Press Release

19 May 2021

A year of accelerated change and innovation

The Directors of Great Portland Estates plc announce the results for the Group for the year ended 31 March 2021[1].

Toby Courtauld, Chief Executive, said:

"Over the last year we have been operating in some of the most challenging trading conditions we have experienced. Our markets in central London have been in lockdown for much of the time, affecting all aspects of life and impacting our operations. Despite this context, GPE remains in robust health with a strong balance sheet given our low leverage and high liquidity, allowing us the capacity for significant investment to drive growth.

Whilst uncertainty remains, we are encouraged by the recent acceleration in enquiries we are receiving from prospective occupiers, particularly for our prime Grade A and flex office products. With limited supply across central London over the next few years, we can expect innovative, flexible and well serviced space with strong wellbeing and sustainability credentials to command an increasing premium to poorer space.

As a result, we expect to grow our flex office offer and to bring forward our near-term development programme, committing circa £900 million of capital expenditure to deliver exemplar, net zero carbon spaces designed to satisfy the changing needs of tomorrow's occupier.

Although it may take a little time for the full buzz of London to return, we believe it will, driven by this great capital's magnetic appeal as the cultural and commercial heart of the UK, and its unique position as a global city. With a recovering market, our strong finances, a portfolio full of opportunity and a deeply talented and committed team, we can look to our future with confidence."

Valuation lower driven by retail value declines; office rents stable

- Portfolio valuation of £2.5 billion, down 8.7%[2] (-1.7% offices and -27.3% retail)
- Rental values down by 4.0%[2] (+0.5% offices and -16.7% retail); yield expansion of 11 bps
- Total property return of -5.9%, with capital return of -8.4% v MSCI Central London (quarterly index) of -6.3%
- Office rental value guidance range for new financial year at 5% to -2.5% (retail: -5% to -10%)

Final dividend maintained against unprecedented market backdrop

- IFRS NAV and EPRA[3] NTA per share of 779 pence, down 10.3% in last 12 months
- After revaluation deficit, IFRS loss after tax of £201.9 million (2020: £51.8 million profit)
- EPRA[3] earnings of £40.1 million, down 29.6% on 2020. EPRA[3] EPS of 15.8 pence, down 28.2%
- Total accounting return[4] of minus 8.8% (2020: +3.2%); final dividend per share maintained at 7.9 pence

Leasing ahead of ERV; potential rent roll growth of 104%

- £12.9 million p.a. let, market lettings 2.4% above March 2020 ERV
- Flex space now c.13% of office portfolio, appraising further 134,100 sq ft
- Underlying vacancy rate of 6.6%; average office rent of £56.70 per sq ft; 7.8% reversionary
- Total potential rent roll growth of 104% to £194 million[5]
- £8.0 million of lettings since 1 April, 13.9% above March 2021 ERV
- Further £5.5 million under offer, 1.2% above March 2021 ERV
- c.£40 million of new annual rent in negotiation

Two best-in-class schemes completed; £860 million capex committed and near-term programme

- The Hickman, E1 (75,300 sq ft) completed in September, 28% let; 16.7% profit on cost
- Hanover Square, W1 (221,500 sq ft) completed in November, 75% let or under offer; 7.3% profit on cost
- 1 Newman Street & 70/88 Oxford Street, W1 (122,700 sq ft) completion in June 2021, already 32% pre-let
- Major office refurbishment at 50 Finsbury Square, EC2 (128,100 sq ft) commenced; targeting NZC
- Near term: four schemes (909,400 sq ft); three planning applications submitted; strong occupier interest ahead of potential starts in 2022
- Total pipeline: eight schemes (1.3 million sq ft), all income producing, 2.3 years WAULT, 17% reversionary[1]

March quarter rent collection ahead of all four previous quarters

- 85% of March rent collected (82% excluding deposits; 91% from office units; 59% from RHL[6] sectors)
- 87% of rent for the year ended 31 March 2021 now collected (79% excluding deposits)
- All offices open for business with COVID-19 Secure status; 29% current occupier utilisation

Exceptional financial strength; well positioned with total liquidity £443 million

- Property LTV of 18.4%, weighted average interest rate and maturity of 2.5% and 8.1 years
- Enhanced debt profile with £150 million USPP; average coupon and term of 2.77% and 14.5 years
- £400m of ESG-Linked RCF extended to 2026; strong outperformance against ESG targets
- Prospective capex of c.£900 million (incl. refurbishments); reviewing £1.7bn of acquisitions and £0.4bn of sales; financial discipline to be maintained

Positioned for change and continued innovation

- Roadmap to Net Zero & Decarbonisation Fund launched; COVID Community Fund successfully deployed
- Outstanding occupier satisfaction (NPS of +42); award winning sesame™ app
- Strong employee engagement: 95% employees recommend GPE as 'great place to work'

[1] All values include share of joint ventures unless otherwise stated [2] On a like-for-like basis [3] In accordance with EPRA guidance
[4] As is usual practice in our sector, we use Alternative Performance Measures (APMs) to help explain the performance of the business. These include quoting a number of measures on a proportionately consolidated basis to include joint ventures, as it best describes how we manage the portfolio, like-for-like measures and using measures prescribed by EPRA. The measures defined by EPRA are designed to enhance transparency and comparability across the European real estate sector. Reconciliations of APMs are included in note 8 of the financial statements. In October 2019, EPRA issued new Best Practice Recommendations for Net Asset Value (NAV) metrics, these recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group. Our primary NAV metric is EPRA NTA which we consider to be the most relevant measure for the Group (as it most closely mirrors EPRA NAV) [5] Gross contracted rent excluding impact of tenant incentives, including share of JVs and CBRE rental estimates at March 21
[6.] Retail, Hospitality and Leisure

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There will be a live webinar session via Zoom on Wednesday 19 May 2021 at 9am, which will include the full presentation and a Q&A session with the GPE management team:

https://zoom.us/j/98706095180
Passcode: 678400

A video presentation by Toby Courtauld and Nick Sanderson will also be available to view on Wednesday 19 May 2021, along with accompanying presentation materials and appendices at:

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

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

Statement from the Chief Executive

A year of accelerated change

This financial year has been dominated by COVID-19, with the associated lockdowns disrupting the activities of many businesses across London and exerting a substantial economic toll. This has resulted in declines in both our rent collection performance and our valuation, particularly for our retail assets. Despite these challenges, our team has adapted and collaborated to deliver another strong operational performance, supporting our occupiers and communities, successfully delivering our developments, leasing up space and maintaining our financial strength.

We have also embraced change, responding to evolving patterns of both work and shopping, including the demands of office occupiers for greater wellbeing provision in more flexible buildings with higher sustainability credentials. We are addressing these and other themes through, for instance, growing our flex office offer and the launch of our Roadmap to Net Zero Carbon.

Supporting our occupiers, suppliers and communities

In the face of lockdowns and social distancing requirements, we have worked closely with our suppliers and occupiers to keep our development sites open and our office buildings operational throughout the year. We have ensured health and safety considerations remain front and centre, including for example, the roll out of our award-winning app, sesame™, to enable contactless access to buildings and using sensors to monitor air quality to ensure adequate fresh air flow.

Recognising the economic challenges faced by some of our occupiers, particularly in the retail, hospitality and leisure sectors, we have provided financial assistance and concessions where appropriate and are pleased that our rent collection rates improved each quarter through the year. Moreover, our close engagement with our customers has lifted occupier satisfaction to record high levels, with our net promoter score rising to +42, well ahead of the industry average of -6. In addition we fully deployed our COVID-19 Community Fund, supporting vulnerable groups across London most impacted by the pandemic.

Maintaining our financial strength, despite the valuation decline

In this context, we are reporting net assets of £1,971.6 million at 31 March 2021, with EPRA NTA per share falling by 10.3% in the year. When combined with an ordinary dividend maintained at 12.6 pence per share, our total accounting return was -8.8%. We delivered a diluted EPRA EPS of 15.8 pence, a decline of 28.2%, or a loss of 79.8 pence on an IFRS basis.

Our financial strength has been maintained with our loan to value ratio at only 18.4% and £443 million of available firepower, whilst we enhanced our debt profile further through the issue of £150 million unsecured private placement notes. We have not accessed any Government support and no GPE employees were placed on furlough.

Meeting evolving occupier aspirations with sustainability an imperative

The events of the last 12 months have accelerated existing occupier trends, with our customers' expectations for choice, flexibility and service provision all increasing, alongside the need for the office space that we deliver to be tech-enabled, amenity rich and with the highest sustainability credentials. We have said for some time that sustainability is both an economic and strategic imperative. With the publication of our detailed Roadmap to Net Zero Carbon by 2030, along with the launch of our Decarbonisation Fund, we have an opportunity both to differentiate our product and drive further behavioural change across our business and supply chain.

Whilst take-up across London's office market was at near record lows over the last year as many occupiers adopted a 'wait and see' approach, we have delivered a number of leasing successes, securing £12.9 million of annual rent, 2.4% above our valuer's ERV. We have also further expanded our flexible space offering, which now represents 13.2% of our office space, including the launch of our first innovative Flex+ space in Soho, which is already 71% let or under offer only eight weeks after launch.

Committed to London with our opportunity-rich portfolio

Across our portfolio, property values were down 8.7% over the year, driven by a reduction in retail values of 27.3%. Our offices delivered a stronger relative valuation performance, down only 1.7%, with office ERVs up 0.5% in the year, and prime office investment yields holding firm, given deep demand from across the world.

These valuation declines contributed to the Group delivering a loss after tax of £201.9 million and reduced our IFRS and EPRA NTA per share to 779 pence, down 10.3% for the year.

Looking ahead, the ongoing vaccination programme and the Government roadmap to easing lockdown restrictions is now supporting renewed optimism. Moreover, the last year has reaffirmed to many businesses the importance of their office space for collaboration, creativity and learning, with the best offices acting as magnets for their workforce, providing services and amenity that employees cannot get at home. As a result, prime offices and best-in-class flexible spaces in central London continue to be highly sought after and in relatively short supply, both trends which we expect to persist. As a result, barring further lockdowns, we look forward to rents for the best office space rising over the next 12 months, although we expect further falls for retail. Longer term, we believe the prospects for London remain positive given its status as one of only a handful of truly global cities and the world's top ranked city for innovation.

Our portfolio is well positioned to benefit from these trends, with 40% in our office focused development programme and a further 40% in buildings where we can add additional value through active portfolio management. It is also well suited to evolving occupier demand for flex space, with 82% of units in our portfolio being less than 10,000 sq ft, more than 93% of the portfolio at sub-ten storeys in height and an average building size of around 60,000 sq ft. Today we have £5.5 million of lettings under offer and a further £40 million under negotiation.

Delivering best-in-class developments

Occupiers and investors are increasingly seeking highly sustainable spaces that are technologically advanced, flexible and provide healthy, productive environments. Our development pipeline is primed to deliver these sought after spaces and we had a busy year, making progress across the programme. We completed our developments at The Hickman, E1 and Hanover Square, W1 which together delivered 296,800 sq ft of best-in-class space and are already 63% let or under offer. Today, we have a further two schemes on-site, including the recently committed 50 Finsbury Square, EC2 which will be our first building to deliver on all four pillars of our Sustainability Statement of Intent and to contribute to our newly created Decarbonisation Fund. Looking further ahead, our pipeline remains substantial, with eight further schemes totalling 1.3 million sq ft. We also submitted three planning applications, covering 771,700 sq ft in the year, with one further submission imminent.

Our people

Finally, never before has our strong and progressive culture, underpinned by our clear values, been so important and also so evident. I am enormously proud of the efforts and achievements of our team this year and I would like to say a personal thank you to all my colleagues. I am also pleased that, despite the challenges of enforced home working, engagement levels across our team have been exceptionally strong and we have continued to broaden and deepen our diversity of talent across the business, including through several well-earned promotions.

Our market

Our market is accompanied by graphics (see Appendix 1).

The swift and seismic shock of COVID-19, and the global response, forced the global economy into the deepest recession since the second world war. Beyond the tragic loss of life, the crisis has shut workplaces, shops and schools, closed borders and placed restrictions on the majority of the world's population. However, vaccination progress has raised hopes of an end to the pandemic and economic growth is forecast to return in 2021.

The COVID-19 pandemic exerted a substantial toll on the world economy with regional economic rebounds curbed by renewed virus outbreaks. Overall, the IMF estimates that global GDP declined by 3.3% over 2020 with large parts of many economies closed to protect their populations. Whilst it is anticipated that the economy will recover, economic output is likely to remain below pre-pandemic trends for some time. As the vaccine roll-out progresses, most regions are expecting growth in 2021. However, the rate of recovery is likely to vary with those countries which suffered larger and longer outbreaks or with greater exposure to impacted sectors, such as tourism, slower to recover.

Global growth to strengthen in second half of 2021
The economic growth in the first half of 2021 is expected to be soft, as continued activity restrictions are required to reduce infection rates. However, the world economy is expected to bounce back later in the year, largely driven by the developed economies, reflecting widespread vaccine availability, continued policy action by central banks and better action to suppress the virus. Oxford Economics predict that global GDP growth will be 6.1% in 2021, with growth largely driven by activity in the US and China. Nevertheless, the risks and uncertainties around current forecasts remain material and highly dependent on the trajectory of the pandemic, vaccination progress and the emergence of new strains of the virus.

UK prospects rapidly improving
In the UK, the pandemic and associated public health response took a heavy toll on those afflicted and the wider economy. GDP fell by 9.9% in 2020, the largest fall in output for 300 years, and it has fallen by a further 1.5% in the first quarter of 2021. More recently, the rapid progress of the vaccination programme, and improvement in the public health situation, has allowed a gradual reopening of the UK economy. This progress, combined with a strong central bank response and healthy consumer balance sheets, is expected to be reflected in robust GDP growth for the remainder of the year. Oxford Economics is forecasting an increase of 7.2% in UK GDP for 2021, albeit views vary on how sustainable the recovery may be. Furthermore, the free trade deal agreed between the UK and the EU in January 2021 will provide greater certainty over our future trading relationship, further underpinning the return to growth.

Business confidence tracking path of pandemic
Business and consumer confidence, together with global equity markets, were volatile in 2020 as they closely tracked the trajectory of COVID-19. The first UK lockdown marked a record low in PMI survey data with sentiment improving as the economy opened up over late summer. More recently, the return to lockdown in early 2021 checked optimism once more, however following the recent opening of the economy, and the certainty provided by the UK's trade deal with the EU, both manufacturing and services' PMIs now sit firmly above 50 indicating likely future expansion.

This volatile sentiment is also reflected by the UK CFO community in Deloitte's most recent survey. It reported that, whilst CFO's corporate risk appetite had grown from 2020 lows, CFO optimism rose to a record high in the first quarter of 2021, buoyed by the prospect of mass vaccinations and a return to growth in 2021. However, with the expectation that demand is unlikely to return until the second half of 2021, CFOs continue to favour defensive strategies, including reducing costs and increasing cash flow.

Whilst optimism has returned and economic growth is expected, COVID-19 is likely to have a longer-term impact on the UK economy. The impact on business activity, unemployment and the public finances are expected to be felt for some time, likely resulting in the UK's economic output remaining below pre-pandemic trends in the near term.

Given the outlook, we remain well placed. Our low financial leverage will enable us to both weather market volatility and take advantage of any dislocation, should it arise. Furthermore, COVID-19 has accelerated a number of pre-pandemic trends in London's property markets that GPE has already been capitalising on. We are seeing continued demand for high quality spaces with strong sustainability and wellbeing credentials, greater use of technology, in particular to provide contactless access to buildings and to help monitor air quality, and a greater preference for fitted space including increased flexibility and service provision. However, we expect retail challenges to persist given both structural change and the time it may take for footfall to recover to pre-pandemic levels.

But whatever the outcome, we remain confident in the ability of London to attract businesses, capital and talent from around the world, and to remain one of only a handful of truly global cities.

Our occupational markets

Activity in our occupational markets has been hampered by COVID-19 and the necessary public health response. Economic headwinds combined with successive lockdowns reduced occupational demand and take-up to record lows. However recent themes, including the growing demand for more flexible spaces and the continued appetite for best-in-class offices, persist.

Whilst some occupiers may have a structural need to move due to lease expiries, for many the pandemic, and the resultant economic backdrop, has put a number of discretionary and expansionary moves on hold. As a result, central London take-up for the year ended 31 March 2021 at 4.4 million sq ft was 65.8% lower than the preceding 12 months and the lowest in recent history.

The economic slowdown has also resulted in a number of businesses taking the opportunity to release space back to the market. Central London availability rose from 14.0 million sq ft to 25.3 million sq ft over the last 12 months, an increase of 80.7% and at its highest level since 2004. This increase was largely driven by second hand space, often being subleased by the outgoing occupier, which now represents 76.7% of total availability up from 72.3% a year ago.

Although our occupational markets have weakened, pockets of healthy demand still remain.

Flexible spaces remain sought after
We have continued to see demand for fully fitted spaces, provided on relatively short and flexible lease terms. These spaces have, in particular, appealed to businesses graduating from serviced offices, where greater control over their environment has been more important against the backdrop of COVID-19. They have also appealed to businesses seeking a short-term home, either pausing larger real estate decisions or temporarily downsizing until the economic backdrop becomes clearer. We have continued to meet this demand with our own flexible products and we anticipate these will become a greater proportion of our business.

Continued shortage of Grade A space
Greater economic uncertainty, combined with a stringent planning regime and limited availability of debt funding for speculative developments, has moderated construction starts. The pandemic has also extended construction programmes, as the industry has had to contend with supply-chain delays and new working methods to allow for social distancing.

