed with the counterparty.

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

2 Total revenue

	2017 £m	2016 £m
Gross rental income	**77.7**	72.8
Spreading of tenant lease incentives	**3.1**	3.0
Service charge income	**11.8**	11.3
Joint venture fee income	**4.1**	4.1
Development management revenue	**25.2**	37.6
	121.9	128.8

3 Net rental income

	2017 £m	2016 £m
Gross rental income	**77.7**	72.8
Spreading of tenant lease incentives	**3.1**	3.0
Ground rents	**(0.6)**	(0.3)
	80.2	75.5

4 Property expenses

	2017 £m	2016 £m
Service charge income	**(11.8)**	(11.3)
Service charge expenses	**13.9**	12.3
Other property expenses	**5.2**	7.2
	7.3	8.2

5 Administration expenses

	2017 £m	2016 £m
Employee costs	**13.9**	20.1
Depreciation	**0.9**	0.2
Other head office costs	**5.3**	4.1
	20.1	24.4

Included within employee costs is an accounting charge for the LTIP and SMP schemes of £1.0 million (2016: £4.2 million). Employee costs, including those of directors, comprise the following:

	2017 £m	2016 £m
Wages and salaries	**13.8**	19.2
Social security costs	**1.5**	2.5
Other pension costs	**1.6**	1.5
	16.9	23.2
Less: recovered through service charges	**(1.0)**	(1.0)
Less: capitalised into development projects	**(2.0)**	(2.1)
	13.9	20.1

The emoluments and pension benefits of the directors are set out in detail within the Directors' remuneration report on pages 104 to 130. The Executive Directors are considered to be key management for the purposes of IAS 24 'Related Party Transactions'. The Group's key management, its pension plan and joint ventures are the Group's only related parties.

Employee information

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

	2017 Number	2016 Number
Head office and property management	**102**	96

Auditor's remuneration

	2017 £000's	2016 £000's
Audit of the Company's annual accounts	**106**	114
Audit of subsidiaries	**98**	96
	204	210
Audit-related assurance services, including the interim review	**62**	61
Total audit and audit-related services	**266**	271
Services related to taxation (advisory)	**21**	11
	287	282

6 Finance income

	2017 £m	2016 £m
Interest on balances with joint ventures	**9.0**	7.8

7 Finance costs

	2017 £m	2016 £m
Interest on revolving credit facilities	**3.3**	3.4
Interest on private placement notes	**12.9**	12.9
Interest on debenture stock	**8.0**	8.0
Interest on convertible bond	**1.5**	1.5
Interest on obligations under finance leases	**1.8**	2.3
Gross finance costs	**27.5**	28.1
Less: capitalised interest at an average rate of 4.1% (2016: 3.9%)	**(18.3)**	(13.3)
	9.2	14.8

8 Tax

	2017 £m	2016 £m
Current tax		
UK corporation tax	**–**	–
Tax over provided in previous years	**(0.1)**	(0.6)
Total current tax	**(0.1)**	(0.6)
Deferred tax	**(0.7)**	(0.5)
Tax credit for the year	**(0.8)**	(1.1)

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

	2017 £m	2016 £m
(Loss)/profit before tax	**(140.2)**	555.1
Tax (credit)/charge on (loss)/profit at standard rate of 20% (2016: 20%)	**(28.0)**	111.0
REIT tax-exempt rental profits and gains	**(4.0)**	(18.4)
Changes in fair value of properties not subject to tax	**32.8**	(89.3)
Changes in fair value of financial instruments not subject to tax	**(2.9)**	(4.5)
Prior periods' corporation tax	**(0.1)**	(0.6)
Other	**1.4**	0.7
Tax credit for the year	**(0.8)**	(1.1)

During the year, £nil (2016: £nil) of deferred tax was credited directly to equity. The Group's net deferred tax asset at 31 March 2017 was £2.0 million (2016: £1.3 million), based on a 19% tax rate. This consists of a deferred tax liability of £2.8 million (2016: £nil) and a deferred tax asset of £4.8 million (2016: £1.3 million).

Movement in deferred tax

	At 1 April 2016 £m	**Recognised in the income statement £m**	**At 31 March 2017 £m**
Deferred tax liability in respect of £150 million 1.00% convertible bonds 2018	–	**(2.8)**	**(2.8)**
Deferred tax asset in respect of revenue losses	1.3	**2.7**	**4.0**
Deferred tax asset in respect of other temporary differences	–	**0.8**	**0.8**
Net deferred tax asset	1.3	**0.7**	**2.0**

A deferred tax asset of £3.4 million (2016: £3.8 million), mainly relating to revenue losses, contingent share awards and the pension liability was not recognised because it is uncertain whether future taxable profits will arise against which this asset can be utilised.

As a REIT, the Group is largely exempt from corporation tax in respect of its rental profits and chargeable gains relating to its property rental business. The Group is otherwise subject to corporation tax. In particular, the Group's REIT exemption does not extend to either profits arising from the sale of investment properties in respect of which a major development has completed within the preceding three years or profits arising from trading properties (including the sale of the residential units at Rathbone Square, W1).

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

9 Performance measures and EPRA metrics

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

Weighted average number of ordinary shares

	2017 Number of shares	2016 Number of shares
Issued ordinary share capital at 1 April	**343,926,149**	343,926,149
Investment in own shares	**(1,933,616)**	(1,811,076)
Weighted average number of ordinary shares – Basic	**341,992,533**	342,115,073

Basic and diluted (loss)/earnings per share

	Loss after tax 2017 £m	**Number of shares 2017 million**	**Loss per share 2017 pence**	Profit after tax 2016 £m	Number of shares 2016 million	Earnings per share 2016 pence
Basic	**(139.4)**	**342.0**	**(40.8)**	556.2	342.1	162.6
Dilutive effect of LTIP shares	**–**	**–**	**–**	–	1.4	(0.7)
Diluted	**(139.4)**	**342.0**	**(40.8)**	556.2	343.5	161.9

Basic and diluted EPRA (loss)/earnings per share

	(Loss)/profit after tax 2017 £m	**Number of shares 2017 million**	**(Loss)/ earnings per share 2017 pence**	Profit after tax 2016 £m	Number of shares 2016 million	Earnings per share 2016 pence
Basic	**(139.4)**	**342.0**	**(40.8)**	556.2	342.1	162.6
Deficit/(surplus) from investment property (note 10)	**136.9**	**–**	**40.1**	(422.2)	–	(123.4)
Deficit/(surplus) from joint venture investment property (note 12)	**59.6**	**–**	**17.4**	(64.6)	–	(18.9)
Movement in fair value of derivatives	**(38.9)**	**–**	**(11.4)**	(9.2)	–	(2.7)
Movement in fair value of convertible bond	**(10.1)**	**–**	**(3.0)**	(13.5)	–	(4.0)
Movement in fair value of derivatives in joint ventures (note 12)	**0.1**	**–**	**–**	1.0	–	0.3
Trading property – cost of sales	**0.3**	**–**	**0.1**	0.6	–	0.2
Premium paid on cancellation of private placement notes (note 16)	**51.5**	**–**	**15.1**	–	–	–
Deferred tax (note 8)	**(0.7)**	**–**	**(0.2)**	(0.5)	–	(0.1)
Basic EPRA earnings	**59.3**	**342.0**	**17.3**	47.8	342.1	14.0
Dilutive effect of LTIP shares	**–**	**0.3**	**–**	–	1.4	(0.1)
Dilutive effect of convertible bond	**–**	**–**	**–**	1.5	21.0	(0.4)
Diluted EPRA earnings	**59.3**	**342.3**	**17.3**	49.3	364.5	13.5

EPRA net assets per share

	Net assets 2017 £m	**Number of shares 2017 million**	**Net assets per share 2017 pence**	Net assets 2016 £m	Number of shares 2016 million	Net assets per share 2016 pence
Basic net assets	**2,738.4**	**343.9**	**796**	2,912.2	343.9	847
Investment in own shares	**–**	**(1.8)**	**4**	–	(2.6)	6
Dilutive effect of convertible bond	**–**	**–**	**–**	150.0	21.0	(8)
Dilutive effect of LTIP shares	**–**	**0.3**	**(1)**	–	1.4	(3)
Diluted net assets	**2,738.4**	**342.4**	**799**	3,062.2	363.7	842
Surplus on revaluation of trading property (note 11)	**17.3**	**–**	**5**	22.2	–	6
Fair value of convertible bond (note 17)	**9.4**	**–**	**3**	19.5	–	5
Fair value of derivatives (note 17)	**(28.5)**	**–**	**(8)**	(24.3)	–	(6)
Fair value of derivatives in joint ventures (note 12)	**1.3**	**–**	**–**	1.2	–	–
Deferred tax (note 8)	**(2.0)**	**–**	**–**	(1.3)	–	–
EPRA NAV	**2,735.9**	**342.4**	**799**	3,079.5	363.7	847
Fair value of financial liabilities (note 17)	**(71.0)**	**–**	**(21)**	(75.5)	–	(21)
Fair value of financial liabilities in joint ventures (note 12)	**(2.1)**	**–**	**(1)**	(1.6)	–	–
Fair value of convertible bond (note 17)	**(9.4)**	**–**	**(3)**	–	–	–
Fair value of derivatives (note 17)	**28.5**	**–**	**8**	24.3	–	6
Fair value of derivatives in joint ventures (note 12)	**(1.3)**	**–**	**–**	(1.2)	–	–
Tax arising on sale of trading properties	**(3.3)**	**–**	**(1)**	(4.2)	–	(1)
Deferred tax (note 8)	**2.0**	**–**	**1**	1.3	–	–
EPRA NNNAV	**2,679.3**	**342.4**	**782**	3,022.6	363.7	831

The Group has £150.0 million of convertible bonds in issue with an initial conversion price of £7.15 per share. The dilutive effect of the contingently issuable shares within the convertible bond is required to be recognised in accordance with IAS 33 – Earnings per Share. For the current and prior year the convertible bond had no dilutive impact on IFRS EPS. In accordance with the EPRA Best Practice Recommendations, we have presented EPRA earnings per share on a basic and diluted basis.

EPRA cost ratio (including share of joint ventures)

	2017 £m	2016 £m
Administration expenses	**20.1**	24.4
Property expenses	**7.3**	8.2
Joint venture management fee income	**(4.1)**	(4.1)
Joint venture property and administration costs	**4.1**	2.2
EPRA costs (including direct vacancy costs) (A)	**27.4**	30.7
Direct vacancy costs	**(3.2)**	(2.3)
Joint venture direct vacancy costs	**(1.8)**	(1.1)
EPRA costs (excluding direct vacancy costs) (B)	**22.4**	27.3
Net rental income	**80.2**	75.5
Joint venture net rental income	**17.4**	17.0
Gross rental income (C)	**97.6**	92.5
Portfolio at fair value including joint ventures (D)	**3,145.5**	3,703.9
Cost ratio (including direct vacancy costs) (A/C)	**28.1%**	33.2%
Cost ratio (excluding direct vacancy costs) (B/C)	**23.0%**	29.5%
Cost ratio (by portfolio value) (A/D)	**0.9%**	0.8%

EPRA capital expenditure is included in note 10.

Net debt

	2017 £m	2016 £m
£142.9 million 5⅝% debenture stock 2029	**143.9**	144.0
£450.0 million revolving credit facility	**107.0**	–
Private placement notes	**127.4**	286.7
£150.0 million 1.00% convertible bonds 2018 (at nominal value)	**150.0**	150.0
Less: cash balances	**(25.5)**	(12.7)
Net debt excluding joint ventures	**502.8**	568.0
Joint venture bank loans (at share)	**84.6**	84.5
Less: joint venture cash balances (at share)	**(10.6)**	(8.4)
Net debt including joint ventures	**576.8**	644.1

10 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2015	1,027.3	908.7	1,936.0
Acquisitions	124.9	213.7	338.6
Costs capitalised	4.0	22.4	26.4
Disposals	(102.8)	(192.1)	(294.9)
Transfer to investment property under development	(30.4)	–	(30.4)
Transfer from investment property under development	7.5	–	7.5
Net valuation surplus on investment property	103.0	94.2	197.2
Book value at 31 March 2016	1,133.5	1,046.9	2,180.4
Acquisitions	**–**	**32.5**	**32.5**
Costs capitalised	**6.0**	**14.9**	**20.9**
Disposals	**(31.1)**	**–**	**(31.1)**
Transfer from investment property under development	**176.1**	**–**	**176.1**
Net valuation deficit on investment property	**(61.6)**	**(53.2)**	**(114.8)**
Book value at 31 March 2017	**1,222.9**	**1,041.1**	**2,264.0**

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2015	276.5	135.7	412.2
Costs capitalised	96.2	12.9	109.1
Interest capitalised	7.9	0.8	8.7
Transfer from investment property	30.4	–	30.4
Transfer to investment property	(7.5)	–	(7.5)
Net revaluation surplus on investment property under development	133.1	65.7	198.8
Book value at 31 March 2016	536.6	215.1	751.7
Costs capitalised	**107.1**	**48.1**	**155.2**
Interest capitalised	**9.1**	**0.9**	**10.0**
Transfer to investment property	**(176.1)**	**–**	**(176.1)**
Disposals	**(392.2)**	**(264.1)**	**(656.3)**
Net revaluation surplus on investment property under development	**3.4**	**–**	**3.4**
Book value at 31 March 2017	**87.9**	**–**	**87.9**

Total investment property	**1,310.8**	**1,041.1**	**2,351.9**

The book value of investment property includes £35.9 million (2016: £50.5 million) in respect of the present value of future ground rents, the market value of the portfolio (excluding these amounts) is £2,316.0 million. The market value of the Group's total property portfolio, including trading properties, was £2,580.0 million (2016: £3,076.2 million). The total portfolio value including joint venture properties of £565.5 million (see note 12) was £3,145.5 million.

At 31 March 2017, property with a carrying value of £380.9 million (2016: £403.4 million) was secured under the first mortgage debenture stock (see note 16).

The cumulative interest capitalised in investment property was £20.1 million (2016: £26.1 million).

(Deficit)/surplus from investment property

	2017 £m	2016 £m
Net valuation (deficit)/surplus on investment property	**(111.4)**	396.0
(Loss)/profit on sale of investment properties	**(25.5)**	26.2
	(136.9)	422.2

The Group's investment properties, including those held in joint ventures (note 12), were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2017. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards Global January 2014 including the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms.

The total fees, including the 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 total UK revenues.

The principal signatories of the CBRE valuation reports have continuously been the signatories of valuations for the same addressee and valuation purpose as this report since 2012. CBRE has continuously been carrying out valuation instructions for the Group for in excess of 20 years. CBRE has carried out valuation, 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

		ERV		True equivalent yield	
		Average £ per sq ft	Range £ per sq ft	Average %	Range %
North of Oxford Street	Office	**68**	**47 – 84**	**4.5**	**4.1 – 6.4**
	Retail	**66**	**34 – 181**	**3.7**	**2.9 – 5.9**
Rest of West End	Office	**81**	**64 – 96**	**4.5**	**3.7 – 6.0**
	Retail	**103**	**15 – 257**	**4.2**	**3.5 – 5.5**
City, Midtown & Southwark	Office	**54**	**45 – 60**	**5.2**	**4.8 – 5.9**
	Retail	**71**	**32 – 116**	**5.0**	**4.6 – 6.5**
		Capital value			
		Average £ per sq ft	Range £ per sq ft		
Residential		**1,926**	**1,575 – 2,700**	n/a	n/a

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

At 31 March 2017, the Group had capital commitments of £27.1 million (2016: £241.5 million).

EPRA capital expenditure

	2017 £m	2016 £m
Group		
Acquisitions	**32.5**	338.6
Developments (including trading properties)	**221.2**	161.0
Investment property	**20.9**	26.4
Interest capitalised (including trading properties)	**18.3**	13.3
Joint ventures (at share)		
Developments	**11.9**	5.0
Investment property	**16.9**	13.3
Interest capitalised	**1.2**	0.7
	322.9	558.3

11 Trading property

	Total £m
At 1 April 2016	172.4
Costs capitalised	**66.0**
Interest capitalised	**8.3**
At 31 March 2017	**246.7**

The Group is developing a large mixed-use scheme at Rathbone Square, W1. Part of the approved scheme consists of residential units which the Group holds for sale. As a result, the residential element of the scheme is classified as trading property. The fair value of the trading property was £264.0 million (2016: £194.6 million), representing a level 3 valuation as defined by IFRS 13 (see note 10), and cumulative valuation uplift of £17.3 million (2016: £22.2 million).

12 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	**Balances with partners £m**	**2017 Total £m**	2016 Total £m
At 1 April	355.8	187.6	543.4	636.7
Movement on joint venture balances	–	**42.6**	**42.6**	44.6
Additions	**8.2**	–	**8.2**	4.4
Share of profit of joint ventures	**2.4**	–	**2.4**	2.8
Share of revaluation (deficit)/surplus of joint ventures	**(55.6)**	–	**(55.6)**	50.0
Share of (loss)/profit on disposal of joint venture properties	**(4.0)**	–	**(4.0)**	14.0
Share of results of joint ventures	**(57.2)**	–	**(57.2)**	66.8
Transfer to subsidiaries – Great Star Partnership	–	–	–	(98.8)
Distributions	**(56.2)**	–	**(56.2)**	(110.3)
At 31 March	**250.6**	**230.2**	**480.8**	543.4

The investments in joint ventures comprise the following:

	Country of registration	**2017 ownership**	2016 ownership
The GHS Limited Partnership	Jersey	**50%**	50%
The Great Capital Partnership (dormant)	United Kingdom	**50%**	50%
The Great Ropemaker Partnership	United Kingdom	**50%**	50%
The Great Victoria Partnerships	United Kingdom	**50%**	50%
The Great Wigmore Partnership	United Kingdom	**50%**	50%

All of the Group's joint ventures operate solely in the United Kingdom.

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 Capital Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	The Great Wigmore Partnership £m	2017 Total £m	2017 At share £m	2016 At share £m
Balance sheets								
Investment property	**223.2**	**–**	**687.9**	**228.6**	**1.7**	**1,141.4**	**570.7**	632.9
Current assets	**0.3**	**–**	**0.4**	**0.1**	**0.9**	**1.7**	**0.9**	0.7
Cash	**1.3**	**0.1**	**14.6**	**4.6**	**0.6**	**21.2**	**10.6**	8.4
Balances (from)/to partners	**(86.8)**	**–**	**(384.4)**	**10.9**	**–**	**(460.3)**	**(230.2)**	(187.6)
Bank loans	**–**	**–**	**(89.5)**	**(79.6)**	**–**	**(169.1)**	**(84.6)**	(84.5)
Derivatives	**–**	**–**	**(2.6)**	**–**	**–**	**(2.6)**	**(1.3)**	(1.2)
Current liabilities	**(3.8)**	**–**	**(11.9)**	**(4.9)**	**(0.1)**	**(20.7)**	**(10.3)**	(7.7)
Finance leases	**–**	**–**	**(10.3)**	**–**	**–**	**(10.3)**	**(5.2)**	(5.2)
Net assets	**134.2**	**0.1**	**204.2**	**159.7**	**3.1**	**501.3**	**250.6**	355.8
Income statements								
Net rental income	**–**	**–**	**21.6**	**13.1**	**0.1**	**34.8**	**17.4**	17.0
Property and administration costs	**(1.6)**	**–**	**(5.8)**	**(0.5)**	**(0.2)**	**(8.1)**	**(4.1)**	(2.2)
Net finance costs	**(4.1)**	**–**	**(14.4)**	**(3.1)**	**–**	**(21.6)**	**(10.8)**	(11.0)
Movement in fair value of derivatives	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**(0.1)**	(1.0)
(Loss)/profit from joint ventures	**(5.7)**	**–**	**1.2**	**9.5**	**(0.1)**	**4.9**	**2.4**	2.8
Revaluation of investment property	**(65.8)**	**–**	**(26.1)**	**(13.2)**	**(0.1)**	**(105.2)**	**(55.6)**	50.0
(Loss)/profit on sale of investment property	**–**	**–**	**–**	**(8.9)**	**0.9**	**(8.0)**	**(4.0)**	14.0
Share of results of joint ventures	**(71.5)**	**–**	**(24.9)**	**(12.6)**	**0.7**	**(108.3)**	**(57.2)**	66.8

The non-recourse debt facilities of the joint ventures at 31 March 2017 are set out below:

Joint venture debt facilities	Nominal value (100%) £m	Maturity	Fixed/floating	Interest rate
The Great Ropemaker Partnership	90.0	December 2020	Floating	LIBOR +1.25%
The Great Victoria Partnership	80.0	July 2022	Fixed	3.74%
Total	170.0			

The Great Ropemaker Partnership has two interest rate swaps with a fixed rate of 1.42%, which expire coterminously with the bank loan in 2020, with a notional principal amount of £90.0 million. Together with the swaps the loan has an all-in hedged coupon of 2.67% for its duration. At 31 March 2017, the Great Victoria Partnership loan had a fair value of £84.2 million (2016: £83.2 million). All interest-bearing loans are in sterling. At 31 March 2017, the joint ventures had £nil undrawn facilities (2016: £nil).

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

	2017 £m	2016 £m
Movement on joint venture balances during the year	**(42.6)**	(20.8)
Balances receivable at the year end from joint ventures	**(230.2)**	(187.6)
Distributions	**56.2**	110.3
Management fee income	**4.1**	4.1

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

The investment properties include £5.2 million (2016: £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 £565.5 million. The Group earns fee income from its joint ventures for the provision of management services. All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions.

At 31 March 2017, the Group had £nil contingent liabilities arising in its joint ventures (2016: £nil). At 31 March 2017, the Group had capital commitments in respect of its joint ventures of £48.1 million (2016: £117.9 million).

13 Plant and equipment

	Leasehold improvements £m	Fixtures and fittings/other £m	Total £m
Cost			
At 1 April 2015	2.1	1.6	3.7
Costs capitalised	1.0	0.1	1.1
Disposals	(2.0)	–	(2.0)
At 31 March 2016	1.1	1.7	2.8
Costs capitalised in respect of head office refurbishment	**4.1**	**0.8**	**4.9**
Disposals	**–**	**(1.5)**	**(1.5)**
At 31 March 2017	**5.2**	**1.0**	**6.2**
Depreciation			
At 1 April 2016	0.1	1.6	1.7
Charge for the year	**0.6**	**0.3**	**0.9**
Disposals	**–**	**(1.5)**	**(1.5)**
At 31 March 2017	**0.7**	**0.4**	**1.1**
Carrying amount at 31 March 2016	1.0	0.1	1.1
Carrying amount at 31 March 2017	**4.5**	**0.6**	**5.1**

14 Trade and other receivables

	2017 £m	2016 £m
Trade receivables	**4.0**	3.9
Allowance for doubtful debts	**(0.1)**	(0.2)
	3.9	3.7
Prepayments and accrued income	**0.7**	1.2
Work in progress on development management contracts	**14.7**	2.4
Other trade receivables	**3.2**	5.4
Deferred consideration on property sales	**300.8**	–
Derivatives	**28.5**	24.3
	351.8	37.0

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the tenant's lease. Trade receivables are provided for based on estimated irrecoverable amounts determined by past default experience and knowledge of the individual tenant's circumstance. Debtors past due but not impaired were £2.8 million (2016: £3.0 million) of which £2.0 million (2016: £1.8 million) is over 30 days.

Work in progress on development management contracts is an amount due to the Group in relation to development properties sold prior to its completion where the Group has a contract with the buyer to construct the remainder of the building on their behalf. During the year, the Group received payments on account of £12.9 million (2016: £41.2 million). At 31 March 2017, the aggregate cumulative cost incurred was £67.7 million (2016: £42.5 million) and the cumulative profits less losses recognised were £5.7 million (2016: £5.7 million). There are no material project retentions.

Deferred consideration on property sales relates to the amounts outstanding on the disposal of both Rathbone Square, W1 and 73/89 Oxford Street, W1. At 31 March 2017, £28.0 million of the derivatives were due in excess of one year (see note 17).