Today, there is currently around 12.1 million sq ft of new office space being built across the capital, 7.0% higher than the ten-year average. However, 35% of this space is already pre-let as occupiers with larger size requirements look much further ahead, and past COVID-19, to secure the best space for their business.

West End occupational markets
Over the year to 31 March 2021, West End office take-up was 1.7 million sq ft, 57.3% lower than the preceding year. Vacancy rates also increased, albeit from a low base, rising from 3.1% to 6.1% at 31 March 2021. Given continued demand for the best spaces, Grade A space vacancy remained tight estimated by CBRE to be only 4% of total vacant space providing resilience for prime rents. CBRE reported that prime office rental values in the West End were unchanged at £110.0 per sq ft from a year earlier. Over the same period rent-free periods on average increased to 27 months on a ten-year term, an increase of four months.

The UK retail environment has faced the perfect storm of forced closure during successive lockdowns, lower consumer spending and an acceleration in the ongoing structural shift to online sales. City centres have been particularly badly impacted as tourists have been absent and consumers have avoided busy locations, particularly if they are reliant on public transport. Levels of footfall in the West End have fallen dramatically and, whilst they recovered somewhat as lockdown eased, they have reduced by 66% on pre-COVID levels.

Unsurprisingly this has had a detrimental effect on London's key retail streets. Vacancy on Oxford Street, Regent Street and Bond Street has risen to 21%, 14% and 19% respectively, with prime Zone A rents on Oxford Street and Bond Street lower at £631 per sq ft and £1,702 per sq ft.

City, Midtown and Southwark occupational markets
Over the year to 31 March 2021, City office take-up was 1.8 million sq ft, down 69.2% on the preceding year, with availability of 11.1 million sq ft up 88.5% and considerably ahead of the ten-year average of 6.2 million sq ft. Vacancy rates have increased to 11.7%, however CBRE estimate that Grade A vacancy was lower at 8.4%. CBRE has also reported that prime City rental values fell by 4.1% to £70.00 per sq ft.

Midtown and Southwark office take-up was 0.5 million sq ft, down 70.6% on the preceding year. Availability at 31 March 2021 stood at 4.5 million sq ft, more than double this time last year. CBRE reported prime office rents in Southwark and Midtown reduced to £65.00 per sq ft (down from £70.00 per sq ft) and £77.50 (down from £82.50 per sq ft) respectively.

Our investment markets

Activity in London's investment markets has been tempered by the impact of COVID-19. Successive lockdowns, economic uncertainty and restrictions on travel has limited sellers' appetite to bring assets to the market and buyers' ability to inspect buildings. However, with restrictions easing, pent-up demand is expected to lead to a rebound in activity in the second half of 2021, particularly for higher quality assets.

Investment markets were volatile in 2020, with activity closely following the progress of the pandemic. At the height of the first lockdown, the market slowed dramatically, with only £0.8 billion transacting in the quarter to 30 June 2020, a level last seen during the 2008/09 financial crisis. As restrictions eased, activity resumed and, following positive vaccine news, the last quarter of 2020 was more buoyant delivering £4.3 billion of transactions, 16.1% ahead of the ten-year average. In total, investment activity in 2020 totalled £7.6 billion, down 32.7% from £11.3 billion in 2019. Whilst overall volumes were down, the themes within the investment demand were unchanged. Demand and pricing, continued to be strong for prime, well let and well located assets, with many buyers unable to deploy capital against a backdrop of limited supply. As a result, demand for sites with near-term development opportunities, that have a quick route to prime, continued to be highly sought after. We expect this trend of diverging pricing between prime and everything else to continue in the near term.

Investment markets were once again dominated by international investors, accounting for 77% of all transactions in 2020, up from 53% a year earlier. European investors were the most active, accounting for 32% of all transactions, with UK (23%) and Asian (27%) investors accounting for the majority of the remainder.

Lockdown once more limiting activity
The return to lockdown has slowed investment activity once more. Office investment deals in the first quarter of 2021 were £1.3 billion, down 20.1% on the equivalent quarter of 2020 and down 64.9% on the ten-year average. However, levels of equity demand for London real estate remains high. CBRE estimate that £41.2 billion of equity was targeting London real estate in May 2021, a near record high. Therefore, given this demand and the expected economic recovery in the latter part of 2021, we expect investment activity to accelerate, particularly for prime assets, as the year progresses.

Over the year, given strong demand and the limited supply of high quality buildings, prime yields tightened by 25 basis points in the West End and remained flat in the City at 3.50% and 4.00% respectively. Despite this compression, London offices continue to be attractively priced when compared to other major global cities. Moreover, relative to both government and corporate bonds, London real estate continues to offer relative value in a global environment where sustainable yields remain scarce.

London retail remains challenged
London retail investment volumes reduced in 2020 to £0.9 billion, down from £1.2 billion in 2019, remaining significantly below the five-year average of £1.5 billion. The crisis facing the retail sector deepened during the year. A continued shift of retail sales away from physical stores to online, combined with the impact of

successive lockdowns, has reduced investors' appetite for the sector. This has inevitably impacted pricing with CBRE reporting that prime yields rose during the year to 2.75% and 4.00% on Bond Street and Oxford Street respectively.

Near-term outlook
Notwithstanding near-term volatility, we expect that London's relative value, combined with its transparent legal system, its position as a global hub and perceived safe haven status will continue to attract capital from around the globe. In our view, this demand will continue to be selective, supporting the values of prime assets and increasing the divergence between the best and the rest. Furthermore, given increasing focus on climate risk, and quickly evolving legislation, we expect sustainability to form a increasing role in shaping this demand. As a result, we expect to see some yield compression for prime offices, with the potential for yields to widen further for retail properties.

Our lead indicators are more favourable
Given the cyclical nature of our markets, we actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the past year, our property capital value indicators have improved as the UK economy is expected to rebound from the impact of COVID-19. To date, the impact of the pandemic on prime office values has been limited, given continued demand and limited supply, but the valuation of secondary offices and retail values has deteriorated. In the very near term, we expect this trend of a divergence in the performance of the best and the rest to continue. However, as the path out of the pandemic becomes clearer, we expect increasing optimism, combined with growing levels of pent-up demand, to return the UK economy to growth and provide renewed support to London's property markets. In the meantime, we remain well placed and we have the financial strength to allow us to choose our own path whatever the market backdrop.

Our development activities

Please see accompanying graphics (see Appendix 3).

We successfully completed two developments during the year and committed to the repositioning of 50 Finsbury Square, EC2. In addition to our two committed schemes, which are progressing well and are 23.2% pre-let, we have a further four schemes in our near-term pipeline, with starts from early 2022. Today, our total development programme remains substantial and provides us with extensive future opportunities to add value.

It has been an active year for the development team. We completed two schemes delivering a profit on cost of 8.8% and, after the commitment to 50 Finsbury Square, we now have two schemes on-site. These committed schemes are set to deliver 250,800 sq ft of high quality sustainable space, both near Crossrail stations and both targeting BREEAM 'Excellent'. Capital expenditure to come at these schemes totals £56.4 million and, at 31 March 2021, the committed development properties were valued at £313.9 million.

Looking forward, our pipeline of future schemes is as rich as ever, with the team busy preparing a further eight schemes set to deliver nearly 1.3 million sq ft across the coming decade.

Two schemes completed in the year
At Hanover Square, W1, following a number of sectional completions, the full development completed in early November, delivering a profit on cost of 7.3%. The pre-let office floors have been handed over to the incoming occupiers, KKR and Glencore, who have commenced their fit-outs and Canali have opened their flagship store on New Bond Street. The scheme provides 221,500 sq ft of new space, comprising 167,500 sq ft of offices, 41,300 sq ft of retail and restaurant space and 12,700 sq ft of residential apartments.

Since completion, our leasing success has continued. We leased a further 9,000 sq ft of office space to Lexington Partners LP for their new London office premises, the 9,350 sq ft restaurant in 20 Hanover Square, W1, to Colonial and we completed the leasing of the final 16,500 sq ft floor in the main office building in May. The remaining 24,300 sq ft of office space across the scheme is now all under offer or under negotiation, with a number of conversations ongoing with prospective occupiers for the remaining eight retail units (28,300 sq ft). All of the six residential apartments have been sold at the full asking price (our share: £16.0 million). The development is owned by the GHS Partnership, our 50:50 joint venture with the Hong Kong Monetary Authority.

At The Hickman, E1, we completed the new 75,300 sq ft Grade A office building in September, delivering a profit on cost of 16.7%. This highly sustainable BREEAM 'Excellent' refurbishment is also our most technologically advanced, utilising both our sesame™ app and digital twin technology to improve the occupier experience and maximise energy performance. Since completion, we have let the top three floors to Four Communications Group Limited (see our leasing activities) and there continues to be good occupier interest in the rest of building.

Two committed schemes; one due for completion and one commenced in 2021
At 1 Newman Street & 70/88 Oxford Street, W1, construction of the new building is nearly complete with completion expected in the coming weeks. The building will deliver 81,600 sq ft of new offices and 41,100 sq ft of retail space, directly opposite the Dean Street entrance to the Tottenham Court Road Crossrail station. The building is now 32.1% pre-let, following the leasing of the upper three floors to Exane in May 2020. We have the basement space under offer and interest in the remaining office floors remains encouraging. However, we expect the leasing of the retail space to be more challenging in the near term, given the impact of COVID-19 on the wider UK retail environment and the opening of the central section of Crossrail being delayed to mid-2022. Given the challenges facing the retail market, we currently expect the scheme to deliver a loss on cost of 10.9%.

In January 2021, we commenced the extensive repositioning of 50 Finsbury Square, EC2. Our 128,100 sq ft major refurbishment will extend the office floor plates within the existing frame of the building, create a large reception with a concierge as well as an improved retail, leisure and amenity offer. The main contractor has commenced on-site. The new building will be a sustainability, wellbeing and technology exemplar delivering on all four pillars of our Sustainability Statement of Intent.

In particular, the development will:

- target net zero carbon;
- be the first development to contribute to the Decarbonisation Fund with our Internal Carbon Price of £95 per tonne to be levied on its embodied carbon, estimated at £0.6 million;
- save 60% in operational energy consumption when compared with the existing building;
- be WELL enabled to respond to increasing focus on health and wellbeing from our occupiers with an emphasis on external and internal biodiverse features and access to outside space;
- achieve Wired Score Platinum Certification and be the most tech-enabled building within our portfolio with our sesame™ app and digital twins fully integrated; and
- support local community initiatives, including through our corporate charity partnership with Groundwork London.

We are targeting a profit on cost of 21.1%, with completion of the scheme expected in Q4 2022.

In total, we have £59.8 million of committed capital expenditure, including £56.4 million at our two committed developments.

Four near-term schemes
Beyond our two committed schemes, we have a substantial and flexible pipeline of eight uncommitted schemes, including four schemes in our near-term pipeline.

In February 2021, we submitted our planning application for 2 Aldermanbury Square EC2 (previously City Place House). This office led 320,500 sq ft redevelopment will substantially increase the size of the building on the site (up from 176,000 sq ft) and will incorporate our sustainability aspirations from the outset, with the aim of delivering a net zero carbon building. The scheme also includes a number of public realm and amenity improvements that will have a positive impact on the local area and improve accessibility to the western entrance to the Liverpool Street Crossrail station. We are greatly encouraged by the strong occupier interest in the scheme and are currently in negotiations on a significant proportion of the space.

At New City Court, SE1, given the challenging planning environment, we have amended our proposals, lowering the height whilst maintaining area, to materially increase the size of the existing 98,000 sq ft building to 386,400 sq ft and we expect a determination later this year.

At Minerva House, SE1, in Southwark, we are finalising plans for a major refurbishment taking full advantage of its river views. We are already in discussions with Southwark and aim to submit a planning application in the coming quarter.

At French Railways House and 50 Jermyn Street, SW1, we intend to provide a high-quality contemporary building in keeping with the surrounding conservation area and heritage assets. Planning was submitted in February 2021.

Subject to planning, these four near-term schemes could together deliver 909,400 sq ft of Grade A space, and have an expected capital expenditure of c.£800 million and an expected ERV of c.£72 million.

Designing for climate change
Our development activities form a significant part of our carbon footprint and are a key part of our Roadmap to Net Zero. As set out in the Roadmap, we have committed to ensuring that all of our new build developments will be net zero carbon by 2030. This will require extensive collaboration with our supply chain, challenging both the materials we use and how we design and build our pipeline schemes. We are already:

- designing for longevity and adaptability to increase the lifetime of the building;
- challenging the status quo, by reviewing outdated industry norms for building specifications to reduce the quantities of materials required;
- using technology to support us, using Building Information Modelling (BIM) and efficient construction techniques such as prefabrication;
- specifying low carbon, seeking out materials that use less carbon during their manufacture and with minimum transportation emissions;
- using nature based solutions such as green roofs and walls to increase passive cooling; and

- designing with the circular economy in mind looking to specify materials which can be reused or repurposed at the end of the building's life.

We also set an internal carbon price of £95 per tonne of carbon which will be used to form our Decarbonisation Fund. These funds will support the deep retrofitting required to accelerate our transition to net zero, it will also provide the efficient spaces our occupiers want and build further climate resilience into our existing portfolio reducing the risk of stranded assets.

Our leasing activities

Occupier demand for our brand of high quality, sustainable space remained robust, supporting healthy levels of leasing 2.4% ahead of March 2020 ERVs. We have also continued to grow our flexible spaces with the launch of our first innovative Flex+ offering at 16 Dufour's Place, W1, which is already 71% let or under offer only eight weeks after launch.

Despite some of the most challenging trading conditions we have ever faced, and reduced letting activity as occupiers take a wait and see approach, we delivered healthy leasing results across the office portfolio. In particular, we saw continued demand for prime spaces, including at our recently completed developments at The Hickman, E1 and Hanover Square, W1, and for our flexible spaces.

Whilst market lettings were 2.4% ahead of ERV, rental values declined by 4.0% as COVID-19 impacted wider market sentiment. Within this, offices continue to perform better than retail space, with our office rental values increasing by 0.5% compared to a 16.7% fall in retail rental values, as the retail sector was hard hit with most stores closed for a large proportion of the year.

The key leasing highlights for the year included:

- 27 new leases and renewals completed during the year (2020: 46 leases) generating annual rent of £12.9 million (our share: £10.9 million; 2020: £12.7 million), with market lettings 2.4% ahead of ERV;
- flex space now c.13% (266,700 sq ft) of office portfolio, up 22% in the last 12 months, appraising further 134,100 sq ft;
- 15 rent reviews securing £7.5 million of rent (our share: £6.8 million; 2020: £12.2 million) were settled at an increase of 8.0% over the previous rent and 2.1% ahead of ERV and review date;
- £0.5 million of reversion captured in the year to 31 March 2021 (2020: £3.9 million); and
- total space covered by new lettings, reviews and renewals was 300,200 sq ft (2020: 439,200 sq ft).

However, we did face rent collection challenges during the year (especially from retail occupiers). In addition, the Group's vacancy rate increased to 13.2% (31 March 2020: 2.0%) following the successful delivery of two development schemes, and Group rent roll has decreased by 5.5% to £95.2 million, as we took vacant possession ahead of our committed development at 50 Finsbury Square, EC2.

We continue to grow our flex offer
The nature of the office is evolving, occupiers are demanding best-in-class sustainability credentials, space that promotes wellness, meets their brand identity and increasingly space that provides flexibility and high quality services. Today, the majority of demand for smaller units is on a fully fitted basis and we expect this to be the market norm going forward.

As these occupier requirements have developed, so has the selection of spaces that we provide. Our flex offer provides fully fitted spaces on flexible terms, leased by the floor, not by the desk, providing the occupier with their own front door and ownership of their space. This year we have seen continued demand for these spaces, particularly from occupiers either graduating out of serviced offices or looking for shorter-term solutions given the uncertain economic backdrop. More recently we have launched our new innovative Flex+ offering, providing a suite of additional services to further enhance their overall experience and provide an all-in-one solution.

Flexible space currently accounts for 13.2% of our office portfolio and it is well suited to meet this evolving demand. Our average building size is small at around 60,000 sq ft and 82% of our floors are sub 10,000 sq ft. In addition to targeting investment opportunities that lend themselves to our flexible space products, we are currently appraising a further 134,100 sq ft in the existing portfolio across both our investment and development properties and are excited about the opportunity for future growth.

Continued demand for high quality space
In the investment portfolio, we have also had leasing success at our two recently completed developments.

At Hanover Square, W1, post completion we have completed a further three lettings. Colonial Property Co (Colonial), a New England inspired concept, have taken 9,350 sq ft restaurant space across three floors of dining and social gathering in the historic Grade II* Listed 20 Hanover Square, W1. Colonial agreed a 20-year lease (without break) at an initial minimum rent of £600,000 p.a. (plus a turnover top-up). More recently Lexington Partners LP agreed to occupy the second floor of the offices in 1 Medici Courtyard (9,000 sq ft) on a 15-year lease (with option to break at year 10) paying an annual rent of £1.0 million and we leased the final floor of 18 Hanover Square, the main office building, to a financial services occupier.

At our other recently completed development, The Hickman on Whitechapel Road, E1, we completed a letting to Four Communications Group Limited (Four), the integrated marketing and communications agency. Four will occupy the offices on the fifth, sixth and seventh floors (17,700 sq ft) on ten-year leases (with a break option in the seventh year), paying an annual rent of £1.1 million.

Capturing reversion through rent reviews
After successfully capturing a large amount of the available reversion in previous years, we continued to settle a number of the outstanding rent reviews. We settled a further 15 rent reviews (121,700 sq ft), capturing £0.6 million of reversion, 8.0% ahead of the previous passing rent and at a 2.1% premium to ERV at review date.