	2017 £m	2016 £m
Movements in allowance of doubtful debts		
Balance at the beginning of the year	**(0.2)**	(0.1)
Amounts provided for during the year	**(0.2)**	(0.1)
Amounts written-off as uncollectable	**0.3**	–
	(0.1)	(0.2)

15 Trade and other payables

	2017 £m	2016 £m
Rents received in advance	**22.8**	21.1
Deposits received on forward sale of residential units	**66.0**	57.2
Non-trade payables and accrued expenses	**58.2**	56.7
	147.0	135.0

Non-trade payables and accrued expenses includes capital accruals such as amounts in respect of overage arrangements.

16 Interest-bearing loans and borrowings

	2017 £m	2016 £m
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	**143.9**	144.0
Unsecured		
£450 million revolving credit facility	**107.0**	–
£30.0 million 5.09% private placement notes 2018	**–**	29.9
$130.0 million 4.81% private placement notes 2018	**–**	80.9
$78.0 million 5.37% private placement notes 2021	**–**	48.5
$160.0 million 4.20% private placement notes 2019	**101.9**	101.9
$40.0 million 4.82% private placement notes 2022	**25.5**	25.5
Non-current liabilities at fair value		
Unsecured		
£150.0 million 1.00% convertible bonds 2018	**159.4**	169.5
	537.7	600.2

The Group's £450.0 million revolving credit facility is unsecured, attracts a floating rate based on a ratchet of between 105–165 basis points above LIBOR, based on gearing, and expires in 2021.

In March 2017, the Group repaid its 2018 and 2021 private placement notes for a total redemption premium of £16.8 million representing £51.5 million premium (including early redemption premium and currency movements since issue) on the private placement notes net of £34.7 million receipt on cancellation of the associated cross currency swaps.

In May 2017, the Group repaid its 2019 and 2022 private placement notes for a total redemption premium of £13.2 million representing £36.8 million premium (including early redemption premium and currency movements since issue) on the private placement notes net of £23.6 million receipt on cancellation of the associated cross currency swaps.

In May 2017, the Group closed the issue of £175 million of new seven year US private placement notes. The Sterling denominated unsecured debt has a fixed rate coupon of 2.15% (representing a margin of 125 basis points over the relevant Gilt).

At 31 March 2017, the Group had £342.0 million (2016: £451 million) of undrawn credit facilities.

17 Financial instruments

Categories of financial instrument	**Carrying amount 2017 £m**	**Amounts recognised in income statement 2017 £m**	**Gain/(loss) to equity 2017 £m**	Carrying amount 2016 £m	Amounts recognised in income statement 2016 £m	Gain/(loss) to equity 2016 £m
Convertible bond	**(159.4)**	**8.6**	**–**	(169.5)	12.0	–
Non-current liabilities at fair value	**(159.4)**	**8.6**	**–**	(169.5)	12.0	–
Interest rate floor	**0.5**	**0.7**	**–**	2.0	0.9	–
Cross currency swaps	**28.0**	**40.2**	**–**	22.3	10.1	–
Non-current assets held at fair value	**28.5**	**40.9**	**–**	24.3	11.0	–
Trade receivables	**324.3**	**(0.1)**	**–**	12.1	(0.1)	–
Cash and cash equivalents	**25.5**	**–**	**–**	12.7	–	–
Loans and receivables	**349.8**	**(0.1)**	**–**	24.8	(0.1)	–
Trade and other payables	**(69.1)**	**–**	**–**	(62.9)	–	–
Interest-bearing loans and borrowings	**(378.3)**	**(7.9)**	**–**	(430.7)	(12.8)	–
Obligations under finance leases	**(35.9)**	**(1.8)**	**–**	(50.5)	(2.3)	–
Liabilities at amortised cost	**(483.3)**	**(9.7)**	**–**	(544.1)	(15.1)	–
Total financial instruments	**(264.4)**	**39.7**	**–**	(664.5)	7.8	–

Financial risk management objectives

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has a policy of only dealing with creditworthy tenants and obtaining sufficient rental cash deposits or third party guarantees as a means of mitigating financial loss from defaults.

The concentration of credit risk is limited due to the large and diverse tenant base. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of rent deposits obtained. Details of the Group's receivables are summarised in note 15 of the financial statements.

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

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

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

Liquidity risk
The Group operates a framework for the management of 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 2017 actuals
Group		
Net debt/net equity	**<1.25x**	**0.18x**
Inner borrowing (unencumbered asset value/unsecured borrowings)	**>1.66x**	**5.36x**
Interest cover	**>1.35x**	**n/a**

Due to the treatment of capitalised interest under our Group covenants, there is no net interest charge in the year applicable for the purposes of calculating the interest cover ratio. The Group has undrawn credit facilities of £342.0 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 based on the earliest date on which the Group is required to pay and conditions existing at the balance sheet date:

At 31 March 2017	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	**143.9**	**237.9**	**8.0**	**8.0**	**24.1**	**197.8**
£450.0 million revolving credit facility	**107.0**	**113.1**	**1.6**	**1.6**	**109.9**	**–**
Private placement notes	**127.4**	**142.6**	**5.2**	**5.3**	**106.4**	**25.7**
£150.0 million 1.00% convertible bonds 2018	**159.4**	**152.1**	**1.5**	**150.6**	**–**	**–**
Derivative financial instruments						
Cross currency swaps (note 14)	**(28.0)**	**0.7**	**0.3**	**0.2**	**0.2**	**–**
Interest rate floor (note 14)	**(0.5)**	**(1.0)**	**(1.0)**	**–**	**–**	**–**
	509.2	**645.4**	**15.6**	**165.7**	**240.6**	**223.5**

At 31 March 2016	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	144.0	245.9	8.0	8.0	24.1	205.8
£450.0 million revolving credit facility	–	–	–	–	–	–
Private placement notes	286.7	332.8	13.0	13.1	230.5	76.2
£150.0 million 1.00% convertible bonds 2018	169.5	153.6	1.5	1.5	150.6	–
Derivative financial instruments						
Cross currency swaps (note 14)	(22.3)	1.7	0.5	0.5	0.6	0.1
Interest rate floor (note 14)	(2.0)	(2.1)	(1.3)	(0.8)	–	–
	575.9	731.9	21.7	22.3	405.8	282.1

Market risk
Interest rate risk arises from the Group's use of interest-bearing financial instruments. It is the risk that future cash flows 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.

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

Interest rate floors
Under the terms of an interest rate floor, one party (the 'seller') makes a payment to the other party (the 'buyer') if an underlying interest rate is below a specified rate. The Group has bought an interest rate floor, which, when combined with fixed debt, gives rise to the same economic effect as purchasing an interest rate cap in respect of floating rate debt.

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

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

	Average contracted fixed interest rate		**Notional principal amount**		**Fair value (asset)/liability**	
	2017 %	2016 %	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Interest rate floor						
Less than one year	**1.80**	–	**159.7**	–	**(0.5)**	–
Between one and two years	**–**	1.80	**–**	159.7	**–**	(2.0)
	1.80	1.80	**159.7**	159.7	**(0.5)**	(2.0)

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

	Average exchange rate		**Foreign currency**		**Notional principal amount**		**Fair value (asset)/liability**	
	2017 rate	2016 rate	**2017 US$m**	**2016** US$m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Cross currency swaps								
Between two and five years	**1.566**	1.583	**160.0**	290.0	**102.2**	183.2	**(23.3)**	(16.4)
In excess of five years	**1.566**	1.591	**40.0**	118.0	**25.5**	74.2	**(4.7)**	(5.9)
	1.566	1.585	**200.0**	408.0	**127.7**	257.4	**(28.0)**	(22.3)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both non-derivative and derivative financial instruments at the balance sheet date and represents management's assessment of possible changes in interest rates based on historical trends. For the floating rate liabilities the analysis is prepared assuming the amount of the liability at 31 March 2017 was outstanding for the whole year:

	Impact on profit		Impact on equity	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Increase of 100 basis points	**2.9**	10.0	**2.9**	10.0
Increase of 50 basis points	**1.5**	5.0	**1.5**	5.0
Decrease of 25 basis points	**(0.7)**	(2.5)	**(0.7)**	(2.5)

Foreign exchange sensitivity

The sensitivity analysis below has been determined based on the exposure to foreign exchange rates for derivative financial instruments at the balance sheet date and represents management's assessment of changes to the fair value of the Group's cross currency swaps as a result of possible changes in foreign exchange rates based on historical trends:

	Impact on profit		Impact on equity	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Increase of 20% in the exchange spot rate	**(28.9)**	(53.6)	**(28.9)**	(53.6)
Increase of 10% in the exchange spot rate	**(15.8)**	(29.2)	**(15.8)**	(29.2)
Decrease of 10% in the exchange spot rate	**19.3**	35.7	**19.3**	35.7
Decrease of 20% in the exchange spot rate	**43.4**	80.4	**43.4**	80.4

Fair value of interest-bearing loans and borrowings

	Book value 2017 £m	**Fair value 2017 £m**	Book value 2016 £m	Fair value 2016 £m
Level 1				
£150.0 million 1.00% convertible bonds 2018	**159.4**	**159.4**	169.5	169.5
Level 2				
Cross currency swaps	**(28.0)**	**(28.0)**	(22.3)	(22.3)
Interest rate floor	**(0.5)**	**(0.5)**	(2.0)	(2.0)
Other items not carried at fair value				
£142.9 million 5⅝% debenture stock 2029	**143.9**	**177.9**	144.0	172.3
Private placement notes	**127.4**	**164.4**	286.7	333.9
£450 million revolving credit facility	**107.0**	**107.0**	–	–
	509.2	**580.2**	575.9	651.4

The fair value of the Group's listed convertible bonds has been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 13 Fair Value Measurement. The fair value of the Group's outstanding interest rate floor has been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13. The fair value of the Group's cross currency swaps has been estimated on the basis of the prevailing rates at the year end, representing Level 2 fair value measurements as defined by IFRS 13. None of the Group's financial derivatives are designated as financial hedges. 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.

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.

18 Obligations under finance leases

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

	Minimum lease payments 2017 £m	**Interest 2017 £m**	**Present value of minimum lease payments 2017 £m**	Minimum lease payments 2016 £m	Interest 2016 £m	Present value of minimum lease payments 2016 £m
Less than one year	**1.8**	**(1.8)**	**–**	2.4	(2.4)	–
Between two and five years	**7.1**	**(7.0)**	**0.1**	9.6	(9.5)	0.1
More than five years	**178.6**	**(142.8)**	**35.8**	329.1	(278.7)	50.4
	187.5	**(151.6)**	**35.9**	341.1	(290.6)	50.5

The Group's finance lease obligations decreased to £35.9 million at 31 March 2017 due to the sale of 73/89 Oxford Street, W1.

19 Share capital

	2017 Number	**2017 £m**	2016 Number	2016 £m
Allotted, called up and fully paid ordinary shares of 12.5 pence				
At 1 April and 31 March	**343,926,149**	**43.0**	343,926,149	43.0

At 31 March 2017, the Company's authorised share capital was 600,000,000 shares. On 18 May 2017, in conjunction with a special dividend (see note 22), the Company carried out a 19 for 20 share consolidation of the Company's ordinary share capital. After the consolidation the Company had 326,729,852 ordinary shares with a nominal value of $13\frac{3}{19}$ pence each.

20 Investment in own shares

	2017 £m	2016 £m
At 1 April	**9.1**	11.7
Employee Long-Term Incentive Plan and Share Matching Plan charge	**(1.0)**	(4.2)
Purchase of shares	**–**	8.1
Transfer to retained earnings	**(4.3)**	(6.5)
At 31 March	**3.8**	9.1

The investment in the Company's own shares is held at cost and comprises 1,804,412 shares (2016: 2,569,477 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, 765,065 shares (2016: 1,435,074 shares) were awarded to directors and senior employees in respect of the 2013 LTIP and SMP award and no additional shares were acquired by the Trust (2016: 1,150,000 shares). The fair value of shares awarded and outstanding at 31 March 2017 was £2.1 million (2016: £13.2 million).

21 Adjustment for non-cash movements in the Group statement of cash flows

	2017 £m	2016 £m
Deficit/(surplus) from investment property	**136.9**	(422.2)
Employee Long-Term Incentive Plan and Share Matching Plan charge	**1.0**	4.2
Spreading of tenant lease incentives	**(3.1)**	(3.0)
Profit on development management contracts	**–**	(4.0)
Share of results of joint ventures	**57.2**	(66.8)
Other non-cash items	**0.4**	–
Adjustments for non-cash items	**192.4**	(491.8)

22 Dividends

	2017 £m	2016 £m
Ordinary dividends paid		
Interim dividend for the year ended 31 March 2017 of 3.7 pence per share	**19.1**	–
Final dividend for the year ended 31 March 2016 of 5.6 pence per share	**12.7**	–
Interim dividend for the year ended 31 March 2016 of 3.6 pence per share	**–**	12.3
Final dividend for the year ended 31 March 2015 of 5.5 pence per share	**–**	18.8
	31.8	31.1

A final dividend of 6.4 pence per share was approved by the Board on 24 May 2017 and will be paid on 10 July 2017 to shareholders on the register on 2 June 2017. The dividend is not recognised as a liability at 31 March 2017. The 2016 final dividend and the 2017 interim dividend were paid in the year and are included within the Group statement of changes in equity.

In May 2017, the Company paid a special dividend of £110.0 million equating to 32.15 pence per share. The dividend was approved by the Board on 11 April 2017 and will be paid on 31 May 2017 to shareholders on the register on 18 May 2017.

23 Operating leases

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

	2017 £m	2016 £m
The Group as a lessor		
Less than one year	**76.7**	70.2
Between two and five years	**224.3**	189.8
More than five years	**169.2**	149.9
	470.2	409.9

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2017 was 5.2 years (2016: 5.0 years). All investment properties, except those under development, generated rental income and no contingent rents were recognised in the year (2016: £nil).

	2017 £m	2016 £m
The Group as a lessee		
Less than one year	**1.0**	0.8
Between two and five years	**4.1**	4.1
More than five years	**3.2**	4.3
	8.3	9.2

24 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 12.5 pence ordinary shares.

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

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

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

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

25 Employee benefits

The Group operates a UK funded approved defined contribution plan. The Group's contribution for the year was £0.6 million (2016: £0.6 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 2015 by a qualified independent actuary using the projected unit method. The Plan was valued using the following main assumptions:

	2017 %	2016 %
Discount rate	**2.60**	3.60
Expected rate of salary increases	**4.20**	4.00
RPI inflation	**3.20**	3.00
Rate of future pension increases	**5.00**	5.00

Life expectancy assumptions at age 65:

	2017 Years	2016 Years
Retiring today age 65	**24**	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:

	2017 £m	2016 £m
Present value of unfunded obligations	**(39.9)**	(31.3)
Fair value of the Plan assets	**34.1**	28.6
Pension liability	**(5.8)**	(2.7)

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

	2017 £m	2016 £m
Current service cost	**(0.3)**	(0.4)
Net interest cost	**(0.1)**	(0.1)
	(0.4)	(0.5)

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

	2017 £m	2016 £m
Defined benefit obligation at 1 April	**31.3**	31.7
Service cost	**0.3**	0.4
Interest cost	**1.1**	1.1
Effect of changes in financial assumptions	**7.8**	(1.3)
Benefits paid	**(0.6)**	(0.6)
Present value of defined benefit obligation at 31 March	**39.9**	31.3

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

	2017 £m	2016 £m
Fair value of the Plan assets at 1 April	**28.6**	28.5
Interest income	**1.0**	1.0
Actuarial gain/(loss)	**4.2**	(1.2)
Employer contributions	**0.9**	0.9
Benefits paid	**(0.6)**	(0.6)
Fair value of the Plan assets at 31 March	**34.1**	28.6
Net liability	**(5.8)**	(2.7)

The amount recognised immediately in the Group statement of comprehensive income was a loss of £3.6 million (2016: gain of £0.1 million).

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:

	2017 £m	2016 £m
Cash	**0.1**	–
Equities	**14.1**	11.2
Bonds	**19.9**	17.4
	34.1	28.6

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 is 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:

	2017 £m	2016 £m
Discount rate -0.25%	**42.0**	32.9
Discount rate +0.25%	**37.9**	29.8
RPI inflation -0.25%	**38.9**	30.6
RPI inflation +0.25%	**40.9**	32.0
Post-retirement mortality assumption -1 year	**41.5**	32.4

The Group expects to contribute £0.9 million to the Plan in the year ending 31 March 2018. The expected total benefit payments for the year ending 31 March 2018 is £0.6 million, with £4.3 million expected to be paid over the next five years.

Responsibility statement

The statement of Directors' responsibilities below has been prepared in connection with the Company's full Annual Report for the year ended 31 March 2017. Certain parts of the Annual Report have not been included in the announcement. We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 24 May 2017 and signed on its behalf by

Toby Courtauld	**Nick Sanderson**
Chief Executive	Finance Director

Glossary

Building Research Establishment Environmental Assessment Methodology (BREEAM)
Building Research Establishment method of assessing, rating and certifying the sustainability of buildings.

Core West End
Areas of London with W1 and SW1 postcodes.

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

EPRA 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.

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.

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

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

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

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

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

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

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

PMI
Purchasing Managers Index.

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

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

REIT
UK Real Estate Investment Trust.

Rent roll
The annual contracted rental income.

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

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

Total Accounting Return (TAR)
Growth of EPRA NAV plus dividends paid.

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

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

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

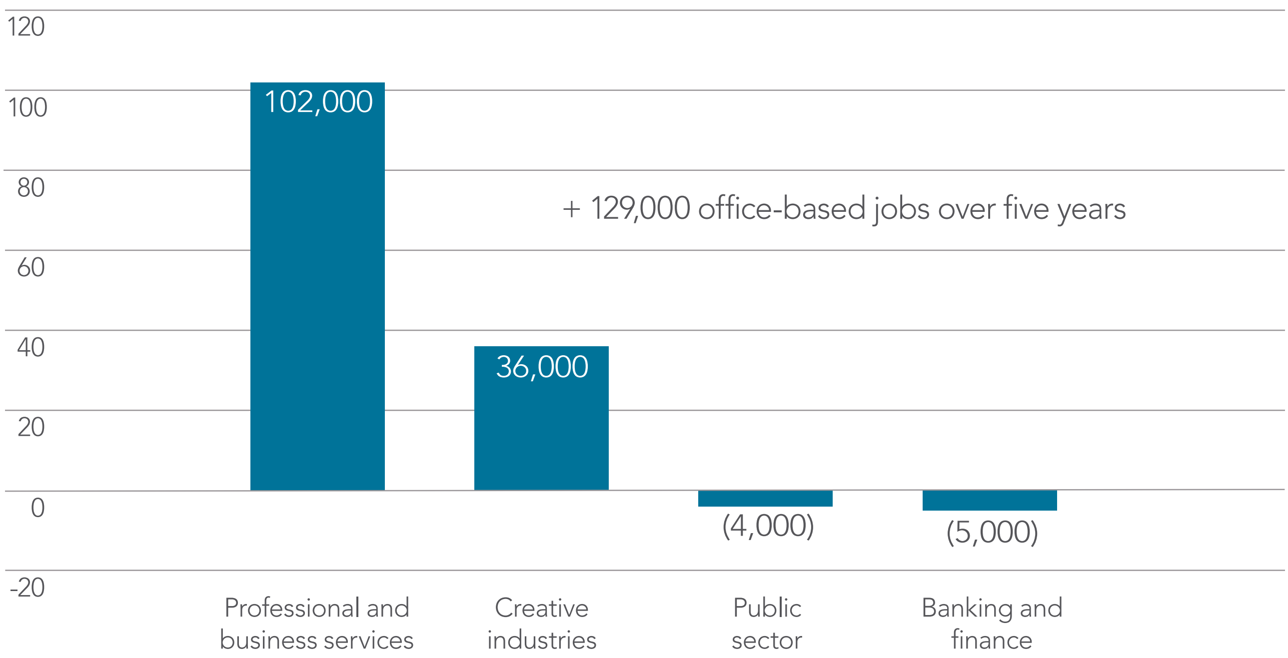
True equivalent yield
The constant capitalisation rate which, if applied to all cash flows from an investment property, including current rent, reversions to current market rent and such items as voids and expenditures, equates to the market value having taken into account notional purchaser's costs.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

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

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

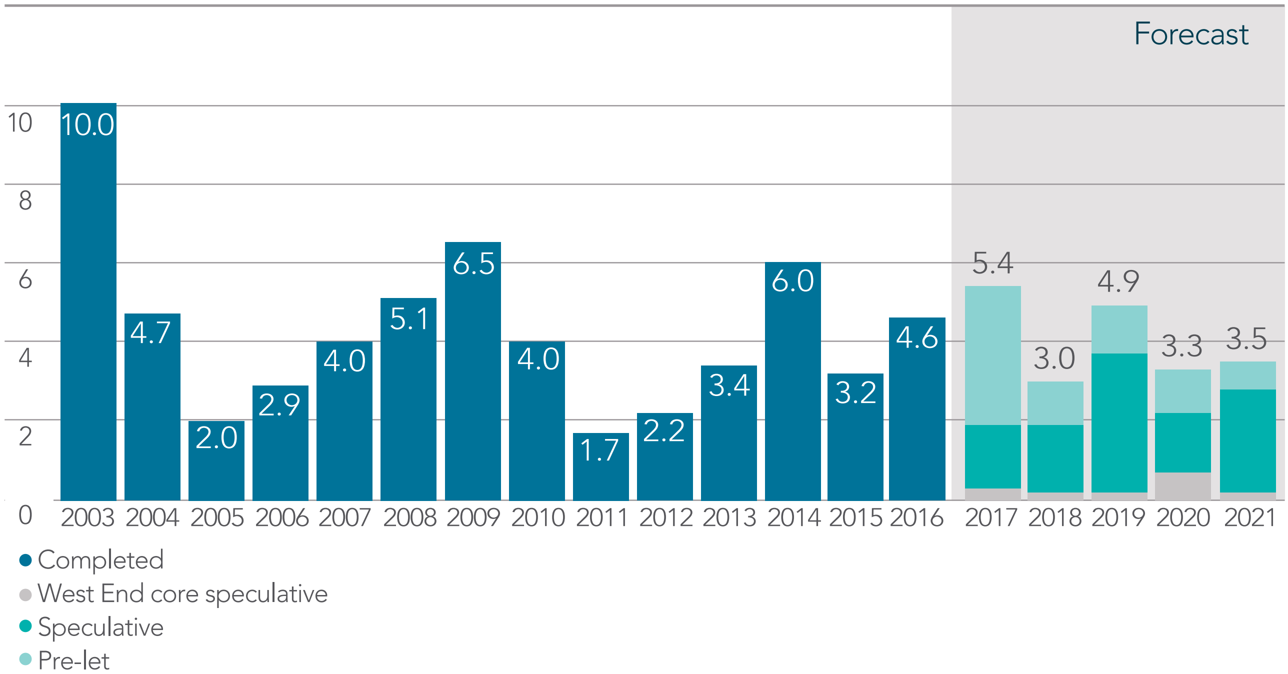
Appendix 1

Forecast office-based employment growth in London (next five years) thousands of people