Significant rent review transactions included:

- at Walmar House, 288/300 Regent Street, W1, we settled a rent review with Richemont UK Limited, increasing the annual rent to £2.7 million, an increase of 3.8% on the previous passing rent and 0.6% above ERV at the review date; and
- at 200 Gray's Inn Road, WC1, we settled two rent reviews with Warner Bros Entertainment UK Limited at a combined annual rent of £1.4 million, an increase of 14.9% on the previous passing rent and 3.8% above ERV at review date.

Since 31 March we have completed a further five lettings generating annual rent of £8.0 million (our share: £4.7 million), including a significant West End retail transaction, with market lettings 13.9% ahead of March 2021 ERV. We have a further 17 lettings under offer accounting for £5.5 million p.a. of rent (our share: £4.4 million), together 1.2% ahead of 31 March 2021 ERV.

Expiry profile
At 31 March 2021, 17.7% of the Group's rent roll, including joint ventures, is subject to a break or lease expiry in the next 12 months. Nearly a third of this is from properties in our near-term development pipeline where we will take vacant possession ahead of proposed works. Of the remainder we have identified a number of opportunities where we can improve the income security and with our strong track record of retaining occupiers are confident in doing so.

Supporting our occupiers
Our occupiers are important stakeholders in our business and we have implemented measures to help support them through these unprecedented times. We recognise that the retail, leisure and hospitality sectors, 30.4% of our portfolio by rent roll (including office occupiers), have been hardest hit by the economic impact of restrictions on movement resulting in a number of occupiers still being unable to meet their rental commitments. Accordingly, we have been in discussions with our occupiers who are facing cash flow difficulties to accommodate requests for rental concessions, including monthly payment terms, rent deferrals and in some cases rental holidays. Where possible, we have also drawn on existing occupier rental deposits.

Unsurprisingly, this economic backdrop reduced our rent collection performance. Whilst we saw an improving trend over the financial year, of the £89.4 million of rent billed to 31 March 2021, including joint ventures, we collected 79.4%, or 86.7% after the utilisation of rent deposits, with 70.1% collected from our retail, hospitality and leisure occupiers and 95.4% from the remainder (after deposits). Of the £14.9 million outstanding at 31 March 2021 (including our share of joint ventures), we have provided £9.6 million as an expected credit loss provision.

Looking forward, for the quarter to June 2021, we have so far collected 84.5% of the rent charged including amounts covered by rent deposits; 81.9% excluding deposits which was ahead of all four previous quarters at the equivalent date (including our share of joint ventures).

How we are positioned
Activity in London's occupational office markets has been muted as the pandemic, and the necessary health response, have closed large parts of the economy over the past year. Whilst overall activity levels remain low, we anticipate that increasing optimism, spurred by the national vaccination campaign, will translate into more normalised transaction levels for the latter half of 2021. Within this we expect current trends to continue, with demand for best space outstripping supply and a greater need for smaller spaces to be fitted. Buildings that are unable to meet this evolving demand, particularly in the face of competition from growing secondary supply, will underperform. The gap between the best and the rest is set to widen further.

Whilst we expect the Group's vacancy rate to rise as we complete 1 Newman Street & 70/88 Oxford Street, W1 in the summer, we remain well positioned: our leasing record remains strong, our committed development programme is focused on high quality, well located office-led schemes that have enduring demand, we are delivering innovative products that lease well, our average rents remain low at £56.70 per sq ft and 92% of our portfolio is within walking distance of a Crossrail station.

Our investment activities

Investment demand for development sites and value-add opportunities remained high, elevating pricing. As a result we remained disciplined, and made no acquisitions during the year. However, we were pleased to sell the six residential apartments at our recently completed Hanover Square, W1, development, 11.7% ahead of book value.

During the year, shortly after launch, we sold all six residential apartments at Hanover Square, W1, for £32.0 million (our share £16.0 million), 11.7% above the March 2020 book value at an average £2,515 per sq ft.

How we are positioned
We were once again a net seller, taking advantage of supportive investment markets to recycle out of mature assets where our business plans were complete. However, we are constantly reviewing acquisition opportunities, and we currently have £1.7 billion of potential acquisitions under review, predominantly off market.

Whilst the number of assets under review remains elevated, opportunities providing attractive value continued to be scarce. The sort of assets we typically look to buy, in particular, assets with repositioning and/or development opportunities, continue to be limited at prices that, in our view, fairly reflect their risk adjusted returns. However, we do expect opportunities to emerge in the second half of 2021, with investment volumes recovering as COVID-19 restrictions lift and the market reopens. In addition to our usual requirements, we are actively seeking new buildings for our flex offerings and we expect the sustainability challenge to provide us with opportunities to acquire orphaned assets needing a sustainability solution. However, we will remain disciplined. Any potential purchase needs to outperform the assets we already own, and with our existing portfolio stacked with opportunity, the hurdle is high.

Our portfolio valuation

Our portfolio valuation is accompanied by graphics (see Appendix 2)

Portfolio value down 8.7%; driven by declines in retail values
The valuation of our portfolio, including our share of joint ventures, fell over the 12 months by 8.7%, on a like-for-like basis, to £2,457.1 million at 31 March 2021.

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

- retail rental values – in the past 12 months rental values across our retail portfolio were down 16.7% on a like-for-like basis, with our office portfolio rental values increasing by 0.5%, largely driven by our leasing performance;
- development – the valuation of our committed development properties decreased by 1.6% on a like-for-like basis to £313.9 million during the year, recovering in the second half of the year by 6.7%, driven by 1 Newman Street & 70/88 Oxford Street, W1 as it nears completion;
- active portfolio management – during another strong year, 42 new leases, rent reviews and renewals were completed, with new lettings 2.4% ahead of ERV, securing £10.9 million (our share) of annual income, supporting the valuation over the year; and
- higher investment yields – the valuation was marginally reduced by yield movements which increased by 11 basis points (2020: six basis points) during the year (office: +1 basis points; retail: +32 basis points). At 31 March 2021, the portfolio true equivalent yield was 4.6%.

Including rent from pre-lets and leases currently in rent-free periods, the adjusted initial yield of the investment portfolio at 31 March 2021 was 3.8%, 20 basis points lower since the start of the financial year.

Whilst the overall valuation was down by 8.7% during the year, elements of the portfolio showed greater variation. Our office properties fell by only 1.7% compared to a 27.3% fall in retail values, as weaker retailer sentiment reduced ERVs and softened yields. Furthermore, short leasehold properties (<100 years), which represent 11% of the portfolio, reduced in value by 17.5% compared to a decrease of 7.4% in the rest of the portfolio, as investor demand for shorter leasehold assets reduced.

Our joint venture properties fell in value by 11.0% over the year, due to its greater retail weighting. The wholly-owned portfolio fell by 7.9% on a like-for-like basis supported by our committed developments at 1 Newman Street & 70/88 Oxford Street, W1 and 50 Finsbury Square, EC2.

Our relative performance
The Group delivered a total property return (TPR) for the year of minus 5.9%, compared to the central London MSCI quarterly index of minus 3.3%, and a capital return of minus 8.4%, versus minus 6.3% for MSCI. This underperformance results from our greater than benchmark exposure to retail space and properties with shorter lease terms, both of which have suffered greater valuation declines as a result of COVID-19.

Our financial results

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

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

Lower IFRS NAV and EPRA NTA per share driven by valuation declines
IFRS NAV and EPRA NTA per share at 31 March 2021 were 779 pence per share, a decrease of 10.3% over the year, largely due to the 8.7% like-for-like valuation decrease in the property portfolio. When combined with ordinary dividends paid of 12.6 pence per share, this delivered a total accounting return of minus 8.8%.

The main drivers of the 89 pence per share decrease in EPRA NTA from 31 March 2020 were:

- the decrease of 94 pence per share arising from the revaluation of the property portfolio;
- EPRA earnings for the year of 16 pence per share enhanced NTA;
- ordinary dividends paid of 13 pence per share reduced NTA; and
- other items increased NTA by 2 pence per share.

At 31 March 2021, the Group's net assets were £1,971.6 million, down from £2,203.1 million at 31 March 2020, with the decrease largely attributable to the decline in property valuation of £157.4 million. EPRA NDV and EPRA NRV were 777 pence and 849 pence at 31 March 2021 respectively, compared to 871 pence and 944 pence at 31 March 2020.

Revenue reduced due to lower rental income
Revenue for the year was £88.5 million, down from £102.5 million on the prior year, driven by no trading property sales for the current year and lower gross rental income which reduced by £7.0 million to £73.8 million. The reduction in gross rental income was largely attributable to achieving vacant possession in June from Bloomberg, ahead of our committed development of 50 Finsbury Square, EC2, and the sale of 24/25 Britton Street, EC1 in the prior year.

Net rental income, after taking account of expected credit losses (see below), lease incentives and ground rents was £62.1 million, down from £79.9 million in the prior year.

Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like gross rental income (including share of joint ventures) decreased by 5.7% or 16.6% including expected credit losses.

Joint venture fee income for the year was £3.7 million, an increase of £1.6 million, resulting from fees earned from letting activity at our recently completed development at Hanover Square, W1.

Expected credit loss for unpaid rent
The year has been greatly affected by the economic impact of COVID-19. As a result, a significant number of our occupiers have been unable to meet their rental obligations, particularly in the retail, hospitality and leisure sectors. Accordingly, we have offered assistance to support them through this difficult period including providing rental concessions, monthly payment terms, rent deferrals and in some cases rental holidays. This resulted in significantly lower collection rates across the year. Whilst performance improved quarter by quarter, overall we secured 79.4% of all rents due, or 86.7% including the utilisation of rent deposits. Of the rent outstanding at 31 March 2021, we provided £7.7 million as an expected credit loss in the year, with a further £1.9 million in our joint venture, approximately 65% of the outstanding balances. Looking ahead, given improvements in sentiment and a gradual reopening of the UK economy, it is hoped that the June quarter day collection rate will improve on that of March, albeit it may be some time before collection rates return to more normalised levels.

At 25 March 2021, we had 28% of our rent roll on monthly payment terms (25 March 2020: 9%). Since 1 April 2020, nine of our occupiers went into administration, representing 4.0% of our rent roll. At 31 March 2021, we held rent deposits and bank guarantees totalling £17.2 million.

Cost of sales reduced
Cost of sales reduced from £27.7 million to £24.7 million for the year ended 31 March 2021. This reduction was primarily driven by an absence of trading property cost of sales in the current year, offset by an increase in service charge expenses and other property expenses which increased by £2.0 million to £8.2 million. This increase was principally the result of increased costs associated with our leasing initiatives in the joint ventures and greater empty rates given higher levels of portfolio vacancy.

Taken together, net service charge income and other property costs rose to £9.7 million from £8.1 million in the prior year.

Joint venture earnings
EPRA earnings from joint ventures was £9.1 million, down from £11.3 million last year, primarily as a result of an expected credit loss provision in respect of unpaid rents of £1.9 million and increased vacancy offset by strong leasing activity, including at our recently completed development at Hanover Square, W1.

Lower performance related pay
Administration costs were £25.2 million, £3.8 million lower than last year, primarily as a result of reduced provisions for performance related pay, including share-based payments in respect of our LTIP scheme.

New debt facilities drawn
Gross interest paid on our debt facilities was £12.1 million, £1.8 million higher than the prior year. The increase in interest paid resulted from holding higher than average drawn balances on our Revolving Credit Facility (RCF) as we sought to increase our cash position, given the market disruption from COVID-19, together with drawing on the Group's new £150 million 2.77% private placement notes in November last year. Capitalised interest increased by £0.5 million to £6.3 million as we completed one scheme and committed to another. As a result, the Group had net finance income (including interest receivable) of £0.2 million (2020: £0.8 million).

EPRA earnings
EPRA earnings were £40.1 million, 29.6% lower than last year, predominantly due to lower net rental income and increased expected credit loss provisions made against doubtful debts partially offset by lower administration costs.

Revaluation declines of the Group's investment properties, together with reduced EPRA earnings led to the Group's reported IFRS loss after tax of £201.9 million (2020: profit of £51.8 million). The basic and diluted loss per share for the year was 79.8 pence, compared to 20.0 pence for 2020. Diluted EPRA EPS was 15.8 pence (2020: 22.0 pence), a decrease of 28.2% and cash EPS was 12.2 pence (2020: 17.9 pence).

During the year, the Group's rent roll reduced from £100.8 million to £95.2 million at 31 March 2021. The reduction was largely attributable to breaks, expiries, surrenders and delinquencies more than offsetting the benefit of new leases and rent reviews in the period. This reduction also contributed to an increased vacancy rate of 13.2% (or 6.6% excluding newly completed developments).

Whilst we anticipate that rent collection rates will improve, we also expect that some of our occupiers will be impacted from reduced Government support as lockdown eases and that our void costs may increase depending on the leasing velocity at our completed developments. So taken together, we expect EPRA EPS to decline over the next 12 months.

Results of joint ventures
The Group's net investment in joint ventures decreased to £626.4 million at 31 March 2021, down from £647.0 million in the previous year. The decrease is largely due to an 11.0% valuation decrease in the joint venture property portfolio, offset by an increase in partner loans which were utilised to repay the £80.0 million (our share: £40.0 million) non-recourse debt facility in our Great Victoria Partnership (GVP). Our share of joint venture net rental income was £17.4 million, down 2.8% from last year. This decrease was primarily the result of expected credit loss provisions in respect of unpaid rent of £1.9 million, which was offset by rent commencing at our recently completed development at Hanover Square, W1.

Strong financial position maintained; LTV low at 18.4%

The Group's consolidated net debt increased to £477.5 million at 31 March 2021, compared to £349.4 million at 31 March 2020. The increase was largely due to £61.0 million development capital expenditure across the Group and the repayment of the £80.0 million (our share: £40.0 million) debt facility in GVP, which was secured over Mount Royal, W1. As a result, the Group's gearing increased to 24.6% at 31 March 2021 from 16.2% at 31 March 2020.

Including cash balances in joint ventures, total net debt was £451.0 million (2020: £373.3 million), equivalent to a low loan-to-property value of 18.4% (2020: 14.2%). At 31 March 2021, following the repayment of the debt facility in GVP, we have no external debt in any of our joint ventures, compared to 6.4% of our total debt last year. At 31 March 2021, the Group, including its joint ventures, had cash (£38 million) and undrawn committed credit facilities (£405 million) totalling £443 million.

The Group's weighted average cost of debt for the year, including fees and joint venture debt, was 2.7%, marginally lower than the prior year. The weighted average interest rate (excluding fees) was 2.5% at the year end, up from 2.2%, as a result of drawing on our new £150 million 2.77% US private placement notes at the end of 2020. Our weighted average drawn debt maturity was 8.1 years at 31 March 2021 (31 March 2020: 5.8 years).

At 31 March 2021, 91% of the Group's total debt was at fixed or hedged rates (2020: 69%). The Group is operating with substantial headroom over its debt covenants. At 31 March 2021, given our low levels of leverage, property values would have to fall by around 56% before covenant breach.

Taxation

The tax credit in the income statement for the year was £0.1 million (2020: £0.2 million) and the effective tax rate on EPRA earnings was 0% (2020: 0%). The majority of the Group's income is tax-free as a result of its REIT status, and other allowances were available to set against non-REIT profits. The Group complied with all relevant REIT tests for the year to 31 March 2021.

As a REIT, the majority of rental profits and chargeable gains from our property rental business are exempt from UK corporation tax, provided we meet a number of conditions including distributing at least 90% of the rental income profits of this business (known as Property Income Distributions (PIDs)) on an annual basis. These PIDs are then typically treated as taxable income in the hands of shareholders. During the year, the Group paid £31.9 million of PIDs.

The Group's REIT exemption does not extend to either profits arising from the sale of trading properties or gains arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years.

The Group is otherwise subject to corporation tax. Despite being a REIT, we are subject to a number of other taxes and certain sector specific charges in the same way as non-REIT companies. During the year, we incurred £4.5 million in respect of stamp taxes, section 106 contributions, community infrastructure levies, empty rates in respect of vacant space, head office rates, employer's national insurance and irrecoverable VAT.

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

Ordinary dividends

Given the low yielding nature of London real estate, the Group operates a low and progressive ordinary dividend policy, with the aim of maintaining average dividend cover of 1.0x through the cycle. The Board has recommended a final dividend of 7.9 pence per share (2020: 7.9 pence) which will be paid, subject to shareholder approval, on 12 July 2021 to shareholders on the register on 28 May 2021. All of this final dividend will be a REIT PID in respect of the Group's tax exempt property rental business.

In arriving at its recommendation, the Board had regard to wider stakeholder considerations. Within the Group, none of our employees have been furloughed and we have not accessed any UK Government COVID-19 funding.

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

Group income statement

For the year ended 31 March 2021

	Notes	2021 £m	2020* £m
Revenue	2	**88.5**	102.5
Cost of sales	3	**(24.7)**	(27.7)
		63.8	74.8
Administration expenses	4	**(25.2)**	(29.0)
Expected credit losses	14	**(7.7)**	(0.1)
Development management losses		**(0.1)**	(0.2)
Operating profit before deficit from property and results of joint ventures		**30.8**	45.5
Deficit from investment property	9	**(156.8)**	(52.6)
Share of results of joint ventures	11	**(76.2)**	57.9
Operating (loss)/profit		**(202.2)**	50.8
Finance income	5	**8.0**	7.3
Finance costs	6	**(7.8)**	(6.5)
(Loss)/profit before tax		**(202.0)**	51.6
Tax	7	**0.1**	0.2
(Loss)/profit for the year		**(201.9)**	51.8

Basic (loss)/earnings per share	8	**(79.8p)**	20.0p
Diluted (loss)/earnings per share	8	**(79.8p)**	20.0p
Basic EPRA earnings per share	8	**15.9p**	22.0p
Diluted EPRA earnings per share	8	**15.8p**	22.0p

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

* As explained further in note 1, the directors have changed the way in which the Group's performance is presented on the face of the income statement. The underlying results have not been amended and this modified presentation has had no effect on operating profit or profit for the year.