Source: CBRE/Oxford Economics

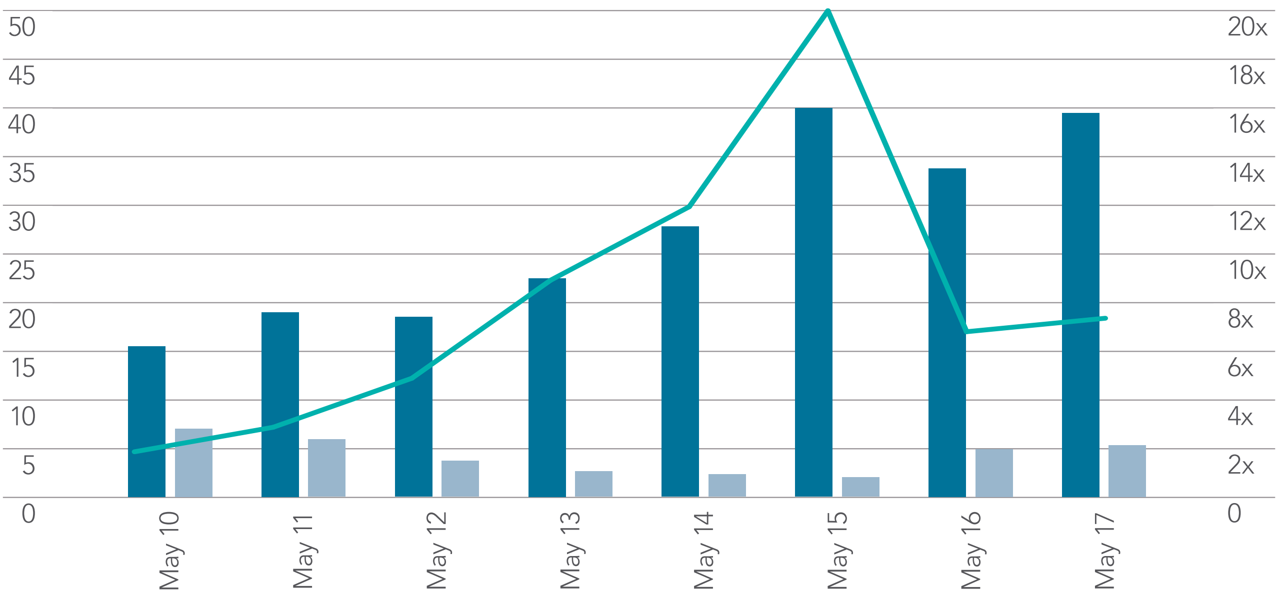
Central London office potential completions million sq ft



Source: CBRE/GPE

Appendix 1

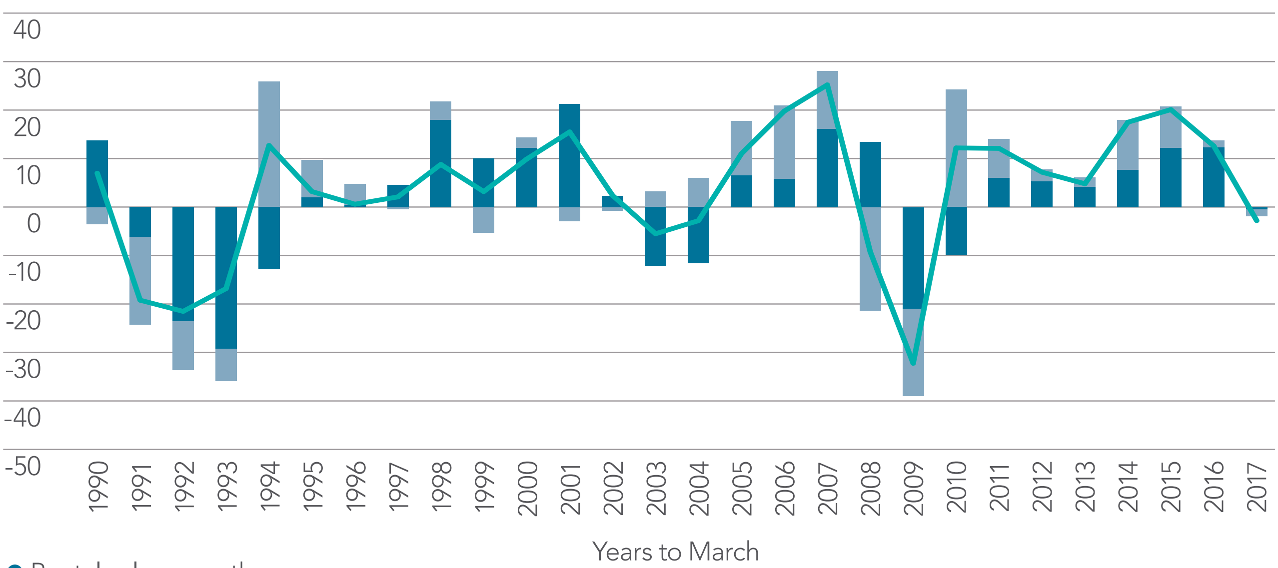
London equity demand and asset supply £bn



● Equity demand
● Asset supply
– Demand multiple (RHS)

Source: CBRE/GPE

Capital growth attribution – IPD West End and Midtown %



● Rental value growth
● Yield impact
– Capital growth

Source: IPD monthly property index

Appendix 1

Selected lead indicators

Drivers of rents	2016 Outlook[1]	2017 Outlook
GDP/GVA growth	Green	Amber
Business investment	Green	Amber
Confidence	Amber	Red
Employment growth	Green	Amber
Active demand/Take-up	Green	Amber
Vacancy rates	Green	Amber
Development completions	Amber	Amber
Drivers of yields		
Rental growth	Green	Red
Weight of money	Green	Amber
Gilts	Amber	Amber
BBB Bonds	Amber	Amber
Exchange rates	Amber	Amber
Political risk	Red	Red

1. Last year's outlook was based on the assumption that the UK would remain in the EU.

Appendix 2

Portfolio performance

		Wholly-owned £m	Joint ventures[1] £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	750.9	–	750.9	23.9	(4.9)
	Retail	244.1	114.3	358.4	11.4	(7.3)
	Residential	4.4	0.8	5.2	0.2	(12.4)
Rest of West End	Office	403.3	67.1	470.4	15.0	(7.7)
	Retail	219.7	75.7	295.4	9.3	2.7
	Residential	8.6	5.5	14.1	0.4	(10.1)
Total West End		1,631.0	263.4	1,894.4	60.2	(5.1)
City, Midtown and Southwark	Office	535.3	259.3	794.6	25.3	(6.9)
	Retail	28.3	2.0	30.3	0.9	11.3
	Residential	1.2	0.1	1.3	0.1	(22.5)
Total City, Midtown and Southwark		564.8	261.4	826.2	26.3	(6.3)
Investment property portfolio		**2,195.8**	**524.8**	**2,720.6**	**86.5**	**(5.5)**
Development property		351.9	40.7	392.6	12.5	(1.2)
Total properties held throughout the year		**2,547.7**	**565.5**	**3,113.2**	**99.0**	**(4.9)**
Acquisitions		32.3	–	32.3	1.0	(1.5)
Total property portfolio		**2,580.0**	**565.5**	**3,145.5**	**100.0**	**(4.9)**

1. GPE share.

Portfolio characteristics

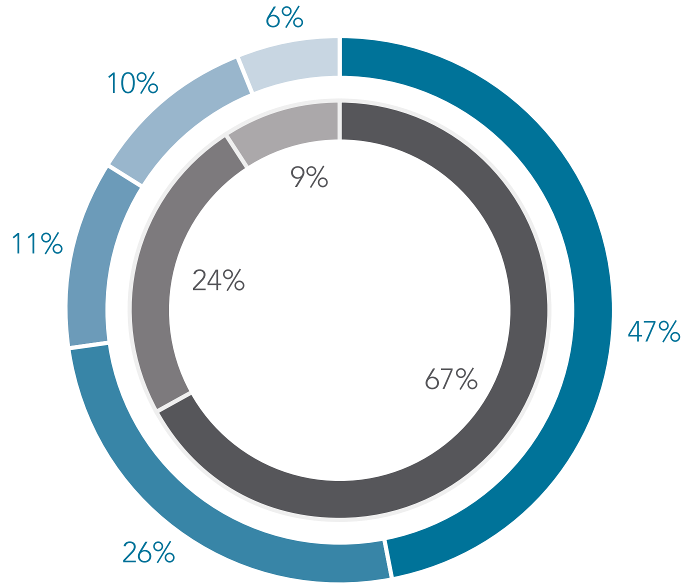
		Investment properties £m	Development properties £m	Total property portfolio £m	Office £m	Retail £m	Residential £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		1,114.5	351.9	1,466.4	813.2	384.0	269.2	1,466.4	1,096
Rest of West End		812.2	–	812.2	470.4	327.7	14.1	812.2	464
Total West End		**1,926.7**	**351.9**	**2,278.6**	**1,283.6**	**711.7**	**283.3**	**2,278.6**	**1,560**
City, Midtown and Southwark		826.2	40.7	866.9	833.7	31.9	1.3	866.9	1,477
Total		**2,752.9**	**392.6**	**3,145.5**	**2,117.3**	**743.6**	**284.6**	**3,145.5**	**3,037**
By use:	Office	2,015.9	101.4	2,117.3					
	Retail	716.4	27.2	743.6					
	Residential	20.6	264.0	284.6					
Total		**2,752.9**	**392.6**	**3,145.5**					
Net internal area sq ft 000's		2,646	391	3,037					

Appendix 2

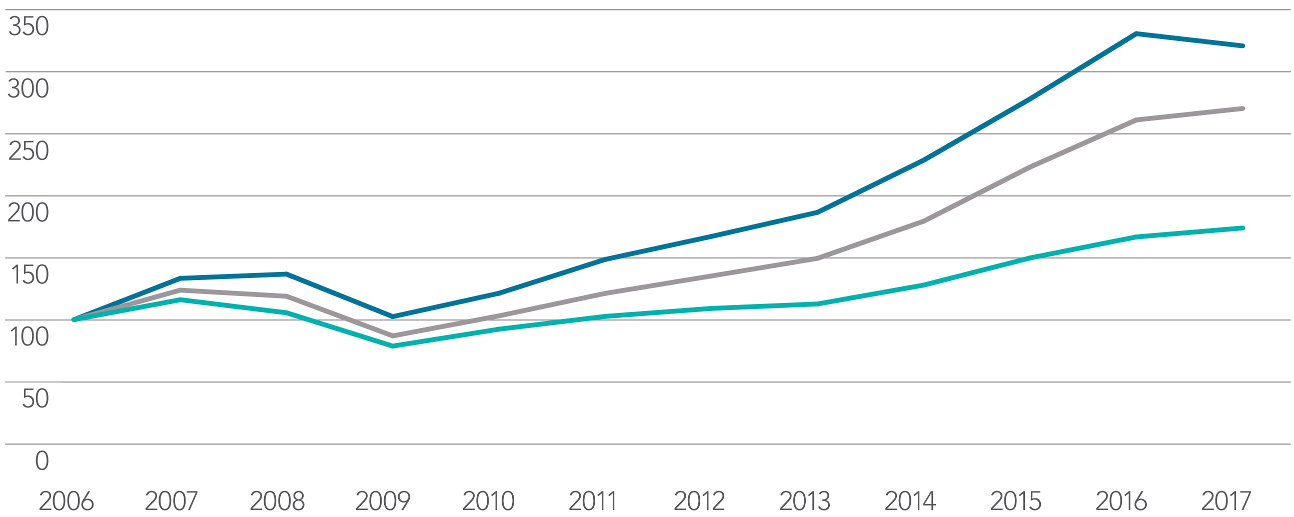
Our portfolio – 100% central London

Locations
- North of Oxford Street £1,466.4m
- Rest of West End £812.2m
- City £351.5m
- Southwark £328.2m
- Midtown £187.2m

Business mix
- Office £2,117.3m
- Retail £743.6m
- Residential £284.6m



Capital return (indexed)
Cumulative relative performance to IPD benchmarks
Years to 31 March



- GPE
- IPD Central London (annual)
- IPD Universe

Appendix 3

Purchases for the year ended 31 March 2017

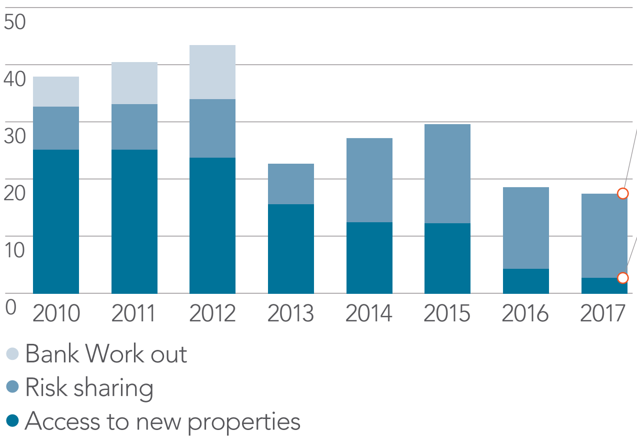
	Price paid £m	NIY	Area sq ft	Cost per sq ft £
73/89 Oxford Street, W1 Freehold	38.5	n/a	n/a	3,385
95/96 New Bond Street, W1	32.5	2.7%	9,600	n/a
Total	**71.0**	**2.7%**	**9,600**	**3,385**

Sales for the year ended 31 March 2017

	Gross price[1] £m	Premium/ (discount) to book value	Price per sq ft[3] £
Rathbone Square, W1[2]	375.9	(5.5)%	1,403
73/89 Oxford Street, W1[2]	275.2	–	3,051
Mortimer House, W1	27.0	4.8%	1,134
40/48 Broadway, SW1	21.9	(16.0)%	596
Wigmore Street buildings, W1	17.4	2.3%	1,122
Rathbone Square residential, W1	5.0	(6.0)%	2,384
50 Broadwick Street, W1	4.6	1.2%	1,441
Total	**727.0**	**(3.1)%**	**1,559**

1. Joint ventures at share.
2. Sales price for completed building.
3. On completed buildings.

GPE's net investment in joint ventures %



Joint venture partners

	Net assets at 31 March 2017
GRP – BP Pension Fund	£294.3m
GHS – Hong Kong Monetary Authority	£110.5m
GVP – Liverpool Victoria	£74.4m
GWP – Aberdeen AM	£1.5m
GCP – Capital & Counties*	£0.1m
Total	**£480.8m**
As % of Group net assets	**17.6%**

* Inactive

Appendix 3

Our total development pipeline

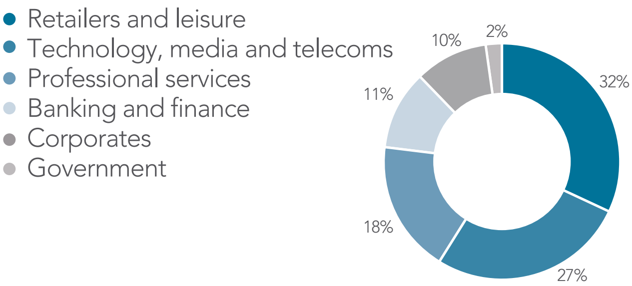
	Anticipated finish	New build area sq ft	Cost to complete £m	ERV[1] £m	Office ERV[1] avg £psf	Income/GDV secured £m	% let[2]/ sold	Profit/(loss) on cost[3]
Committed – 3 projects								
Rathbone Square, W1 – residential	Sept 17	151,700	18.5	–	–	270.5	95.4%	(1.8)%
160 Old Street, EC1	Feb 18	161,000	17.4	4.3	53.35	–	–	10.6%
55 Wells Street, W1	Oct 17	37,300	8.6	2.8	83.70	–	–	12.3%
Committed total[4]		**350,000**	**44.5**	**7.1**			**65.2%**	**2.0%**

	New build area sq ft	Existing area sq ft	Earliest start	Opportunity area
Near term – 2 projects				
Oxford House, 76 Oxford Street, W1	89,100	79,400	2018	Crossrail
Hanover Square, W1	220,200	23,100	2018	Crossrail
Near term total	**309,300**	**102,500**		

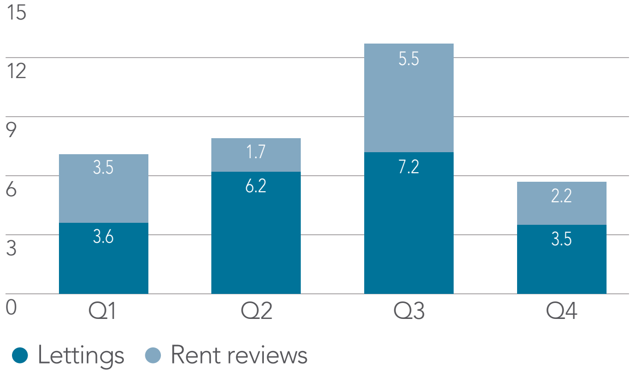
	Target area sq ft	Existing area sq ft	Earliest start	Opportunity area
Medium term – 12 projects				
City Place House, EC2	176,500	176,500	2018	Crossrail
50 Finsbury Square, EC2	126,400	126,400	2020	Crossrail
New City Court, SE1	352,000	97,800	2021	London Bridge
35 Portman Square, W1	73,000	73,000	2021	Core West End
52/54 Broadwick Street, W1	47,000	25,900	2021	Crossrail
Jermyn Street Estate, SW1	132,700	132,700	2022	Core West End
31/34 Alfred Place, WC1	37,200	37,200	2022	Crossrail
French Railways House and 50 Jermyn Street, SW1	75,000	54,600	2022	Core West End
Mount Royal, W1	92,100	92,100	2022	West End Retail
Kingsland/Carrington House, W1	51,400	39,800	2022	West End Retail
Minerva House, SE1	120,000	105,200	2022	London Bridge
95/96 New Bond Street, W1	9,600	9,600	2023	West End Retail
Medium term total	**1,292,900**	**970,800**		
Total programme – 17 projects	**1,952,200**			

1. Agreed pre-let rent or CBRE ERV at March 2017.
2. Based on ERV of property.
3. Based on CBRE estimate of completed value.
4. At 24 May 2017.

GPE tenant mix %

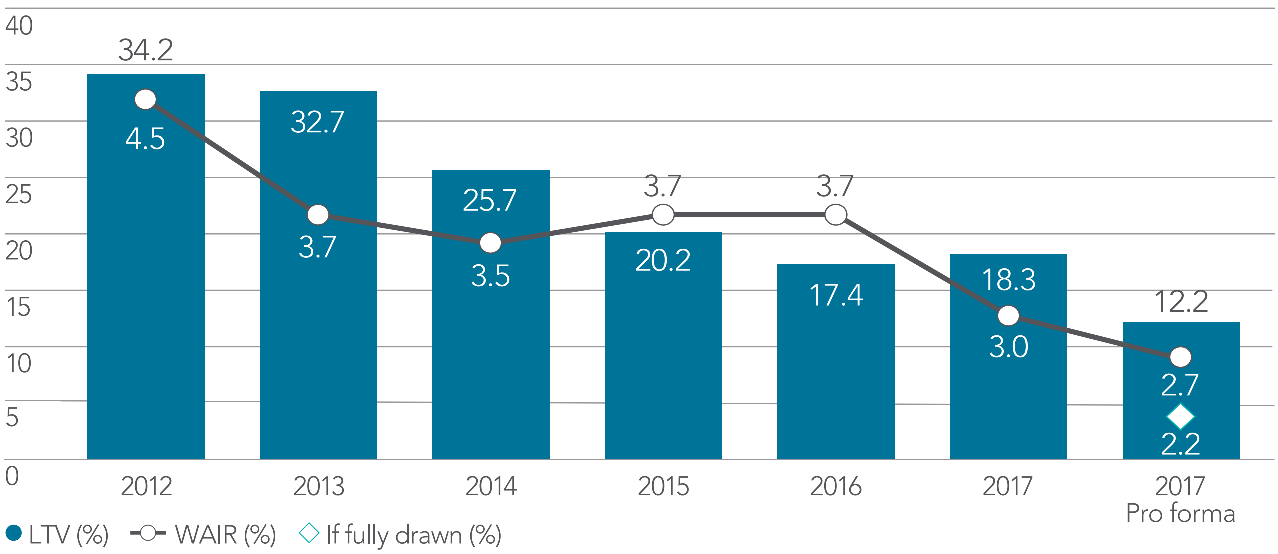


Lettings and rent reviews by quarter 2016/17 £m

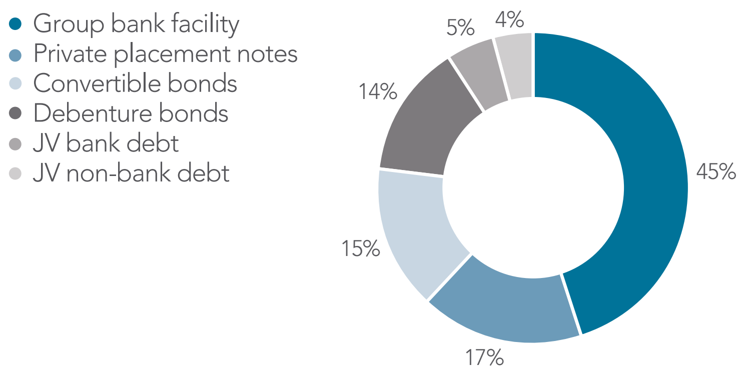


Appendix 3

LTV and cost of debt %

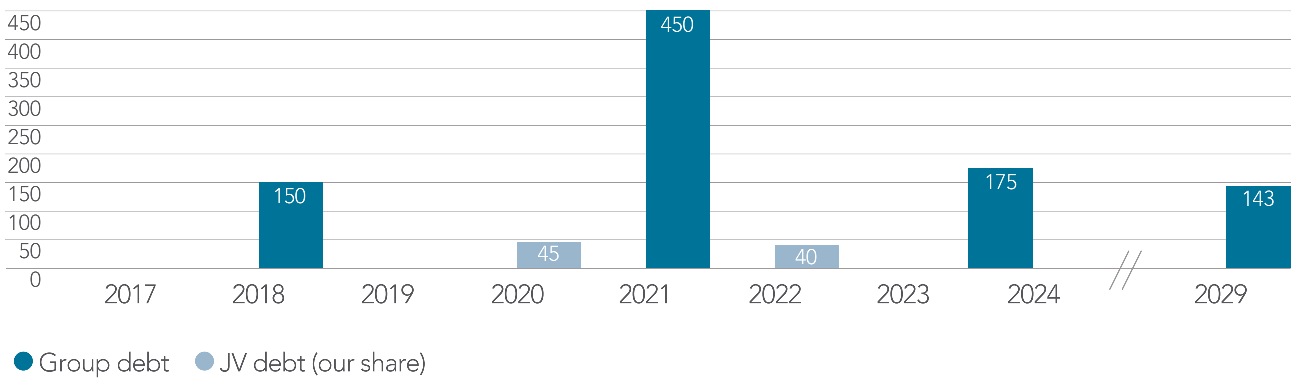


Sources of debt funding[1]