Group statement of comprehensive income

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
(Loss)/profit for the year		**(201.9)**	51.8
Items that will not be reclassified subsequently to profit and loss			
Actuarial gain/(loss) on defined benefit scheme	25	**0.8**	(0.4)
Deferred tax on actuarial gain/(loss) on defined benefit scheme	7	**(0.1)**	–
Total comprehensive (expense)/income for the year		**(201.2)**	51.4

Group balance sheet
At 31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investment property	9	**1,894.5**	1,987.1
Investment in joint ventures	11	**626.4**	647.0
Property, plant and equipment	12	**6.3**	7.5
Pension asset	25	**0.7**	–
Other investments	13	**1.0**	0.2
		2,528.9	2,641.8
Current assets			
Trade and other receivables	14	**19.5**	16.1
Corporation tax	7	**0.4**	0.5
Cash and cash equivalents		**11.1**	94.9
		31.0	111.5
Total assets		**2,559.9**	2,753.3
Current liabilities			
Trade and other payables	15	**(55.1)**	(60.0)
		(55.1)	(60.0)
Non-current liabilities			
Interest-bearing loans and borrowings	16	**(488.6)**	(444.3)
Obligations under head leases	18	**(40.7)**	(40.7)
Obligations under occupational leases	19	**(3.9)**	(4.8)
Pension liabilities	25	**–**	(0.4)
Deferred tax	7	**–**	–
		(533.2)	(490.2)
Total liabilities		**(588.3)**	(550.2)
Net assets		**1,971.6**	2,203.1
Equity			
Share capital	20	**38.7**	38.7
Share premium account		**46.0**	46.0
Capital redemption reserve		**326.7**	326.7
Retained earnings		**1,560.0**	1,792.3
Investment in own shares	21	**0.2**	(0.6)
Total equity		**1,971.6**	2,203.1
Basic net assets per share (diluted)	8	**779p**	868p
EPRA NTA (diluted)	8	**779p**	868p

Approved by the Board on 19 May 2021 and signed on its behalf by:

Toby Courtauld
Chief Executive

Nick Sanderson
Chief Financial and Operating Officer

Group statement of cash flows

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Operating activities			
Operating (loss)/profit		**(202.2)**	50.8
Adjustments for non-cash items	22	**238.5**	(2.4)
Decrease in trading property		**–**	4.9
Increase in receivables		**(3.4)**	(6.4)
(Decrease)/increase in payables		**(6.3)**	4.8
Cash generated from operations		**26.6**	51.7
Interest paid		**(10.3)**	(10.1)
Interest received		**0.2**	0.6
Tax repaid/(paid)		**0.1**	(3.6)
Cash flows from operating activities		**16.6**	38.6
Investing activities			
Distributions from joint ventures		**8.3**	4.6
Funds to joint ventures		**(45.3)**	(56.9)
Purchase of other investments		**(0.8)**	(0.2)
Purchase and development of property		**(60.8)**	(64.6)
Purchase of plant and equipment		**(0.4)**	(0.1)
Sale of properties		**(0.2)**	66.9
Investment in joint ventures		**(10.8)**	(18.0)
Cash flows from investing activities		**(110.0)**	(68.3)
Financing activities			
Revolving credit facility (repaid)/drawn	16	**(105.0)**	149.1
Issue of private placement notes	16	**149.1**	–
Purchase of own shares	21	**–**	(127.8)
Payment of lease obligations		**(2.8)**	(2.8)
Dividends paid	23	**(31.7)**	(33.3)
Cash flows from financing activities		**9.6**	(14.8)
Net decrease in cash and cash equivalents		**(83.8)**	(44.5)
Cash and cash equivalents at 1 April		**94.9**	139.4
Cash and cash equivalents at 31 March		**11.1**	94.9

Group statement of changes in equity

For the year ended 31 March 2021

	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 2020		**38.7**	**46.0**	**326.7**	**1,792.3**	**(0.6)**	**2,203.1**
Loss for the year		**–**	**–**	**–**	**(201.9)**	**–**	**(201.9)**
Actuarial gain on defined benefit scheme	25	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Deferred tax on defined benefit scheme		**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total comprehensive expense for the year		**–**	**–**	**–**	**(201.2)**	**–**	**(201.2)**
Employee Long-Term Incentive Plan charge	21	**–**	**–**	**–**	**–**	**1.5**	**1.5**
Dividends to shareholders	23	**–**	**–**	**–**	**(31.8)**	**–**	**(31.8)**
Transfer to retained earnings	21	**–**	**–**	**–**	**0.7**	**(0.7)**	**–**
Total equity at 31 March 2021		**38.7**	**46.0**	**326.7**	**1,560.0**	**0.2**	**1,971.6**

Group statement of changes in equity

For the year ended 31 March 2020

	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 2019		41.4	46.0	324.0	1,900.0	(1.7)	2,309.7
Adoption of IFRS 16		–	–	–	(0.7)	–	(0.7)
Total equity at 1 April 2019 re-stated		41.4	46.0	324.0	1,899.3	(1.7)	2,309.0
Profit for the year		–	–	–	51.8	–	51.8
Actuarial loss on defined benefit scheme		–	–	–	(0.4)	–	(0.4)
Total comprehensive income for the year		–	–	–	51.4	–	51.4
Employee Long-Term Incentive Plan charge	21	–	–	–	–	2.6	2.6
Dividends to shareholders	23	–	–	–	(33.2)	–	(33.2)
Share buyback	20	(2.7)	–	2.7	(126.7)	–	(126.7)
Transfer to retained earnings	21	–	–	–	1.5	(1.5)	–
Total equity at 31 March 2020		38.7	46.0	326.7	1,792.3	(0.6)	2,203.1

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 2020. Whilst the financial information included in this announcement he financial statements has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 2021 or 2020, but is derived from those financial statements. The auditors' reports on both the 2021 and 2020 financial statements were not qualified or modified.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and certain financial instruments which are held at fair value. The financial statements are prepared on the going concern basis.

The directors have considered the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2021, with particular focus on the significant impact COVID-19 is having on the macro-economic conditions in which the Group is operating. This assessment is for the 12-month period following the date of approval of the accounts and is based on the Group's financial forecasts, including a going concern scenario which included the following key assumptions:

- a 28% decline in the valuation of the property portfolio;
- an 7% fall in rental income; and
- an overall decline of around 37% in EPRA earnings.

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

- has significant liquidity to fund its ongoing operations;
- is operating with significant headroom above its Group debt financing covenants;
  - property values would have to fall by a further 31% before breach (or 56% from 31 March 2021 values);
  - due to the measurement of its income related bank covenants, in particular the treatment of capitalised interest, for the year ended 31 March 2021, the Group did not have a net interest charge. As a result, its interest cover covenant was not measurable. Absent the benefit of capitalised interest, as assumed in the going concern assessment, earnings before interest and tax would need to fall by a further 84% before breach (or 87% from 31 March 2021 levels); and
- has no debt maturities.

The directors also conducted extensive stress testing sensitising the potential impact of climate change as well as the impact of removing non-committed disposal proceeds and capital expenditure. Based on these considerations, together with available market information and the directors' knowledge and experience of the Group's property portfolio and markets, the directors have adopted the going concern basis in preparing the accounts for the year ended 31 March 2021.

In early 2021 we corresponded with the Conduct Committee of the Financial Reporting Council (FRC), who highlighted to us that the previous presentation of our income statement was potentially confusing. In response, we have clarified the income statement presentation to remove the duplication of line items and present line items on a gross basis without offsetting. We have also defined and presented additional alternative performance measures in note 8. The underlying results have not been amended and this modified presentation has had no effect on operating profit or profit for the year. The review conducted by the FRC was based solely on the Group's published 2020 report and accounts and does not provide any assurance that the report and accounts are correct in all material respects.

The Group has adopted a number of alternative performance measures, see note 8 for further detail.

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

No critical judgements have been made.

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

Key source of estimation uncertainty: property portfolio valuation
The valuation to 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. An adjustment to any of these assumptions could lead to a material change in the property valuation. For the current year and prior year the directors adopted the valuation without adjustment, further information is provided in the accounting policy for investment property and note 9.

In response to changes in the control, or future spread, of COVID-19, the external valuers have highlighted the importance of the valuation date in their reports. It is their view that, as at the valuation date, transaction volumes and other relevant evidence had returned to levels where an adequate quantum of market evidence existed upon which to base opinions of value. Accordingly, the valuations at 31 March 2021 were not subject to 'material valuation uncertainty'.

Key source of estimation uncertainty: expected credit loss
The Group is operating in an environment of heightened economic uncertainty caused by COVID-19 and consequently additional scrutiny and judgement is required when assessing the impact of non-payment of rents and rent concessions as well as the possible need to impair outstanding rental balances. At 31 March 2021, each outstanding occupier balance was reviewed and allocated an estimated likelihood of recovery using a forward look expected credit loss model. Given the heightened levels of economic uncertainty, the focus of the review was on current and forecast financial information, levels of retail footfall and the occupiers' ability to pay rental arrears and, with respect to lease incentives, the likelihood that occupiers will serve out the remainder of the contractual lease term. To the extent balances were considered unrecoverable they have been provided for as an expected credit loss in the income statement. Further information is provided in note 14.

New accounting standards
During the year ended 31 March 2021, the following accounting standards and guidance were adopted by the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3); and
- Definition of Material (Amendments to IAS 1 and IAS 8).

The adoption of the Standards and Interpretations has not significantly impacted these financial statements and any changes to our accounting policies as a result of their adoption have been reflected in this note.

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:

- Annual improvements to IFRS Standards 2018-2020;
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS)

- UK-adopted International Accounting Standards; and
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).

None of these are expected to have a significant effect on the financial statements of the Group.

Basis of consolidation
The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2021. Subsidiary undertakings are those entities controlled by the Group. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

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

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

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

Cost of sales
Service charge expenses represent the costs of operating the Group's portfolio and are expensed as incurred.

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

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

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

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

All of the Group's revenue is generated from investment and trading properties located in central London. The properties are managed as a single portfolio by a portfolio management team whose responsibilities are not segregated by location or type, but are managed on an asset-by-asset basis. The majority of the Group's assets are mixed-use, therefore the office, retail and any residential space is managed together. Within the property portfolio, the Group has a number of properties under development. The directors view the Group's development activities as an integral part of the life cycle of each of its assets rather than a separate business or division. The nature of developing property means that whilst a property is under development it generates no revenue and has no operating results. Once a development has completed, it returns to the investment property portfolio, or if it is a trading property, it is sold. The directors have considered the nature of the business, how the business is managed and how they review performance and, in their judgement, the Group has only one reportable segment. The components of the valuation, as provided by the external valuer, are set out in note 9.

Investment property
Both leasehold and freehold investment properties and investment properties under development are professionally valued on a fair value basis by qualified external valuers and the directors must ensure that they are satisfied that the valuation of the Group's properties is appropriate for inclusion in the accounts without adjustment.

The valuations have been prepared in accordance the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK national supplement 2018 (the Red Book) and have been primarily derived using comparable recent market transactions on arm's length terms.

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

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

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

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

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. Revenue is recognised on completion of disposal. 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.

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

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

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

Fixtures and fittings – over three to five years.

Leasehold improvements – over the term of the lease.

Joint ventures
Joint ventures are accounted for under the equity method where, in the directors' judgement, the Group has joint control of the entity. The Group's level of control in its joint ventures is driven both by the individual agreements which set out how control is shared by the partners and how that control is exercised in practice. The Group balance sheet contains the Group's share of the net assets of its joint ventures. Balances with

partners owed to or from the Group by joint ventures are included within investments. The Group's share of joint venture profits and losses are included in the Group income statement in a single line. All of the Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements. There have been no new joint ventures during the year and no changes to any of the agreements in place.

Income tax
Current tax is the amount payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax assets can be utilised. No provision is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Tax is included in the income statement except when it relates to items recognised directly in other comprehensive income or equity, in which case the related tax is also recognised directly in other comprehensive income or equity.

Pension benefits
The Group contributes to a defined benefit pension plan which is funded with assets held separately from those of the Group. The full value of the net assets or liabilities of the pension fund is brought 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.

Other investments
Other investments comprise investments in Pi Labs European PropTech venture capital fund which is measured at fair value, based on the net assets of the fund, this is a Level 2 valuation as defined by IFRS 13. Changes in fair value are recognised in profit or loss.

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

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

iii Trade receivables and payables Trade receivables and payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. See note 14 for further information on trade receivables and associated expected credit losses.

2 Revenue

	2021 £m	2020 £m
Gross rental income	**73.8**	80.8
Spreading of lease incentives	**(2.7)**	0.3
Service charge income	**13.7**	12.9
Joint venture fee income	**3.7**	2.1
Trading property revenue	**–**	6.4
	88.5	102.5

The table below sets out the Group's net rental income, please see note 8 for the Group's alternative performance measures:

	2021 £m	2020 £m
Gross rental income	**73.8**	80.8
Credit losses	**(7.7)**	(0.1)
	66.1	80.7
Spreading of lease incentives	**(2.7)**	0.3
Ground rents	**(1.3)**	(1.1)
Net rental income	**62.1**	79.9

3 Cost of sales

	2021 £m	2020 £m
Service charge expenses	**15.2**	14.8
Other property expenses	**8.2**	6.2
Trading property cost of sales	**–**	5.6
Ground rent	**1.3**	1.1
	24.7	27.7

The table below sets out the Group's property costs, please see note 8 for the Group's alternative performance measures:

	2021 £m	2020 £m
Service charge income	**(13.7)**	(12.9)
Service charge expenses	**15.2**	14.8
Other property expenses	**8.2**	6.2
Property costs	**9.7**	8.1

4 Administration expenses

	2021 £m	2020 £m
Employee costs	**17.8**	20.5
Depreciation	**1.6**	1.5
Other head office costs	**5.8**	7.0
	25.2	29.0

Included within employee costs is an accounting charge for the LTIP scheme of £1.5 million (2020: £2.6 million). Employee costs, including those of directors, comprise the following:

	2021 £m	2020 £m
Wages and salaries (including annual bonuses)	**14.9**	15.7
Share-based payments	**1.5**	2.6
Social security costs	**2.0**	2.6
Other pension costs	**1.7**	1.6
	20.1	22.5
Less: recovered through service charges	**(1.5)**	(1.2)
Less: capitalised into development projects	**(0.8)**	(0.8)
	17.8	20.5

Key management compensation
The directors and the Executive Committee are considered to be key management for the purposes of IAS 24 'Related Party Transactions' with their aggregate compensation set out below:

	2021 £m	2020 £m
Wages and salaries (including annual bonuses)	**3.5**	4.0
Share-based payments	**0.5**	0.9
Social security costs	**0.4**	0.6
Other pension costs	**0.4**	0.4
	4.8	5.9

The Group had loans to key management of £nil outstanding at 31 March 2021. The Group's key management, its pension plan and joint ventures are the Group's only related parties.

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

	2021 Number	2020 Number
Head office and property management	**124**	114

Auditor's remuneration

	2021 £000's	2020 £000's
Audit of the Company's annual accounts	**173**	171
Audit of subsidiaries	**113**	100
	286	271
Audit-related assurance services, including the interim review	**83**	77
Total audit and audit-related services	**369**	348
Other services	**–**	–
	369	348

5 Finance income

	2021 £m	2020 £m
Interest on balances with joint ventures	**7.8**	6.9
Interest on cash deposits	**0.2**	0.4
	8.0	7.3

6 Finance costs

	2021 £m	2020 £m
Interest on revolving credit facilities	**2.5**	2.3
Interest on private placement notes	**8.4**	6.8
Interest on debenture stock	**1.2**	1.2
Interest on obligations under occupational leases	**0.1**	0.1
Interest on obligations under head leases	**1.9**	1.9
Gross finance costs	**14.1**	12.3
Less: capitalised interest at an average rate of 2.6% (2020: 3.1%)	**(6.3)**	(5.8)
	7.8	6.5

7 Tax

	2021 £m	2020 £m
Current tax		
UK corporation tax – current period	–	–
UK corporation tax – prior periods	–	(0.2)
Total current tax	–	(0.2)
Deferred tax	**(0.1)**	–
Tax credit for the year	**(0.1)**	(0.2)

The effective rate of tax is lower (2020: lower) than the standard rate of tax. The difference arises from the items set out below:

	2021 £m	2020 £m
(Loss)/profit before tax	**(202.0)**	51.6
Tax (credit)/charge on profit at standard rate of 19% (2020: 19%)	**(38.4)**	9.8
REIT tax-exempt rental profits and gains	**(8.6)**	(13.5)
Changes in fair value of properties not subject to tax	**46.0**	2.3
Prior periods' corporation tax	**–**	(0.2)
Other	**0.9**	1.4
Tax credit for the year	**(0.1)**	(0.2)

During the year, £0.1 million (2020: £nil) of deferred tax was debited directly to equity. The Group recognised a net deferred tax asset at 31 March 2021 of £nil (2020: £nil). This consists of deferred tax assets of £0.2 million (2020: £0.1 million) and deferred tax liabilities of £0.2 million (2020: £0.1 million).

Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. As Finance Bill 2021 has yet to be substantively enacted, the Government's announced increase in the standard rate of tax on 1 April 2023 (from 19% to 25%) has not been reflected within the Group's accounts. In any event, the announced increase would have no material impact on the Group's deferred tax position.

Movement in deferred tax

	At 1 April 2020 £m	**Recognised in the income statement £m**	**Recognised in equity £m**	**At 31 March 2021 £m**
Net deferred tax asset/(liability) in respect of other temporary differences	–	**0.1**	**(0.1)**	**–**

A further deferred tax asset of £3.5 million (2020: £3.7 million), mainly relating to revenue losses and contingent share awards, was not recognised because it is uncertain whether future taxable profit will arise against which this asset can be utilised.

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

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

8 Alternative performance measures and EPRA metrics

As is usual practice in our sector, we use Alternative Performance Measures (APM) to help explain the performance of the business. These include quoting a number of measures on a proportionally consolidated basis to include joint ventures, as it best describes how we manage the portfolio, and using measures prescribed by European Public Real Estate Association (EPRA). The measures defined by EPRA are designed to enhance transparency and comparability across the European real estate sector in accordance with their Best Practice Recommendations. The directors consider these EPRA metrics, and the other metrics provided, to be the most appropriate method of reporting the value and performance of the business.

Earnings per share:

Weighted average number of ordinary shares

	2021 Number of shares	2020 Number of shares
Issued ordinary share capital at 1 April	**253,867,911**	271,365,894
Share buyback	**–**	(11,864,663)
Investment in own shares	**(939,617)**	(1,109,303)
Weighted average number of ordinary shares at 31 March – basic	**252,928,294**	258,391,928

Basic and diluted earnings per share

	(Loss)/ profit after tax 2021 £m	**Number of shares 2021 million**	**(Loss)/ earnings per share 2021 pence**	Profit after tax 2020 £m	Number of shares 2020 million	Earnings per share 2020 pence
Basic	**(201.9)**	**252.9**	**(79.8)**	51.8	258.4	20.0
Dilutive effect of LTIP shares	**–**	**0.2**	**–**	–	0.8	–
Diluted	**(201.9)**	**253.1**	**(79.8)**	51.8	259.2	20.0

Basic and diluted EPRA earnings per share

	(Loss)/ profit after tax 2021 £m	**Number of shares 2021 million**	**(Loss)/ earnings per share 2021 pence**	Profit after tax 2020 £m	Number of shares 2020 million	Earnings per share 2020 pence
Basic	**(201.9)**	**252.9**	**(79.8)**	51.8	258.4	20.0
Deficit from investment property net of tax (note 9)	**156.8**	**–**	**62.0**	52.6	–	20.3
Deficit/(surplus) from joint venture investment property (note 11)	**83.4**	**–**	**33.0**	(46.6)	–	(18.0)
(Profit)/loss on sale of trading property net of tax (note 10)	**–**	**–**	**–**	(0.8)	–	(0.3)
Debt redemption costs from joint ventures (note 11)	**1.9**	**–**	**0.7**	–	–	–
Deferred tax (note 7)	**(0.1)**	**–**	**–**	–	–	–
Basic EPRA earnings	**40.1**	**252.9**	**15.9**	57.0	258.4	22.0
Dilutive effect of LTIP shares (note 21)	**–**	**0.2**	**(0.1)**	–	0.8	–
Diluted EPRA earnings	**40.1**	**253.1**	**15.8**	57.0	259.2	22.0

Net assets per share:

In October 2019, EPRA issued new Best Practice Recommendations for Net Asset Value (NAV) metrics, these recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group. The recommendations introduced three new NAV metrics: EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV). We consider EPRA NTA to be the most relevant measure for the Group and the primary measure of net asset value, replacing the metric EPRA NAV as previously reported. There are no measurement differences between EPRA NTA and NAV for the current or prior year.

Number of ordinary shares

	2021 Number of shares	2020 Number of shares
Issued ordinary share capital	**253,867,911**	253,867,911
Investment in own shares	**(877,335)**	(1,109,303)
Number of shares – basic	**252,990,576**	252,758,608
Dilutive effect of LTIP shares	**203,596**	959,394
Number of shares – diluted	**253,194,172**	253,718,002

EPRA net assets per share at 31 March 2021

	IFRS £m	**EPRA NTA £m**	**EPRA NDV £m**	**EPRA NRV £m**
IFRS basic and diluted net assets	**1,971.6**	**1,971.6**	**1,971.6**	**1,971.6**
Fair value of financial liabilities (note 17)	**–**	**–**	**(3.0)**	**–**
Real estate transfer tax	**–**	**–**	**–**	**179.3**
Net assets used in per share calculations	**1,971.6**	**1,971.6**	**1,968.6**	**2,150.9**

	IFRS	**EPRA NTA**	**EPRA NDV**	**EPRA NRV**
Net assets per share	**779**	**779**	**778**	**850**
Diluted net assets per share	**779**	**779**	**777**	**849**

EPRA net assets per share at 31 March 2020

	IFRS £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m
IFRS basic and diluted net assets	2,203.1	2,203.1	2,203.1	2,203.1
Fair value of financial liabilities (note 17)	–	–	9.8	–
Fair value of financial liabilities in joint ventures (note 11)	–	–	(1.4)	–
Real estate transfer tax	–	–	–	191.5
EPRA net assets	2,203.1	2,203.1	2,211.5	2,394.6

	IFRS	EPRA NTA	EPRA NDV	EPRA NRV
Net assets per share	871	871	875	947
Diluted net assets per share	868	868	871	944

Total Accounting Return (TAR)

	2021 Pence per share	2020 Pence per share
Opening EPRA NTA (A)	**868.0**	853.0
Closing EPRA NTA	**779.0**	868.0
(Decrease)/increase in EPRA NTA	**(89.0)**	15.0
Ordinary dividends paid in the year	**12.6**	12.6
Total return (B)	**(76.4)**	27.6
Total accounting return (B/A)	**(8.8%)**	3.2%

EPRA cost ratio (including share of joint ventures)

	2021 £m	2020 £m
Administration expenses	**25.2**	29.0
Property costs	**9.7**	8.1
Joint venture management fee income	**(3.7)**	(2.1)
Joint venture property and administration costs	**2.1**	1.7
EPRA costs (including direct vacancy costs) (A)	**33.3**	36.7
Direct vacancy costs	**(4.1)**	(3.8)
Joint venture direct vacancy cost	**(0.3)**	(0.4)
EPRA costs (excluding direct vacancy costs) (B)	**28.9**	32.5
Net rental income	**62.1**	79.9
Joint venture net rental income	**17.4**	17.9
Gross rental income (C)	**79.5**	97.8
Portfolio at fair value including joint ventures (D)	**2,457.1**	2,624.1
Cost ratio (including direct vacancy costs) (A/C)	**41.9%**	37.5%
Cost ratio (excluding direct vacancy costs) (B/C)	**36.4%**	33.2%
Cost ratio (by portfolio value) (A/D)	**1.4%**	1.4%

Loan-to-property value and net debt

We consider loan-to-property value, including our share of joint ventures, to be the best measure of the Group's risk from financial leverage. We also present net gearing as it is a key covenant on our loan facilities (see note 17).

	2021 £m	2020 £m
£21.9 million 5⅝% debenture stock 2029	**22.0**	22.0
£450.0 million revolving credit facility	**43.3**	148.1
Private placement notes	**423.3**	274.2
Less: cash balances	**(11.1)**	(94.9)
Net debt excluding joint ventures	**477.5**	349.4
Joint venture bank loans (at share)	**–**	39.9
Less: joint venture cash balances (at share)	**(26.5)**	(16.0)
Net debt including joint ventures (A)	**451.0**	373.3
Group properties at market value	**1,853.8**	1,946.4
Joint venture properties at market value	**603.3**	677.7
Properties at fair value including joint ventures (B)	**2,457.1**	2,624.1
Loan-to-property value (A/B)	**18.4%**	14.2%

Net gearing

	2021 £m	2020 £m
Nominal value of interest-bearing loans and borrowings (see note 16)	**492.1**	447.1
Obligations under occupational leases	**3.9**	4.8
Less: cash balances	**(11.1)**	(94.9)
Adjusted net debt (A)	**484.9**	357.0
Net assets	**1,971.6**	2,203.1
Pension scheme (assets)/liabilities	**(0.7)**	0.4
Adjusted net equity (B)	**1,970.9**	2,203.5
Net gearing (A/B)	**24.6%**	16.2%

Cash earnings per share

	Profit after tax 2021 £m	**Number of shares 2021 million**	**Earnings per share 2021 pence**	Profit after tax 2020 £m	Number of shares 2020 million	Earnings per share 2020 pence
Diluted EPRA earnings	**40.1**	**253.1**	**15.8**	57.0	259.2	22.0
Capitalised interest	**(6.3)**	**–**	**(2.5)**	(5.8)	–	(2.2)
Capitalised interest in joint ventures	**(2.9)**	**–**	**(1.1)**	(4.4)	–	(1.7)
Spreading of lease incentives	**2.7**	**–**	**1.0**	(0.3)	–	(0.1)
Spreading of lease incentives in joint ventures	**(4.1)**	**–**	**(1.6)**	(2.7)	–	(1.1)
Employee Long-Term Incentive Plan charge	**1.5**	**–**	**0.6**	2.6	–	1.0
Cash earnings per share	**31.0**	**253.1**	**12.2**	46.4	259.2	17.9

9 Investment property

Investment property

	Freehold £m	**Leasehold £m**	**Total £m**
Book value at 1 April 2019	733.5	1,081.1	1,814.6
Costs capitalised	11.8	11.8	23.6
Disposals	(56.9)	–	(56.9)
Net valuation deficit on investment property	(22.4)	(23.3)	(45.7)
Book value at 31 March 2020	666.0	1,069.6	1,735.6
Costs capitalised	**10.0**	**5.1**	**15.1**
Transfer from investment property under development	**62.2**	**–**	**62.2**
Transfer to investment property under development	**(80.0)**	**–**	**(80.0)**
Net valuation deficit on investment property	**(42.3)**	**(110.0)**	**(152.3)**
Book value at 31 March 2021	**615.9**	**964.7**	**1,580.6**

Investment property under development

	Freehold £m	**Leasehold £m**	**Total £m**
Book value at 1 April 2019	210.4	–	210.4
Costs capitalised	48.1	–	48.1
Interest capitalised	5.8	–	5.8
Net revaluation deficit on investment property under development	(12.8)	–	(12.8)
Book value at 31 March 2020	251.5	–	251.5
Costs capitalised	**43.4**	**–**	**43.4**
Interest capitalised	**6.3**	**–**	**6.3**
Transfer from investment property	**80.0**	**–**	**80.0**
Transfer to investment property	**(62.2)**	**–**	**(62.2)**
Net valuation deficit on investment property under development	**(5.1)**	**–**	**(5.1)**
Book value at 31 March 2021	**313.9**	**–**	**313.9**

Total investment property	**929.8**	**964.7**	**1,894.5**

The book value of investment property includes £40.7 million (2020: £40.7 million) in respect of the present value of future ground rents. The market value of the portfolio (excluding these amounts) is £1,853.8 million. The market value of the Group’s total property portfolio, including trading properties, was £1,853.8 million

(2020: £1,946.4 million). The total portfolio value including joint venture properties of £603.3 million (see note 11) was £2,457.1 million. At 31 March 2021, property with a carrying value of £113.1 million (2020: £112.6 million) was secured under the first mortgage debenture stock (see note 16).

Surplus from investment property

	2021 **£m**	2020 £m
Net valuation deficit on investment property	**(157.4)**	(58.5)
Profit on sale of investment properties	**0.6**	5.9
	(156.8)	(52.6)

The Group's investment properties, including those held in joint ventures (note 11), were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2021. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK national supplement 2020 (the Red Book) and have been primarily derived using comparable recent market transactions on arm's length terms.

The total fees, including the fixed fee for this assignment, earned by CBRE (or other companies forming part of the same group of companies within the UK) from the Group are less than 5.0% of total UK revenues. 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 at 31 March 2021

		ERV		**True equivalent yield**	
		Average **£ per sq ft**	**Range** **£ per sq ft**	**Average** **%**	**Range** **%**
North of Oxford Street	Office	**77**	**43 – 95**	**4.5**	**4.1 – 6.8**
	Retail	**67**	**30 – 122**	**4.6**	**4.3 – 7.0**
Rest of West End	Office	**81**	**57 – 94**	**4.8**	**3.3 – 6.2**
	Retail	**95**	**15 – 255**	**4.4**	**3.2 – 6.2**
City, Midtown and Southwark	Office	**57**	**46 – 65**	**5.3**	**4.4 – 6.2**
	Retail	**28**	**24 – 72**	**5.2**	**4.4 – 5.2**

Key inputs to the valuation at 31 March 2020

		ERV		**True equivalent yield**	
		Average **£ per sq ft**	**Range** **£ per sq ft**	**Average** **%**	**Range** **%**
North of Oxford Street	Office	75	46 – 92	4.5	4.1 – 6.8
	Retail	77	32 – 147	4.2	3.6 – 6.7
Rest of West End	Office	81	60 – 93	4.8	3.6 – 6.2
	Retail	120	14 – 335	4.1	3.1 – 6.2
City, Midtown and Southwark	Office	56	46 – 64	5.1	4.4 – 5.6
	Retail	77	33 – 111	4.6	4.4 – 4.9

Everything else being equal, there is a positive relationship between rental values and the property valuation, such that an increase in rental values will increase the valuation of a property and a decrease in rental values will reduce the valuation of the property. Any percentage movement in rental values will translate into approximately the same percentage movement in the property valuation. However, due to the long-term nature of leases, where the passing rent is fixed and often subject to upwards only rent reviews, the impact will not be immediate and will be recognised over a number of years. The relationship between capitalisation yields and the property valuation is negative and more immediate; therefore an increase in capitalisation yields will reduce the valuation of a property and a reduction will increase its valuation. A decrease in the capitalisation yield by 25 basis points would result in an increase in the fair value of the Group's investment property by £140.4 million, whilst a 25 basis point increase would reduce the fair value by £126.0 million. There are interrelationships between these inputs as they are determined by market conditions, and the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions (i.e. rental values increase and yields decrease) valuation movements can be amplified, whereas if they move in the same direction they may offset, reducing the overall net valuation movement. Additionally, investment property under development is sensitive to income, cost and developer's profit assumptions included in the valuations.

At 31 March 2021, the Group had capital commitments of £60.5 million (2020: £57.5 million).

EPRA capital expenditure

	2021 £m	2020 £m
Group		
Acquisitions	**–**	–
Developments	**43.4**	48.1
Interest capitalised	**6.3**	5.8
Investment properties: incremental lettable space	**–**	–
Investment properties: no incremental lettable space	**17.8**	23.6
Lease incentives	**(2.7)**	0.3
Joint ventures (at share)		
Developments	**11.1**	34.1
Interest capitalised	**2.9**	4.4
Investment properties: incremental lettable space	**–**	–
Investment properties: no incremental lettable space	**0.4**	0.7
Lease incentives	**4.1**	2.7
Total capital expenditure	**83.3**	119.7
Conversion from accrual to cash basis	**1.7**	(4.4)
Total capital expenditure on a cash basis	**85.0**	115.3

EPRA net initial yield (NIY) and topped up NIY

	2021 £m	2020 £m
Properties at fair value including joint ventures	**2,457.1**	2,624.1
Less: properties under development including joint ventures	**(313.9)**	(590.3)
Less: residential properties	**(13.2)**	(24.2)
Like-for-like investment property portfolio, proposed and completed developments	**2,130.0**	2,009.6
Plus: estimated purchasers' costs	**155.4**	146.6
Grossed-up completed property portfolio valuation (B)	**2,285.4**	2,156.2
Annualised cash passing rental income[1]	**78.0**	81.5
Net service charge expense including joint ventures	**(2.2)**	(2.4)
Other irrecoverable property costs including joint ventures	**(8.4)**	(6.1)
Annualised net rents (A)	**67.4**	73.0
Plus: rent-free periods and other lease incentives including joint ventures	**8.3**	4.7
Topped-up annualised net rents (C)	**75.7**	77.7

EPRA net initial yield (A/B)	**3.0%**	3.4%
EPRA topped-up initial yield (C/B)	**3.3%**	3.6%

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

See note 8 for further detail on EPRA measures.

10 Trading property

	2021 £m	2020 £m
At 1 April	**–**	5.6
Disposals	**–**	(5.6)
At 31 March	**–**	–

The Group has developed a large mixed-use scheme at Rathbone Square, W1. Part of the approved scheme consisted of residential units which the Group held for sale. As a result, the residential element of the scheme was classified as trading property. In the prior year, the final residential unit was sold for £5.6 million.