1. Based on committed facilities at 24 May 2017.

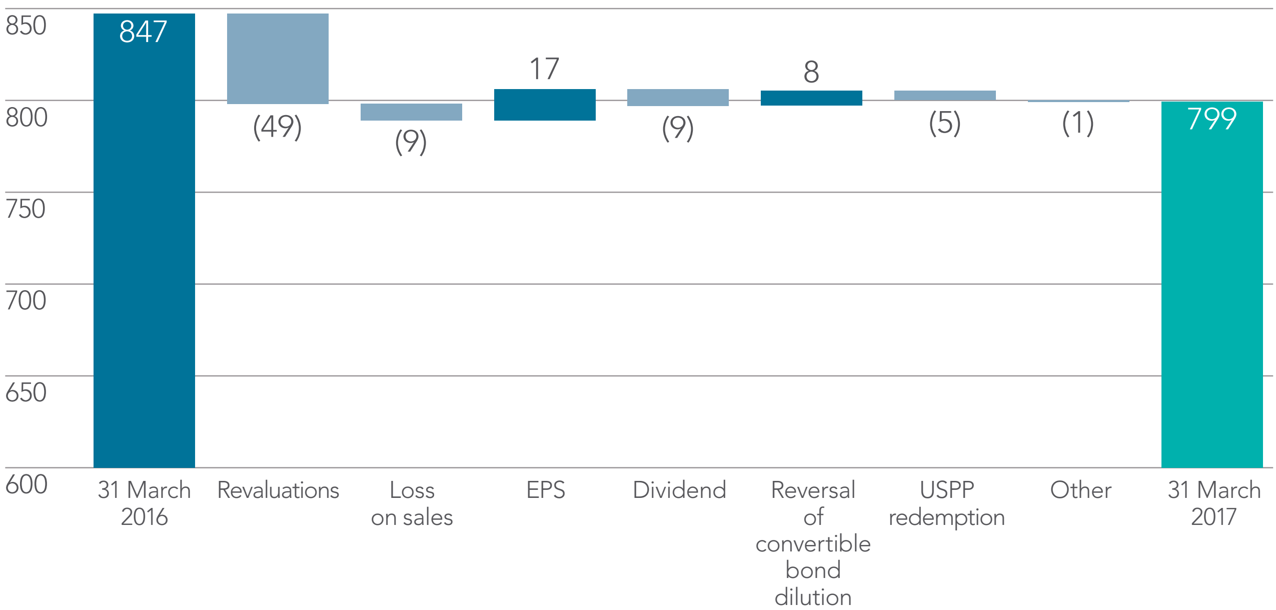
Debt maturity profile[1] £m



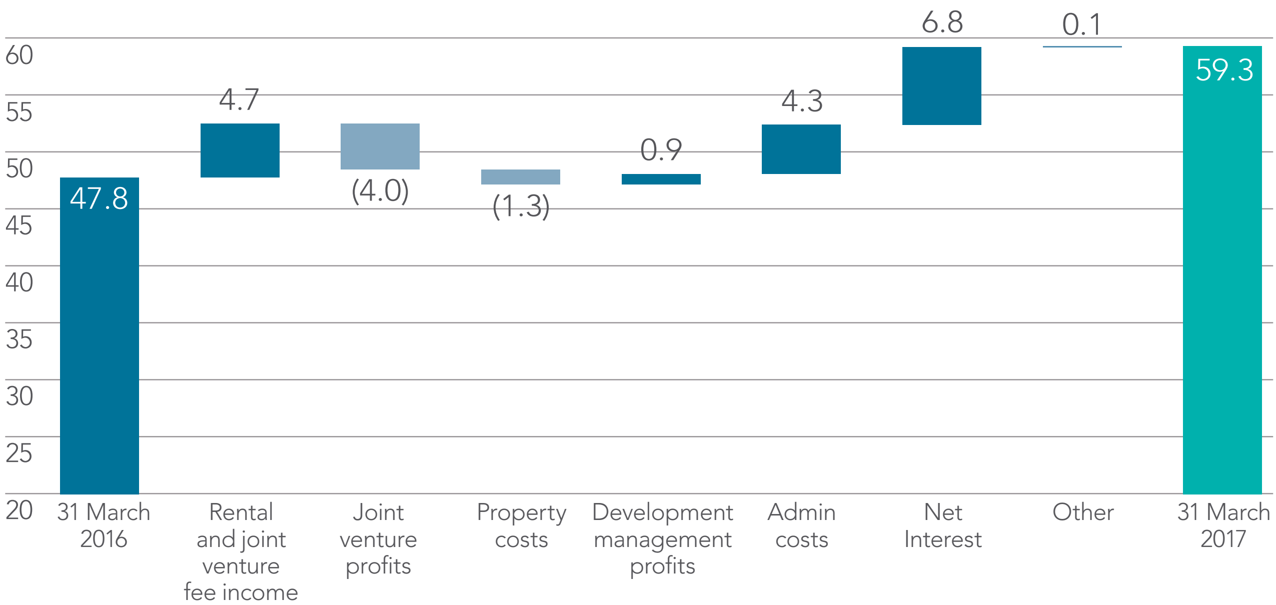
1. Based on committed facilities at 24 May 2017.

Appendix 4

EPRA NAV pence



EPRA earnings £m



Appendix 4

Debt analysis

	Pro forma[1]	March 2017	March 2016
Net debt excluding JVs (£m)	**309.9**	**502.8**	568.0
Net gearing	**11.5%**	**18.4%**	19.5%
Total net debt including 50% JV non-recourse debt (£m)	**383.9**	**576.8**	644.1
Loan to property value	**12.2%**	**18.3%**	17.4%
Total net gearing	**14.2%**	**21.1%**	22.1%
Interest cover	**n/a**	**n/a**	12.5x
Weighted average interest rate	**2.7%**	**3.0%**	3.7%
Weighted average cost of debt	**n/a**	**4.0%**	3.9%
% of debt fixed/hedged	**100%**	**82%**	100%
Cash and undrawn facilities (£m)	**618**	**378**	472

1. Pro forma for remaining 73/89 Oxford Street, W1 net receipts (£56.4m), remaining Rathbone commercial receipts (£259.7m of which £214m received in April 17), special dividend (£110m), USPP2 repayment premium (£13.2m) and new USPP issuance (£175m).

EPRA performance measures

Measure	Definition of Measure	March 2017	March 2016
EPRA earnings*	Recurring earnings from core operational activities	**£59.3m**	£47.8m
EPRA EPS*	EPRA earnings divided by the weighted average number of shares	**17.3p**	14.0p
Diluted EPRA EPS*	EPRA earnings divided by the diluted weighted average number of shares	**17.3p**	13.5p
EPRA costs (by portfolio value)*	EPRA costs (including direct vacancy costs) divided by market value of the portfolio	**0.9%**	0.8%
EPRA net assets*	Net assets adjusted to include the valuation surplus from trading properties and exclude the fair value of financial instruments and deferred tax	**£2,735.9m**	£3,079.5m
EPRA NAV*	EPRA net assets divided by the number of shares at the balance sheet date on a diluted basis	**799p**	847p
EPRA triple net assets*	EPRA net assets amended to include the fair value of financial instruments, debt, deferred tax and tax on sale of trading properties	**£2,679.3m**	£3,022.6m
EPRA NNNAV*	EPRA triple net assets divided by the number of shares at the balance sheet date on a diluted basis	**782p**	831p
EPRA NIY	Annualised rental income based on cash rents passing at the balance sheet date less non-recoverable property operating expenses, divided by the market value of the property increased by estimated purchasers' costs	**3.0%**	2.8%
EPRA "topped up" NIY	EPRA NIY adjusted to include rental income in rent-free periods (or other unexpired lease incentives)	**3.3%**	3.1%
EPRA vacancy rate	ERV of non-development vacant space as a percentage of ERV of the whole portfolio	**8.0%**	7.0%

* Reconciliation to IFRS numbers included in note 9 to the accounts.

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	29.3	6.6	35.9	–	–	–	35.9
		Retail	8.5	2.0	10.5	5.8	0.3	6.1	16.6
	Rest of West End	Office	14.6	1.6	16.2	–	–	–	16.2
		Retail	9.3	2.1	11.4	2.1	0.1	2.2	13.6
	Total West End		**61.7**	**12.3**	**74.0**	**7.9**	**0.4**	**8.3**	**82.3**
	City, Midtown and Southwark	Office	28.3	8.7	37.0	10.3	1.8	12.1	49.1
		Retail	1.3	0.1	1.4	0.1	–	0.1	1.5
	Total City, Midtown and Southwark		**29.6**	**8.8**	**38.4**	**10.4**	**1.8**	**12.2**	**50.6**
Total let portfolio			**91.3**	**21.1**	**112.4**	**18.3**	**2.2**	**20.5**	**132.9**
Voids					8.4			2.1	10.5
Premises under refurbishment					6.8			4.3	11.1
Total portfolio					**127.6**			**26.9**	**154.5**

Rent roll security, lease lengths and voids

			Wholly-owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length Years	Voids %	Rent roll secure for five years %	Weighted average lease length Years	Voids %
London	North of Oxford Street	Office	37.1	6.1	4.4	–	–	–
		Retail	53.7	5.5	5.3	75.4	6.0	4.7
	Rest of West End	Office	54.2	5.3	25.0	–	–	–
		Retail	80.5	6.5	1.7	100.0	10.0	–
	Total West End		**50.0**	**5.9**	**9.2**	**82.0**	**7.1**	**3.5**
	City, Midtown and Southwark	Office	35.0	3.5	0.6	83.3	7.5	9.2
		Retail	39.0	7.7	–	100.0	10.8	–
	Total City, Midtown and Southwark		**35.2**	**3.6**	**0.9**	**83.4**	**7.5**	**9.9**
Total let portfolio			**45.2**	**5.2**	**6.6**	**82.8**	**7.3**	**7.9**

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	56.4	68.0	–	–	3.3	4.5	–	–
		Retail	55.2	66.4	130.2	138.5	3.1	3.7	4.7	4.1
	Rest of West End	Office	71.5	81.2	–	–	2.0	4.5	–	–
		Retail	85.6	103.1	80.6	84.7	3.1	4.2	1.9	4.1
	Total West End		**62.6**	**63.2**	**111.8**	**102.1**	**2.9**	**4.3**	**2.6**	**3.7**
	City, Midtown and Southwark	Office	41.7	53.8	42.3	50.6	4.8	5.2	2.5	3.8
		Retail	65.1	70.8	36.0	42.5	4.5	5.0	3.9	4.9
	Total City, Midtown and Southwark		**42.3**	**53.3**	**42.2**	**49.9**	**4.8**	**5.2**	**2.5**	**4.8**
Total portfolio			**54.2**	**59.8**	**57.8**	**59.7**	**3.4**	**4.5**	**2.6**	**4.4**

Appendix 5

Top ten tenants

	Tenant	Rent roll (our share) £m	% of rent roll (our share)
1	Bloomberg L.P.	5.7	5.2
2	Double Negative Limited	4.8	4.4
3	New Look	3.8	3.4
4	Cleary Gottlieb Steen & Hamilton LLP	2.8	2.5
5	Richemont UK Limited	2.6	2.4
6	UBM Plc	2.5	2.3
7	Superdry	2.1	1.9
8	Winckworth Sherwood LLP	1.9	1.8
9	Guy's and St Thomas's NHS Foundation Trust	1.8	1.6
10	Carlton Communications Limited	1.6	1.5
	Total	**29.6**	**27.0**

Appendix 6

Market risk

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Central London real estate market underperforms other UK property sectors.	Reduced relative performance.	The execution of the Group's strategy covering the key areas of investment, development and asset management is adjusted and updated throughout the year, informed by regular research into the economy, investment and occupational markets. The Group's strategic priorities and transactions are considered in light of regular review of dashboard lead indicators and operational parameters. The Group aims to maintain low financial leverage throughout the property cycle.	↑	↗	The central London real estate market underperformed the wider UK market during the year ended 31 March 2017, demonstrated by IPD's universe TPR exceeding IPD's central London by 79 basis points on an absolute basis. This is the first year of relative underperformance since 2009, driven by central London office yield expansion immediately following the EU referendum, with rental levels also subsequently marginally falling resulting in property valuations falling. The expectation of potential further rental declines over the next 12 months combined with the preceding seven years of outperformance means the likelihood of this risk after mitigation has marginally increased.
Weakening macro-economic environment for property investment.	Property valuations may decline, with increased property, yields and reduced tenant demand for space.	Regular economic updates are received and scenario planning is undertaken for different economic cycles, including various potential UK exit arrangements from the EU. The Group aims to maintain low financial leverage throughout the property cycle.	↑	↗	The macro-economic growth and interest rate outlook has become more mixed over the last 12 months, in part driven by a more uncertain geo-political outlook associated with the EU referendum result, a number of recent and upcoming European elections (including in the UK) and the impact of the change in the US presidency. When combined with continued stock market and increased foreign exchange market volatility, the likelihood of this risk has increased. However, having sold £727.0 million of properties in the financial year the Group's financial strength, including a current pro forma loan to value of only 12.2%, means that it is well positioned.
Heightened political uncertainty and potential negative economic impact following EU referendum.	Reluctance by investors and occupiers to make investment decisions whilst outcomes remain uncertain and/or reduced attractiveness of London as a global commercial centre.	The Group's strategic priorities and transactions are considered in light of these uncertainties. The Group's financial forecasts and business plans continue to be prepared under a variety of market scenarios, including to reflect different potential exit arrangements from the EU, with the frequency of updates increased following the referendum result. Lobbying property industry matters is undertaken by active participation of the Executive Committee members through relevant industry bodies. The Group aims to maintain low financial leverage throughout the property cycle. The Group has a diverse tenant base with around 11% in the financial service sector, including only c.1% in the investment banking, securities trading and insurance sectors (which are perceived to be most at risk in London to any adverse impact of the UKs exit from the EU).	↑	↗	Although investor and occupier demand for London commercial property has remained broadly resilient since the EU referendum, the negotiations to leave the EU may result in arrangements that are damaging to the UK economy and/or central London, further increasing the impact and likelihood of this risk from last year. The negotiations together with the transition is expected to take several years, creating uncertainty which may impact investment, capital, financial and occupier markets. In the long term, exit from the EU could reduce levels of investor and occupier demand as a result of reduced trade and relocation of corporations and financial institutions away from the UK. These risks would likely be further increased by any additional impediments for London's businesses to access talented employees from the EU and beyond.