11 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	**Balances with partners £m**	**2021 Total £m**	2020 Total £m
At 1 April	**400.4**	**246.6**	**647.0**	511.9
Movement on joint venture balances	**–**	**53.1**	**53.1**	63.8
Additions	**10.8**	**–**	**10.8**	18.0
Share of profit of joint ventures	**7.2**	**–**	**7.2**	11.3
Share of revaluation deficit of joint ventures	**(84.7)**	**–**	**(84.7)**	46.6
Share of profit on disposal of joint venture properties	**1.3**	**–**	**1.3**	–
Share of results of joint ventures	**(76.2)**	**–**	**(76.2)**	57.9
Distributions	**(8.3)**	**–**	**(8.3)**	(4.6)
At 31 March	**326.7**	**299.7**	**626.4**	647.0

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

	Country of registration	**2021 ownership**	2020 ownership
The GHS Limited Partnership	Jersey	**50%**	50%
The Great Capital Partnership (inactive)	United Kingdom	**50%**	50%
The Great Ropemaker Partnership	United Kingdom	**50%**	50%
The Great Victoria Partnerships	United Kingdom	**50%**	50%
The Great Wigmore Partnership (inactive)	United Kingdom	**50%**	50%

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

	The GHS Limited Partnership £m	**The Great Ropemaker Partnership £m**	**The Great Victoria Partnerships £m**	**Other £m**	**2021 Total £m**	**2021 At share £m**	2020 At share £m
Balance sheets							
Investment property	**611.0**	**502.2**	**103.7**	**–**	**1,216.9**	**608.5**	682.9
Current assets	**1.3**	**5.9**	**2.6**	**–**	**9.8**	**4.9**	3.6
Cash	**31.4**	**10.6**	**10.9**	**–**	**52.9**	**26.5**	16.0
Balances from partners	**(224.7)**	**(301.5)**	**(73.1)**	**–**	**(599.3)**	**(299.7)**	(246.6)
Bank loans	**–**	**–**	**–**	**–**	**–**	**–**	(39.9)
Current liabilities	**(3.3)**	**(11.9)**	**(1.3)**	**–**	**(16.5)**	**(8.3)**	(10.4)
Head lease obligations	**–**	**(10.3)**	**–**	**–**	**(10.3)**	**(5.2)**	(5.2)
Net assets	**415.7**	**195.0**	**42.8**	**–**	**653.5**	**326.7**	400.4

	The GHS Limited Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	Other £m	2021 Total £m	2021 At share £m	2020 At share £m
Income statements							
Net rental income	**6.0**	**23.4**	**5.3**	**–**	**34.7**	**17.4**	17.9
Property and administration costs	**(1.7)**	**(2.0)**	**(0.6)**	**0.1**	**(4.2)**	**(2.1)**	(1.7)
Net finance costs	**(4.0)**	**(6.5)**	**(1.8)**	**–**	**(12.3)**	**(6.2)**	(4.9)
Debt redemption costs	**–**	**–**	**(3.8)**	**–**	**(3.8)**	**(1.9)**	–
Profit/(loss) from joint ventures	**0.3**	**14.9**	**(0.9)**	**0.1**	**14.4**	**7.2**	11.3
Revaluation of investment property	**(71.9)**	**(42.3)**	**(43.2)**	**–**	**(157.4)**	**(84.7)**	46.6
Profit on sale of investment property	**2.6**	**–**	**–**	**–**	**2.6**	**1.3**	–
Share of results of joint ventures	**(69.0)**	**(27.4)**	**(44.1)**	**0.1**	**(140.4)**	**(76.2)**	57.9

During the year, the £80.0 million loan facility in the Great Victoria Partnership was repaid in full. At 31 March 2021, the joint ventures had no debt facilities.

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

	2021 £m	2020 £m
Movement on joint venture balances during the year	**(53.1)**	(63.8)
Balances receivable at the year end from joint ventures	**(299.7)**	(246.6)
Interest on balances with partners (see note 5)	**7.8**	6.9
Distributions	**8.3**	4.6
Joint venture fees paid (see note 2)	**3.7**	2.1

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 and the Great Ropemaker Partnership at 2.0%.

The investment properties include £5.2 million (2020: £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 £603.3 million. The Group earns fee income from its joint ventures for the provision of management services. All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions. See note 9 and note 14 for more information on the valuation of investment properties and expected credit losses in joint ventures.

At 31 March 2021, the Group had £nil contingent liabilities arising in its joint ventures (2020: £nil). At 31 March 2021, the Group had capital commitments in respect of its joint ventures of £3.3 million (2020: £13.4 million).

12 Property, plant and equipment

	Right of use asset for occupational leases £m	Leasehold improvements £m	Fixtures and fittings/other £m	Total £m
Cost				
At 1 April 2019	–	5.6	1.1	6.7
Adoption of IFRS 16	4.9	–	–	4.9
Costs capitalised	–	–	0.1	0.1
At 31 March 2020	4.9	5.6	1.2	11.7
Costs capitalised	**–**	**–**	**0.4**	**0.4**
At 31 March 2021	**4.9**	**5.6**	**1.6**	**12.1**
Depreciation				
At 1 April 2020	0.8	2.4	1.0	4.2
Charge for the year	**0.8**	**0.5**	**0.3**	**1.6**
At 31 March 2021	**1.6**	**2.9**	**1.3**	**5.8**
Carrying amount at 31 March 2020	4.1	3.2	0.2	7.5
Carrying amount at 31 March 2021	**3.3**	**2.7**	**0.3**	**6.3**

13 Other investments

	2021 £m	2020 £m
At 1 April	**0.2**	–
Acquisitions	**0.8**	0.2
At 31 March	**1.0**	0.2

In January 2020, the Group entered into a commitment of up to £5 million to invest in Pi Labs European PropTech venture capital fund. At 31 March 2021, the Group had made investments of £1.0 million. Launched in 2014, Pi Labs is Europe's longest standing PropTech VC and this third fund has a primary focus to invest in early stage PropTech start-ups across Europe and the UK that use technology solutions to enhance any stage of the real estate value chain. Key areas of focus for the fund include sustainability, future of work, future of retail, commercial real estate technologies, construction technology and smart cities.

14 Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**23.4**	11.8
Expected credit loss allowance	**(7.9)**	(2.2)
	15.5	9.6
Prepayments	**0.8**	1.0
Amounts due on development management contracts	**0.1**	1.4
Other trade receivables	**3.1**	4.1
	19.5	16.1

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 occupier's lease. Trade receivables are provided for based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on an assessment of each individual occupier's circumstance. This assessment reviews the outstanding balances of each individual occupier and makes an assessment of the likelihood of recovery, based on an evaluation of their financial situation. Where the expected credit loss relates to revenue already recognised this has been recognised immediately in the income statement. For the portion of the expected credit loss that relates to future revenue which is no longer considered fully recoverable, the relevant amount of rent received in advance has been released.

Debtors past due but not impaired were £14.8 million (2020: £0.6 million) of which £8.7 million (2020: £0.6 million) is over 30 days.

	2021 £m	2020 £m
Movements in expected credit loss allowance		
Balance at the beginning of the year	**(2.2)**	(0.7)
Expected credit loss allowance during the year (see below)	**(9.2)**	(0.1)
Expected credit loss allowance in respect of future years	**0.1**	(2.1)
Amounts written-off as uncollectable	**3.4**	0.7
	(7.9)	(2.2)

COVID-19 has had a significant impact on many of our occupiers and their ability to meet their rental obligations. Accordingly, the expected credit loss allowance during the year is materially higher than in previous periods and comprises:

	Gross 2021 £m	**Net of VAT 2021 £m**
Expected credit loss allowance during the year		
Group	**9.2**	**7.7**
Joint ventures	**2.3**	**1.9**
	11.5	**9.6**

The expected credit loss for the year represents around 65% of the trade receivables balance at the balance sheet date. Each 5% increase, or decrease, to the expected credit loss would impact the Group loss provision by £0.6 million and joint venture loss provision by £0.1 million.

15 Trade and other payables

	2021 £m	2020 £m
Rents received in advance	**15.1**	19.4
Deposits received on forward sale of residential units	**–**	0.3
Accrued capital expenditure	**18.8**	18.4
Other accruals	**14.7**	8.7
Other payables	**6.5**	13.2
	55.1	60.0

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

16 Interest-bearing loans and borrowings

	2021 £m	2020 £m
Non-current liabilities at amortised cost		
Secured		
£21.9 million 5⅝% debenture stock 2029	**22.0**	22.0
Unsecured		
£450.0 million revolving credit facility	**43.3**	148.1
£175.0 million 2.15% private placement notes 2024	**174.6**	174.5
£40.0 million 2.70% private placement notes 2028	**39.9**	39.9
£30.0 million 2.79% private placement notes 2030	**29.9**	29.9
£30.0 million 2.93% private placement notes 2033	**29.9**	29.9
£25.0 million 2.75% private placement notes 2032	**24.8**	–
£125.0 million 2.77% private placement notes 2035	**124.2**	–
Non-current interest-bearing loans and borrowings	**488.6**	444.3

In January 2021, the Group extended the maturity of £400 million of its £450 million unsecured revolving credit facility (RCF) to January 2026. The headline margin was unchanged at 90.0 basis points over LIBOR (plus or minus 2.5 basis points subject to a number of ESG-linked targets in future years) and the facility can potentially be extended further to January 2027, subject to bank consent.

At 31 March 2021, the nominal value of the Group's interest-bearing loans and borrowing was £492.1 million (2020: £447.1 million) and the Group had £405.0 million (2020: £301.0 million) of undrawn credit facilities.

17 Financial instruments

Categories of financial instrument	**Carrying amount 2021 £m**	**Amounts recognised in income statement 2021 £m**	**Gain/(loss) to equity 2021 £m**	Carrying amount 2020 £m	Amounts recognised in income statement 2020 £m	Gain/(loss) to equity 2020 £m
Other investments	**1.0**	**–**	**–**	0.2	–	–
Assets at fair value	**1.0**	**–**	**–**	0.2	–	–
Balances with partners	**299.7**	**7.8**	**–**	246.6	6.9	–
Trade receivables	**19.1**	**(7.7)**	**–**	15.6	(0.1)	–
Cash and cash equivalents	**11.1**	**0.2**	**–**	94.9	0.4	–
Loans and receivables	**329.9**	**0.3**	**–**	357.1	7.2	–
Trade and other payables	**(3.0)**	**–**	**–**	(11.2)	–	–
Interest-bearing loans and borrowings	**(488.6)**	**(5.8)**	**–**	(444.3)	(4.5)	–
Obligations under occupational leases	**(3.9)**	**(0.1)**	**–**	(4.8)	(0.1)	–
Obligations under finance leases	**(40.7)**	**(1.9)**	**–**	(40.7)	(1.9)	–
Liabilities at amortised cost	**(536.2)**	**(7.8)**	**–**	(501.0)	(6.5)	–
Total financial instruments	**(205.3)**	**(7.5)**	**–**	(143.7)	0.7	–

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 reviewing the financial information of prospective occupiers and only dealing with those that are creditworthy and obtaining sufficient rental cash deposits or third-party guarantees as a means of mitigating financial loss from defaults. The concentration of credit risk is limited due to the large and diverse occupier base, with no one occupier providing more than 10% of the Group's rental income.

COVID-19 has had a significant impact on the Group's credit risk, with rent collection rates greatly reduced. As a result, the reliance on historical collection performance has been less relevant, with greater weight placed on the assessment of individual occupiers' financial status, prospects for the reopening of the economy and the sector in which the occupier operates particularly in the retail hospitality and leisure sectors. Details of the Group's receivables, and the associated expected credit loss, are summarised in note 14 of the financial statements. The directors believe that there is no further expected credit loss required in excess of that provided.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group's cash deposits are placed with a diversified range of 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 operate on a going concern basis and as such it aims to maintain an appropriate mix of debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued share capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. Debt comprises long-term debenture stock, private placement notes and drawings against committed revolving credit facilities from banks. The Group aims to maintain a loan-to-property value of between 10–40% (see note 8). The Group operates solely in the United Kingdom, and its operating profits and net assets are sterling denominated. As a result, the Group's policy is to have no unhedged assets or liabilities denominated in foreign currencies. The currency risk on overseas transactions has historically been 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 2021 actuals
Group		
Net gearing (see note 8)	**<125%**	**24.6%**
Inner borrowing (unencumbered asset value/unsecured borrowings)	**>1.66x**	**3.67x**
Interest cover	**>1.35x**	**n/a**

Due to low levels of consolidated Group debt, there was no net interest charge (as measured under our debt covenants) in the year, as a result interest cover was not measurable. The Group has undrawn credit facilities of £405.0 million and has substantial headroom above all of its key covenants. As a result, the directors consider the Group to have adequate liquidity to be able to fund the ongoing operations of the business.

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

At 31 March 2021	**Carrying amount £m**	**Contractual cash flows £m**	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**
Non-derivative financial liabilities						
£21.9 million 5⅝% debenture stock 2029	**22.0**	**31.5**	**1.2**	**1.2**	**3.7**	**25.4**
£450.0 million revolving credit facility	**43.3**	**54.1**	**1.8**	**1.8**	**50.5**	**–**
Private placement notes	**423.3**	**521.6**	**10.8**	**10.8**	**200.1**	**299.9**
	488.6	**607.2**	**13.8**	**13.8**	**254.3**	**325.3**

At 31 March 2020	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£21.9 million 5⅝% debenture stock 2029	**22.0**	**32.7**	**1.2**	**1.2**	**3.7**	**26.6**
£450.0 million revolving credit facility	**148.1**	**162.4**	**2.5**	**2.6**	**157.3**	**–**
Private placement notes	**274.2**	**312.8**	**5.9**	**5.9**	**189.5**	**111.5**
	444.3	**507.9**	**9.6**	**9.7**	**350.5**	**138.1**

Interest rate risk

Interest rate risk arises from the Group’s use of interest-bearing financial instruments. It is the risk that future cash flows arising from a financial instrument will fluctuate due to changes in interest rates. It is the Group’s policy to reduce interest rate risk in respect of the cash flows arising from its debt finance either through the use of fixed rate debt or through the use of interest rate derivatives such as swaps, caps and floors. It is the Group’s usual policy to maintain the proportion of floating interest rate exposure to between 20–40% of forecast total debt. However, this target is flexible, and may not be adhered to at all times depending on, for example, the Group’s view of future interest rate movements. At 31 March 2021, the Group had no interest rate derivatives.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance sheet date, and represents management’s assessment of possible changes in interest rates based on historical trends. For the floating rate liabilities, the analysis is prepared assuming the amount of the liability at 31 March 2021 was outstanding for the whole year:

	Impact on profit		**Impact on equity**	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Increase of 100 basis points	**(0.5)**	(1.5)	**(0.5)**	(1.5)
Increase of 50 basis points	**(0.2)**	(0.8)	**(0.2)**	(0.8)
Decrease of 25 basis points	**n/a**	0.4	**n/a**	0.4
Decrease of 50 basis points	**n/a**	0.8	**n/a**	0.8

Fair value of interest-bearing loans and borrowings

	Book value 2021 £m	**Fair value 2021 £m**	Book value 2020 £m	Fair value 2020 £m
Items not carried at fair value				
£21.9 million 5⅝% debenture stock 2029	**22.0**	**27.0**	22.0	28.6
£450.0 million revolving credit facility	**43.3**	**43.3**	148.1	148.1
Private placement notes	**423.3**	**421.3**	274.2	257.8
	488.6	**491.6**	444.3	434.5

The fair values of the Group's private placement notes were determined by comparing the discounted future cash flows using the contracted yields with those of the reference gilts plus the implied margins, representing Level 2 fair value measurements as defined by IFRS 13 Fair Value Measurement. The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements.

18 Head lease obligations

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

	Minimum lease payments 2021 £m	**Impact of discounting 2021 £m**	**Present value of minimum lease payments 2021 £m**	Minimum lease payments 2020 £m	Interest 2020 £m	Present value of minimum lease payments 2020 £m
Less than one year	**1.9**	**(1.9)**	**–**	1.9	(1.9)	–
Between two and five years	**9.5**	**(9.4)**	**0.1**	9.5	(9.4)	0.1
More than five years	**191.1**	**(150.5)**	**40.6**	193.0	(152.4)	40.6
	202.5	**(161.8)**	**40.7**	204.4	(163.7)	40.7

19 Occupational lease obligations

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

	Minimum lease payments 2021 £m	**Impact of discounting 2021 £m**	**Present value of minimum lease payments 2021 £m**	Minimum lease payments 2020 £m	Impact of discounting 2020 £m	Present value of minimum lease payments 2020 £m
Less than one year	**1.0**	**(0.1)**	**0.9**	1.0	(0.1)	0.9
Between two and five years	**3.1**	**(0.1)**	**3.0**	4.1	(0.2)	3.9
More than five years	**–**	**–**	**–**	–	–	–
	4.1	**(0.2)**	**3.9**	5.1	(0.3)	4.8

20 Share capital

	2021 Number	2021 £m	2020 Number	2020 £m
Allotted, called up and fully paid ordinary shares of 15 5⁄19 pence				
At 1 April	**253,867,911**	**38.7**	271,365,894	41.4
Share buyback	**–**	**–**	(17,497,983)	(2.7)
At 31 March	**253,867,911**	**38.7**	253,867,911	38.7

During the prior year, the Company bought 17,497,983 shares at an average price of £7.24 per share including costs. At 31 March 2021, the Company had 253,867,911 ordinary shares with a nominal value of 15 5⁄19 pence each.

21 Investment in own shares

	2021 £m	2020 £m
At 1 April	**0.6**	1.7
Employee Long-Term Incentive Plan charge	**(1.5)**	(2.6)
Transfer to retained earnings	**0.7**	1.5
At 31 March	**(0.2)**	0.6

The investment in the Company's own shares is held at cost and comprises 877,335 shares (2020: 1,109,303 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, 231,968 shares (2020: nil shares) were awarded to directors and senior employees in respect of the 2017 LTIP award and no additional shares were acquired by the Trust (2020: nil shares). The fair value of shares awarded and outstanding at 31 March 2021 was £7.9 million (2020: £7.3 million).