Appendix 6

Investment management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Incorrect reading of the property cycle through poor investment decisions and/or mis-timed recycling of capital.	Not sufficiently capitalising on market investment conditions.	The Group has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions. Regular review of property cycle by reference to dashboard of lead indicators. Detailed due diligence is undertaken on all acquisitions prior to purchase to ensure appropriate returns. Business plans are produced on an individual asset basis to ensure the appropriate rotation of those buildings with limited relative potential performance. Regular review of the prospective performance of individual assets and their business plans including with joint venture partners where relevant.	↗	↗	The Group has continued to profitably recycle capital against a backdrop of a surfeit of buyers to sellers in the investment market, with sales totalling £727.0 million in the year. £71.0 million of bolt-on, off-market acquisitions secured during year and lack of available stock mitigated by depth of opportunity in current portfolio with 40% in the future development pipeline. However, the prevailing market uncertainty has increased the likelihood of this risk.
Inappropriate asset concentration, building mix, tenant covenant quality and exposure, lot size and joint venture exposure.	Reduced liquidity and relative property performance.	Regular review of portfolio mix and asset concentration. Adjustment of the portfolio as appropriate through undertaking acquisitions and/or development projects in joint venture or forward funding. The Group has a diverse tenant base with its ten largest tenants representing only 27.0% of rent roll. Tenants' covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with tenants is maintained to identify if tenants are suffering financial difficulties and their proposed actions.	→	→	The Group continues to monitor its portfolio mix and asset concentration risk. Following our sale of Rathbone Square, W1, our largest asset is now only 8.4% of the total portfolio and 18.0% of the portfolio was held in joint ventures at 31 March 2017.

Appendix 6

Asset management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Poor management of voids, rental mis-pricing, low tenant retention, sub-optimal rent reviews, tenant failures and inappropriate refurbishments.	Failure to maximise income from investment properties.	The Group's in-house asset management and leasing teams proactively manage tenants to ensure changing needs are met with a focus on retaining income in light of vacant possession requirements for refurbishments and developments and liaise regularly with external advisers to ensure correct pricing of lease transactions. Tenants' covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with tenants is maintained to identify if tenants are suffering financial difficulties and their proposed actions. Although many tenants all-in occupational costs will increase in 2017 given the increase in business rates, our low average office rents of only £50.10 per sq ft are expected to provide some protection to our tenants.	↗	↗	The Group continues to maintain a relatively low void rate which was 6.8% at 31 March 2017, up from 3.1% a year ago given recent development and refurbishment completions. No tenant delinquencies during the year to 31 March 2017. The Group continues to actively manage the portfolio to maximise occupancy and drive rental growth. During the year, we secured £20.5 million of new rental income including £8.3 million of development lettings. However, given that our vacancy rate, along with the overall vacancy rate across the central London office market, has increased by 3.7% over the last year to 6.8% and the market uncertainty, the likelihood of this risk has risen.

Development management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
An inappropriate level of development undertaken as a percentage of the portfolio.	Underperformance against KPIs.	Regular review of the level of development undertaken as a percentage of portfolio, including the impact on the Group's income profile and financial gearing, amongst other metrics. Developments only committed to when pre-lets obtained and/or market demand and supply considered to be sufficiently supportive.	↗	↘	The Group's committed development exposure has reduced significantly over the year, from 26% of the total portfolio 12 months ago to only 12% at 31 March 2017, with only 34.8% being on speculative basis. As a result, the impact of this risk has fallen.

Appendix 6

Development management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Poor execution of development programme through: – incorrect reading of the property cycle; – inappropriate location; – failure to gain viable planning consents; – failure to reach agreement with adjoining owners on acceptable terms; – level of speculative development; – incorrect cost estimation; – construction cost inflation; – contractor availability and insolvency risk; – insufficient human resources; – a building being inappropriate to tenant demand; – weak demand for residential apartments; – quality and benchmarks of the completed buildings; – construction and procurement delays; – ineffective marketing to prospective tenants; and – poor development management.	Poor development returns.	See Market risk on page 68. Prior to committing to a development the Group conducts a detailed Financial and Operational appraisal process which evaluates the expected returns from a development in light of likely risks. During the course of a development, the actual costs and estimated returns are regularly monitored to signpost prompt decisions on project management, leasing and ownership. Early engagement and strong relationships with planning authorities. Early engagement with adjoining owners. Benchmarking of costs with comparative schemes. In-house Project Management team utilise appropriate procurement methods to optimise the balance of price certainty and risk with construction costs now fixed on over 98% of committed schemes' capital expenditure. Internal and external resourcing requirements regularly reviewed by the Executive Committee, Development Director and Head of Projects. Third party resource expertise used to support in-house teams, where appropriate. Due diligence is undertaken of the financial stability of demolition, main contractors and material sub-contractors prior to awarding of contracts. Working with agents, potential occupiers' and purchasers' needs and aspirations are identified during the planning application and design stages. In-house Leasing/Marketing team liaise with external advisers on a regular basis and marketing timetables designed in accordance with leasing/marketing objectives. All our major developments are subject to BREEAM ratings with a target to achieve a rating of 'Very Good' on major refurbishments and 'Excellent' on new build properties. Proactive liaison with existing tenants before and during the development process. Selection of contractors and suppliers based on track record of delivery and credit worthiness. In-house Project Management team closely monitor construction and manage contractors to ensure adequate resourcing to meet programme. Regular review of the prospective performance of individual assets and their business plans with joint venture partners. Post-completion reviews undertaken on all developments to identify best practice and areas for improvement.	↗	↘	The Group's development exposure has significantly decreased since 31 March 2016 following four scheme completions and the profitable forward sales of pre-let schemes at 73/89 Oxford Street, W1 and Rathbone Square, W1. The Group currently has only three schemes on-site with a combined GDV £414.8 million which are already 65.2% de-risked through residential unit pre-sales and with capex to come of only £44.5 million. Whilst the Group's committed development exposure has reduced significantly during the year, the more uncertain market conditions mean the risk likelihood after mitigation is unchanged.

Appendix 6

Financial risks

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Limited availability of further capital.	Growth of business is constrained or unable to execute business plans.	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. Funding maturities are managed across the short, medium and long term. The Group's funding measures are diversified across a range of bank and bond markets. Strict counterparty limits are operated on deposits.	→	→	The Group has continued to extend the maturity ladder of its debt financing and maintain diverse funding sources. During the year, the Group extended the maturity of its £450 million revolving credit facility to October 2021 and raised £175 million of seven year private placement notes. As a result, the Group's weighted average debt maturity has increased to 6.4 years. Cash and undrawn credit facilities were £378 million at 31 March 2017 and committed capex to come has fallen from £269.9 million 12 months ago to £44.5 million today.
Increased interest rates and/or a fall in capital values.	Adverse market movements negatively impact on debt covenants.	Consistent policy of conservative financial leverage. Regular review of current and forecast debt levels and financing ratios under various market scenarios. Our annual Business Plan which is regularly updated includes stress tests considering the impact of a significant deterioration in the markets in which we operate. Formal policy to manage interest rate exposure by having a high proportion of debt with fixed or capped interest rates through derivatives. Significant headroom over all financial covenants at 31 March 2017. We estimate that, absent any mitigating management actions, values could fall by around 62% from their 31 March 2017 levels before Group debt covenants could be endangered.	↗	↘	Having delivered seven years of like-for-like positive property valuation growth, this year's decline of 4.9% may reflect the market cycle inflection point and over the next 12 months we expect rental growth to be flat to marginally down along with modest yield expansion for secondary properties. Whilst broader economic and political uncertainties have kept global interest rates at very low levels, there remains an expectation of increases in UK interest rates in the medium-term given increased inflation and increasing US interest rates. However, this risk likelihood after mitigation is unchanged given our significant headroom against debt covenants and 100% of the Group's debt being at fixed or hedged interest rates.
Inappropriate capital structure.	Sub-optimal NAV per share growth.	Regular review of current and forecast capital requirements and gearing levels and financing ratio.	→	→	The Group's existing capital structure is well placed to take advantage of opportunities as they arise and to deliver our remaining development commitments.

Appendix 6

People

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Incorrect level and mix/retention of people to execute our business plan, combined with inability to attract, develop, motivate and retain talent.	Strategic priorities not achieved.	Regular review is undertaken of the Group's resource requirements and succession planning. The Group has a remuneration system that is strongly linked to performance and a formal six-monthly appraisal system to provide regular assessment of individual performance. Benchmarking of remuneration packages of all employees is undertaken annually. Annual personal development planning and ongoing training support for all employees together with focused initiatives to nurture potential successors. Focus on people engagement with regular two-way communication and responsive employee-focused activities e.g. flexible working. High profile, attractive development pipeline and high quality assets to manage.	→	→	The motivation of our people remains fundamental to the delivery of our strategic priorities. However, staff retention is high at 89% and 96% of participants in our inaugural employee engagement survey stated that they would recommend GPE as a great place to work. The risk likelihood after mitigation is unchanged over the year with our new Investment Director and Portfolio Director both settling in well, combined with various successful HR initiatives.

Appendix 6

Regulatory

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Adverse regulatory risk, including tax, planning, environmental and other legislation increases cost base.	Reduces flexibility and may influence potential investor and occupier interest in buildings.	Senior Group representatives spend considerable time, using experienced advisers as appropriate, to ensure compliance with current and potential future regulations. Lobbying property industry matters is undertaken by active participation of the Executive Directors through relevant industry bodies. Environmental Policy Committee meets at least quarterly to consider strategy in respect of environmental legislation. We maintain a low-risk tax status and have regular meetings with HMRC.	↗	↗	In addition to the significant regulatory and tax uncertainty associated with the UK's exit from the EU, the June 2017 general election may result in further tax changes which adversely impact the property sector, along with the upcoming implementation of the Base Erosion and Profit Shifting legislation and the transition to higher business rates. We are closely monitoring whether recent changes in the political leadership of Westminster City Council impacts any existing planning policy and/or procedures.
Health and Safety incidents. Loss of life or injury to employees, contractors, members of the public or tenants.	Resultant reputational damage.	The Group has dedicated Health and Safety personnel to oversee the Group's management systems which include regular risk assessments and annual audits to proactively address key Health and Safety areas including employee, contractor, members of the public and tenant safety. On all construction projects, the Group operates a pre-qualification process to ensure selection of competent consultants and contractors which includes a Health and Safety assessment. Contractors' responses to accidents and near misses are actively monitored and followed up by our Project Managers and Head of Sustainability, with reporting to the Executive Committee and Board as appropriate.	↘	→	With reduced levels of development activity, the likelihood of this risk marginally fell over the year. The Group had no reportable accidents and no reportable incidents during the year.

Business interruption risk

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
An external event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist or cyber attack that significantly affects the Group's operations, particularly given our portfolio concentration in central London.	Significant damage, disruption and/or reputational damage to the Group's portfolio and operations.	The Group has a Business Continuity Plan with predetermined processes and escalation for the Crisis Management Team. Asset emergency plans exist for individual properties. Physical security measures are in place at properties and security threats are regularly assessed through links with security agencies. Regular testing of IT security is undertaken, the Group's data is regularly backed up and replicated, and staff awareness training on cyber risk was undertaken during the year by all employees. The Group's insurance policies include cover for catastrophic events including fire, storm, riots and terrorism. Cyber risk insurance is being evaluated.	↗	→	The likelihood of this risk has increased given the increased terrorism threat in London given recent events and the elevated profile of cyber security threats.