22 Notes to the Group statement of cash flows

Reconciliation of financing liabilities

	1 April 2020 £m	New obligations £m	Inflows/ (outflows) £m	Fair value changes £m	Other £m	31 March 2021 £m
Long-term borrowings	444.3	**149.1**	**(105.0)**	**–**	**0.2**	**488.6**
Obligations under leases	45.5	**–**	**(2.8)**	**–**	**1.9**	**44.6**
	489.8	**149.1**	**(107.8)**	**–**	**2.1**	**533.2**

	1 April 2019 £m	New obligations £m	Inflows/ (outflows) £m	Fair value changes £m	Other £m	31 March 2020 £m
Long-term borrowings	296.0	–	149.1	–	(0.8)	444.3
Obligations under leases	40.7	5.6	(2.8)	–	2.0	45.5
	336.7	5.6	146.3	–	1.2	489.8

Adjustment for non-cash items

	2021 £m	2020 £m
Deficit from investment property	**156.8**	52.6
Employee Long-Term Incentive Plan charge	**1.5**	2.6
Spreading of lease incentives	**2.7**	(0.3)
Share of results of joint ventures	**76.2**	(57.9)
Depreciation	**1.6**	1.5
Other	**(0.3)**	(0.9)
Adjustments for non-cash items	**238.5**	(2.4)

23 Dividends

	2021 £m	2020 £m
Dividends paid		
Interim dividend for the year ended 31 March 2021 of 4.7 pence per share	**11.9**	–
Final dividend for the year ended 31 March 2020 of 7.9 pence per share	**19.9**	–
Interim dividend for the year ended 31 March 2020 of 4.7 pence per share	**–**	11.9
Final dividend for the year ended 31 March 2019 of 7.9 pence per share	**–**	21.3
	31.8	33.2

A final dividend of 7.9 pence per share was approved by the Board on 19 May 2021 and, subject to shareholder approval, will be paid on 12 July 2021 to shareholders on the register on 28 May 2021. The dividend is not recognised as a liability at 31 March 2021. The 2020 final dividend and the 2021 interim dividend are included within the Group statement of changes in equity.

24 Lease obligations

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

	2021 £m	2020 £m
The Group as a lessor		
Less than one year	**62.7**	71.0
Between two and five years	**121.6**	154.4
More than five years	**51.7**	63.7
	236.0	289.1

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2021 was 3.3 years (2020: 3.6 years). All investment properties, except those under development, generated rental income and no contingent rents were recognised in the year (2020: £nil).

25 Employee benefits

The Group operates a UK-funded approved defined contribution plan. The Group's contribution for the year was £0.9 million (2020: £0.8 million). The Group also contributes to a defined benefit final salary pension plan (the Plan), the assets of which are held and managed by trustees separately from the assets of the Group. The Plan has been closed to new entrants since April 2002. The most recent actuarial valuation of the Plan was conducted at 1 April 2020 by a qualified independent actuary using the projected unit method. The Plan was valued using the following key actuarial assumptions:

	2021 %	2020 %
Discount rate	**2.20**	2.30
Expected rate of salary increases	**4.20**	3.50
RPI inflation	**3.20**	2.50
Rate of future pension increases	**5.00**	5.00

Life expectancy assumptions at age 65:

	2021 Years	2020 Years
Retiring today age 65	**24**	24
Retiring in 25 years (age 40 today)	**27**	26

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

	2021 £m	2020 £m
Present value of unfunded obligations	**(39.1)**	(35.9)
Fair value of the Plan assets	**39.8**	35.5
Pension asset/(deficit)	**0.7**	(0.4)

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

	2021 £m	2020 £m
Current service cost	**(0.3)**	(0.3)
Net interest cost	**–**	–
	(0.3)	(0.3)

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

	2021 £m	2020 £m
Defined benefit obligation at 1 April	**35.9**	36.6
Service cost	**0.3**	0.3
Interest cost	**0.8**	0.9
Effect of changes in demographic assumptions	**(0.2)**	–
Effect of changes in financial assumptions	**2.6**	(0.4)
Effect of experience adjustments	**0.5**	–
Benefits paid	**(0.8)**	(1.5)
Present value of defined benefit obligation at 31 March	**39.1**	35.9

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

	2021 £m	2020 £m
Fair value of the Plan assets at 1 April	**35.5**	36.6
Interest income	**0.8**	0.9
Actuarial (loss)/gain	**3.7**	(0.8)
Employer contributions	**0.6**	0.3
Benefits paid	**(0.8)**	(1.5)
Fair value of the Plan assets at 31 March	**39.8**	35.5

Net pension (asset)/liability	**(0.7)**	0.4

The amount recognised immediately in the Group statement of comprehensive income was £0.8 million (2020: £0.4 million loss).

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:

	2021 £m	2020 £m
Cash	**0.1**	0.1
Equities	**16.6**	14.3
Bonds	**23.1**	21.1
	39.8	35.5

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:

	2021 **£m**	2020 £m
Discount rate -0.25%	**41.0**	37.7
Discount rate +0.25%	**37.4**	34.2
RPI inflation -0.25%	**38.3**	35.1
RPI inflation +0.25%	**40.0**	36.7
Post-retirement mortality assumption – one year age rating	**40.9**	37.6

The Group expects to contribute £0.5 million to the Plan in the year ending 31 March 2022. The expected total benefit payments for the year ending 31 March 2022 is £0.8 million, with £5.3 million expected to be paid over the next five years. A funding plan has been agreed committing the Group to cash combinations of £248,000 p.a. over five years as well as a contribution rate of 52.9% p.a. of member pensionable salaries to eliminate any funding shortfalls and the ongoing benefit accrual.

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Flex
Individual fitted out, ready to occupy floors, let on flexible terms.

Flex+
Flex with added levels of service and shared amenity.

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

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

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

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

Like-for-like (Lfl)
The element of the portfolio that has been held for the whole of the period of account.

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

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

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

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

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

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

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

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

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

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

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

Total Accounting Return (TAR)
The growth in EPRA NTA per share plus ordinary dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period.

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

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

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

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

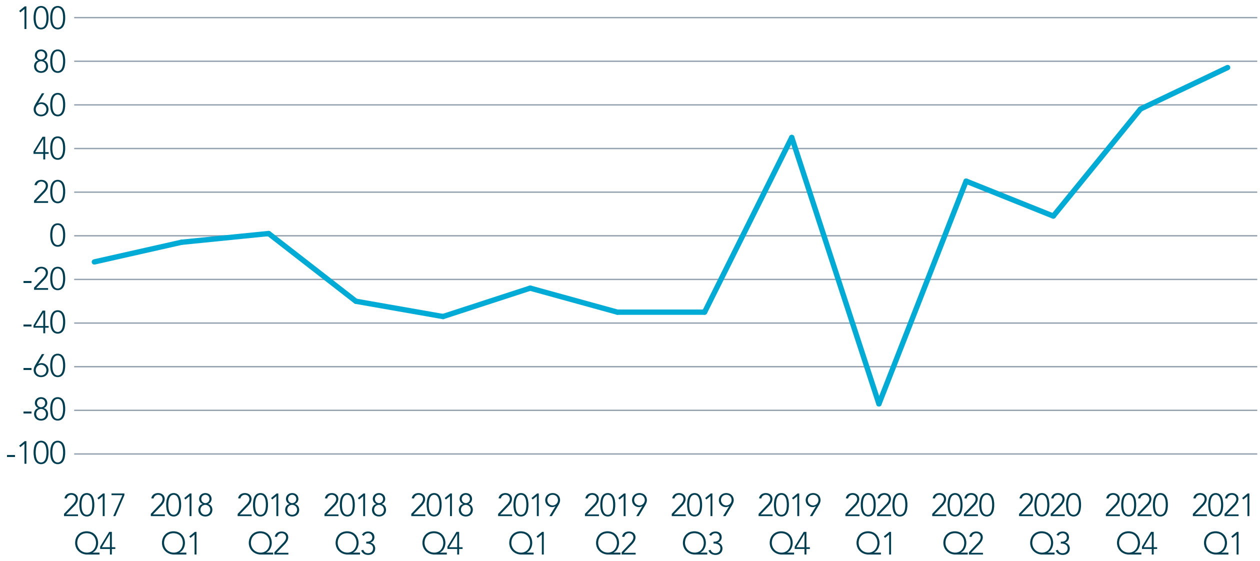
Vacancy rate
The element of a property which is unoccupied but available for letting, expressed as the ERV of the vacant space divided by the ERV of the total portfolio.

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

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

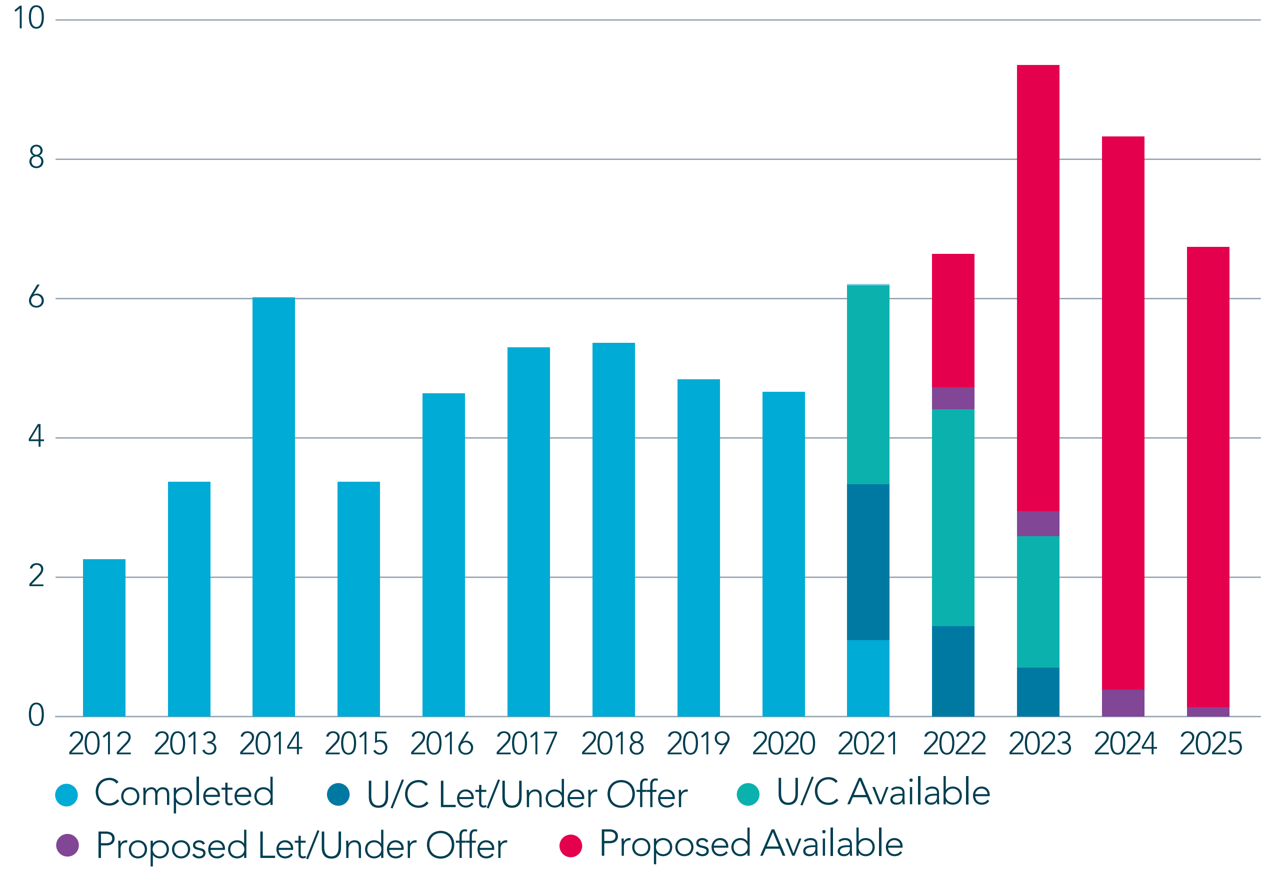
Appendix 1

Deloitte survey of UK CFOs: business optimism



Source: Deloitte Q1 2021

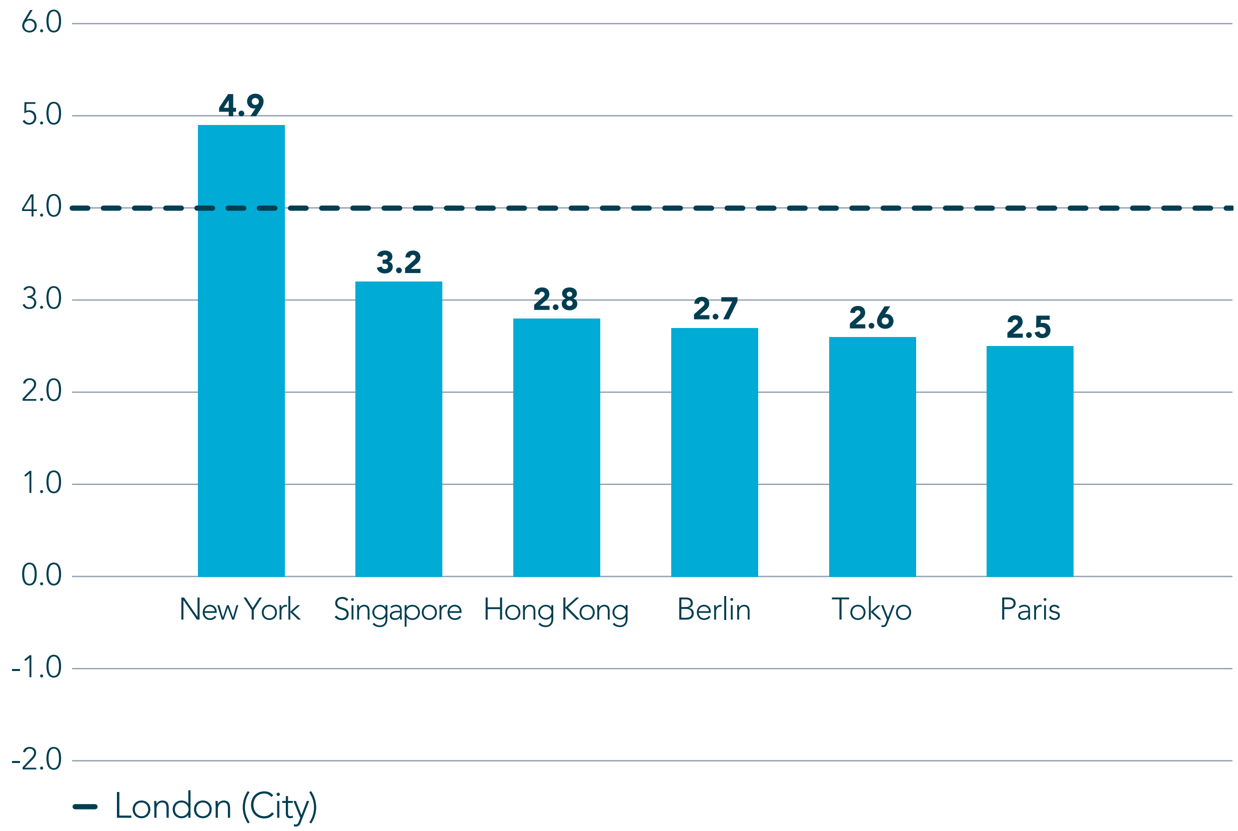
Central London developments million sq ft



Source: CBRE Research

Appendix 1 continued

London: high relative yields (prime office) %



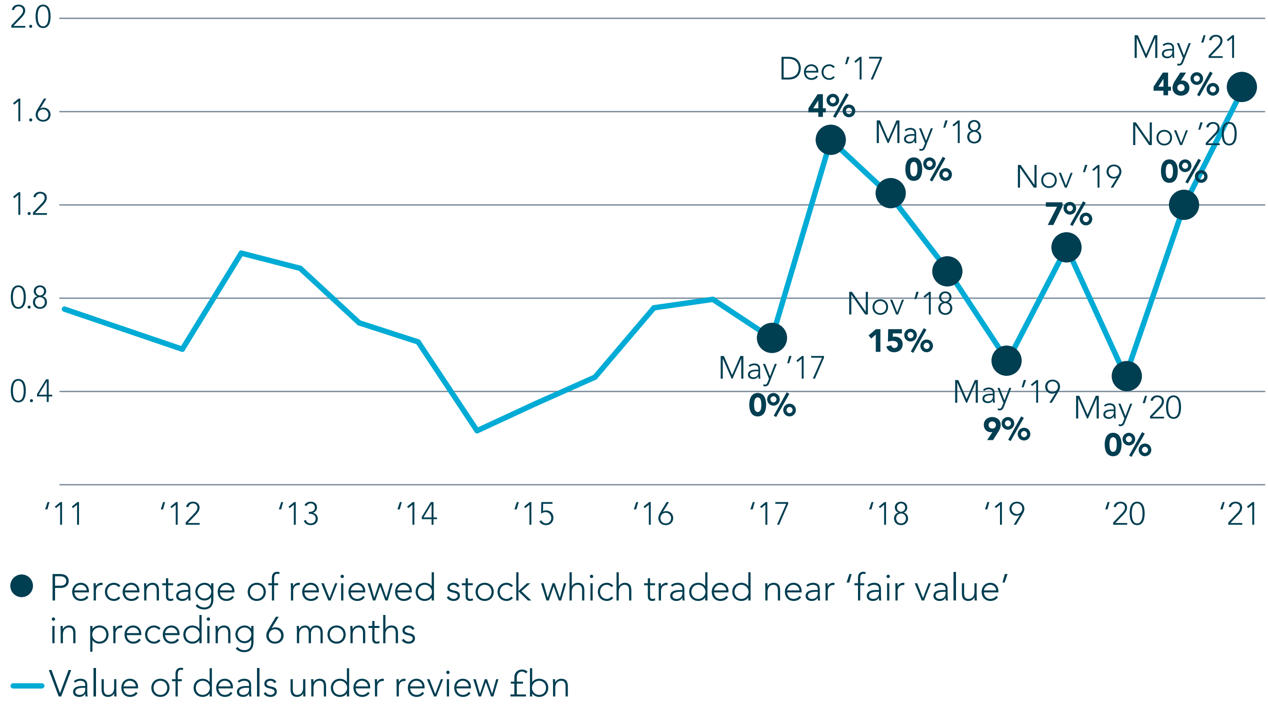
Source: JLL, Initial Yields

London investment volumes £bn

Source: CBRE Research

Appendix 1 continued

Value of deals under review £bn



Source: GPE

Selected lead indicators

Drivers of rents[1]	2020 Outlook	**2021 Outlook**
GDP/GVA growth	🔴	🟢
Business investment	🔴	🟠
Confidence	🔴	🟢
Employment growth	🔴	🟠
Active demand/take-up	🔴	🟠
Vacancy rates	🟠	🔴
Development completions	🟢	🟢
Drivers of yields		
Rental growth	🔴	🟠
Weight of money	🟠	🟢
Gilts	🟢	🟢
BBB Bonds	🔴	🟢
Exchange rates	🟠	🟠
Political risk	🟠	🟠

1. Offices.

Appendix 2

Portfolio performance

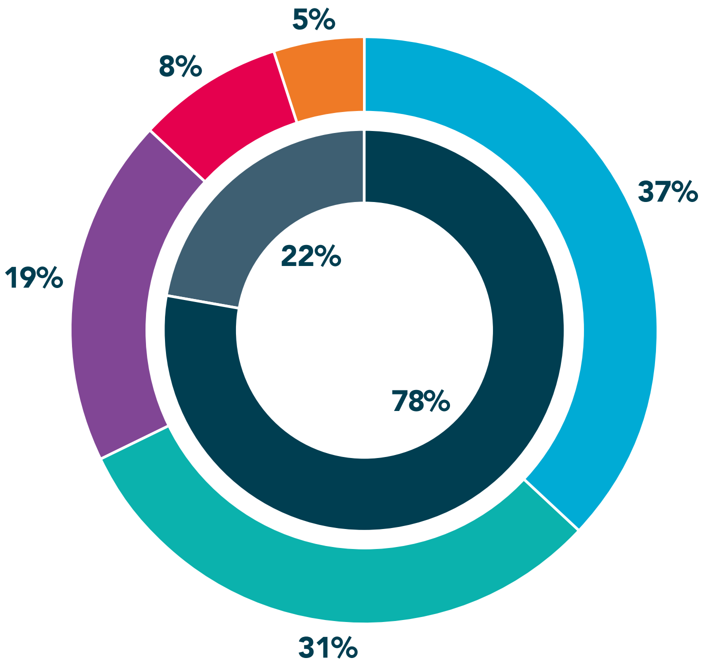
		Wholly-owned £m	Joint ventures[1] £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	531.0	–	531.0	21.6	(3.6)
	Retail	95.3	51.8	147.1	6.0	(24.6)
	Residential	4.1	–	4.1	0.2	(8.9)
Rest of West End	Office	250.7	215.0	465.7	18.9	(0.1)
	Retail	167.9	114.8	282.7	11.5	(29.2)
	Residential	5.3	–	5.3	0.2	(7.2)
Total West End		1,054.3	381.6	1,435.9	58.4	(11.5)
City, Midtown and Southwark	Office	476.4	219.1	695.5	28.3	(5.6)
	Retail	5.4	2.6	8.0	0.3	(20.1)
	Residential	3.8	–	3.8	0.2	(17.3)
Total City, Midtown and Southwark		485.6	221.7	707.3	28.8	(5.8)
Investment property portfolio		**1,539.9**	**603.3**	**2,143.2**	**87.2**	**(9.7)**
Development property		313.9	–	313.9	12.8	(1.6)
Total properties held throughout the year		**1,853.8**	**603.3**	**2,457.1**	**100.0**	**(8.7)**
Acquisitions		–	–	–	–	–
Total property portfolio		**1,853.8**	**603.3**	**2,457.1**	**100.0**	**(8.7)**

1. GPE share.

Portfolio characteristics

		Investment properties £m	Development properties £m	Total property portfolio £m	Office £m	Retail £m	Residential £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		682.2	238.3	920.5	681.5	234.9	4.1	920.5	734
Rest of West End		753.7	–	753.7	465.7	282.7	5.3	753.7	570
Total West End		**1,435.9**	**238.3**	**1,674.2**	**1,147.2**	**517.6**	**9.4**	**1,674.2**	**1,304**
City, Midtown and Southwark		707.3	75.6	782.9	766.6	12.5	3.8	782.9	1,329
Total		**2,143.2**	**313.9**	**2,457.1**	**1,913.8**	**530.1**	**13.2**	**2,457.1**	**2,633**
By use:	Office	1,692.2	221.6	1,913.8					
	Retail	437.8	92.3	530.1					
	Residential	13.2	–	13.2					
Total		**2,143.2**	**313.9**	**2,457.1**					
Net internal area sq ft 000's		2,382	251	2,633					

Our portfolio



Locations

North of Oxford Street	**£920.6m**
Rest of West End	**£753.7m**
City	**£461.0m**
Southwark	**£186.6m**
Midtown	**£135.2m**

Business mix

Office	**£1,913.8m**
Retail	**£530.1m**
Residential	**£13.2m**

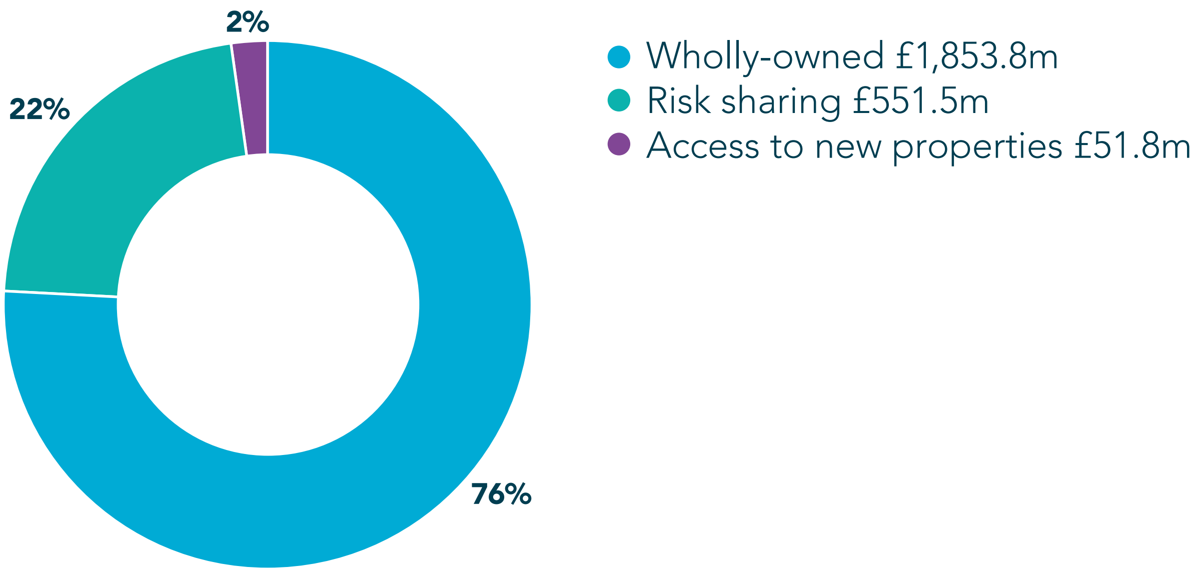
Appendix 3

Sales for the year ended 31 March 2021

	Price[1] £m	Premium to book value %	Price per sq ft £	NIY %
Residential				
Hanover Square, W1	16.0	11.7	2,515	n/a

1. Joint ventures at share.

Wholly-owned and joint venture property values at 31 March 2021



Appendix 3 continued

Four near-term schemes – 909,400 sq ft

2 Aldermanbury Square, EC2

Proposed size	320,500 sq ft
Earliest start	2022
Opportunity area	Crossrail

New City Court, SE1

Proposed size	386,400 sq ft
Earliest start	2023
Opportunity area	London Bridge

Minerva House, SE1

Proposed size	137,700 sq ft
Earliest start	2023
Opportunity area	London Bridge

French Railways House and 50 Jermyn Street, SW1

Proposed size	64,800 sq ft
Earliest start	2023
Opportunity area	Core West End

Computer Generated Images.

Appendix 3 continued

Our pipeline of opportunity

Mount Royal, W1

Proposed size	**92,100 sq ft[1]**
Earliest start	**2024**
Opportunity area	**Core West End**
Distance to Crossrail station	**600 metres**

35 Portman Square, W1

Proposed size	**72,800 sq ft[1]**
Earliest start	**2026**
Opportunity area	**Core West End**
Distance to Crossrail station	**550 metres**

Kingsland/Carrington House, W1

Proposed size	**48,800 sq ft**
Earliest start	**2022/23**
Opportunity area	**Prime retail**
Distance to Crossrail station	**550 metres**

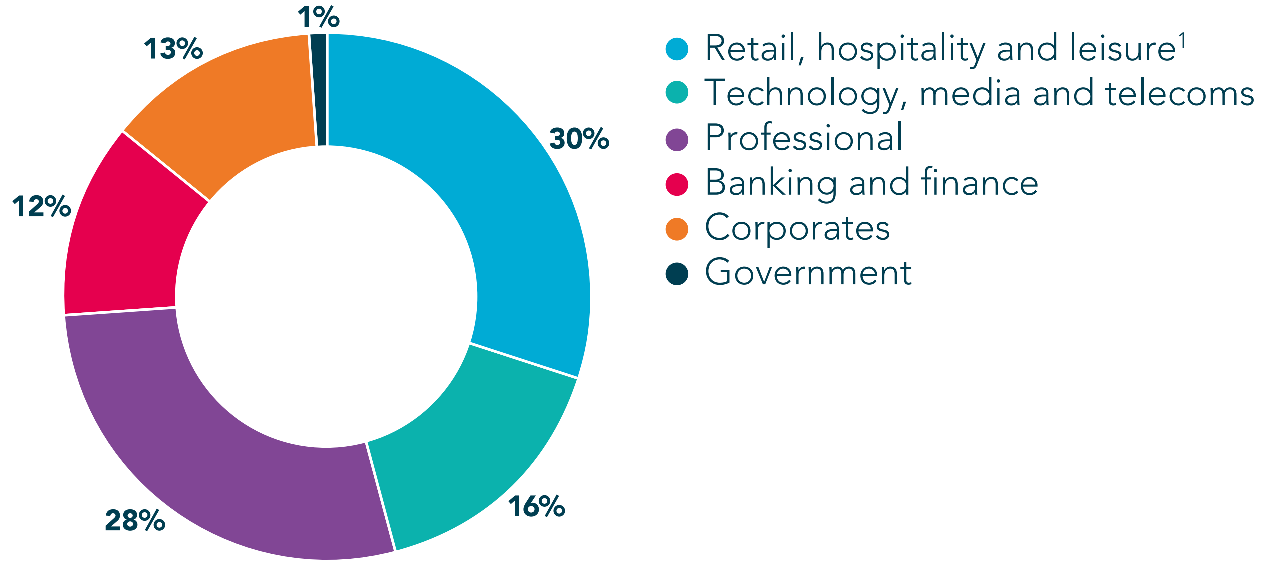
Jermyn Street Estate, SW1

Proposed size	**133,200 sq ft[1]**
Earliest start	**2028**
Opportunity area	**Core West End**
Distance to Crossrail station	**1,000 metres**

1. Existing area.

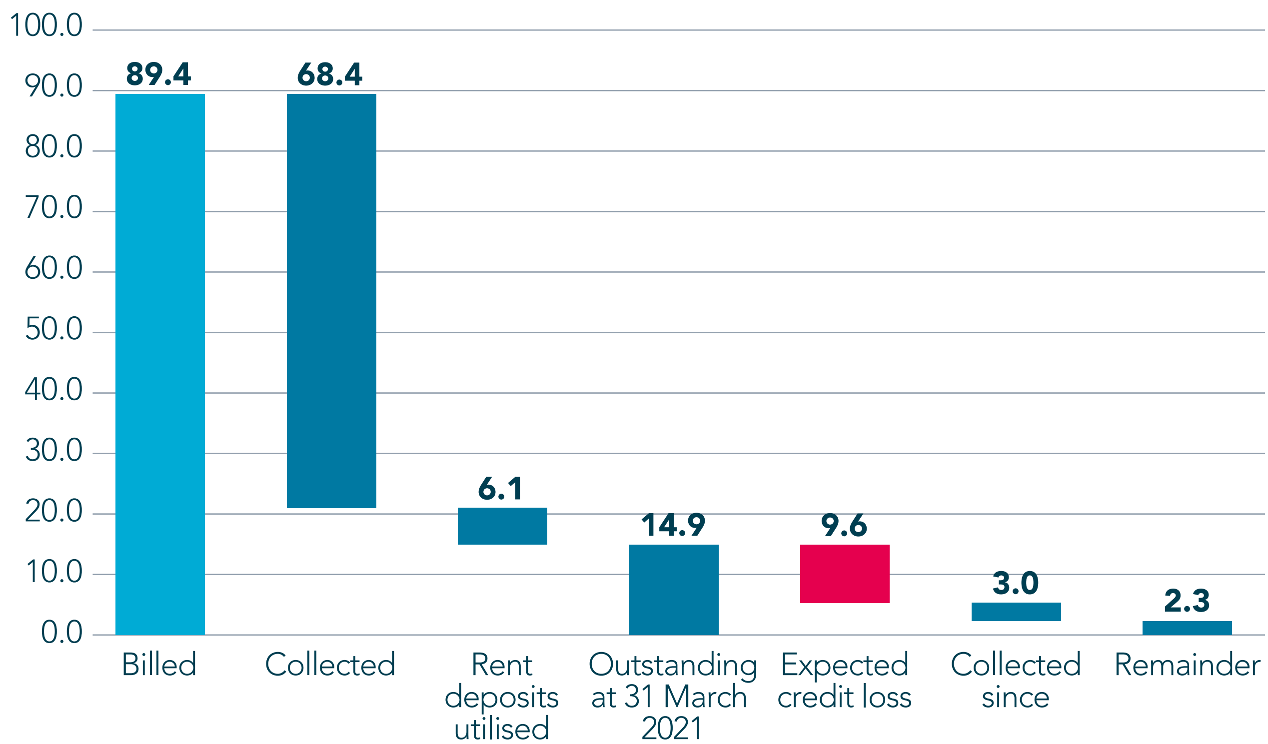
Appendix 3 continued

GPE occupier mix %



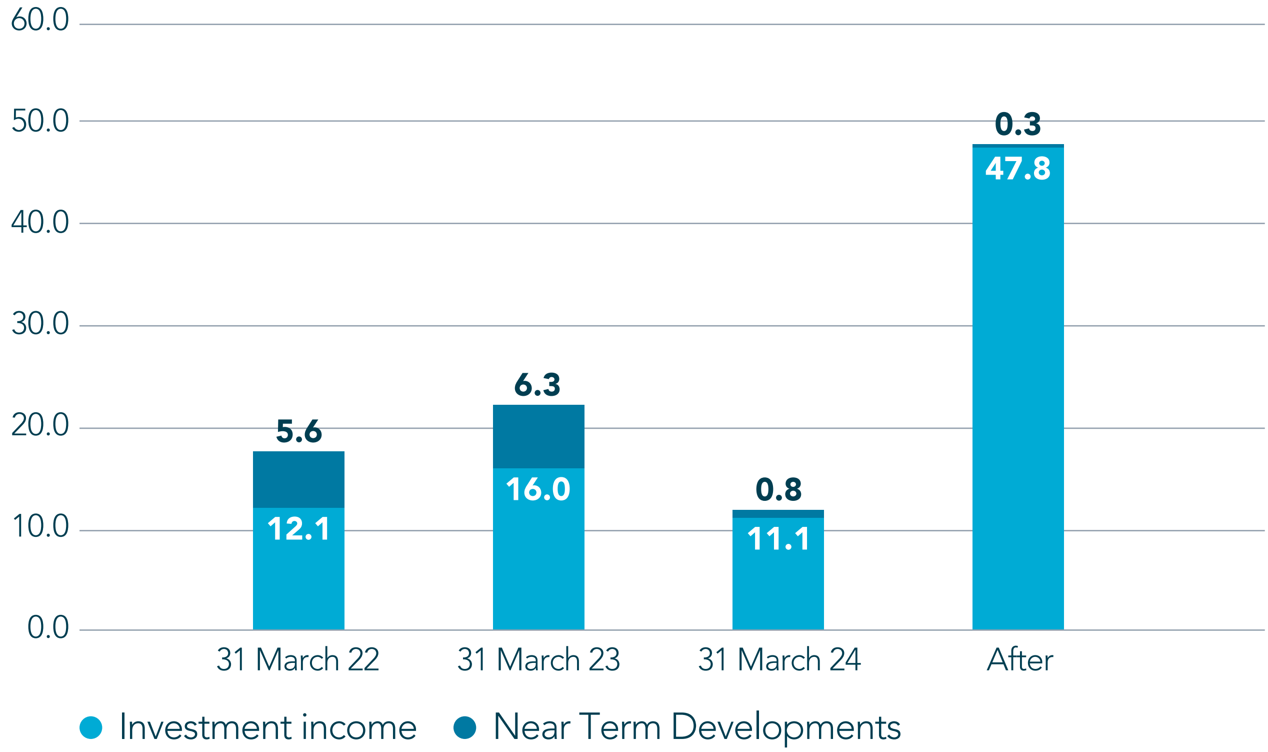
1. 22% in retail units, 8% in offices.

Rent collection for the year ended 31 March 2021 £m



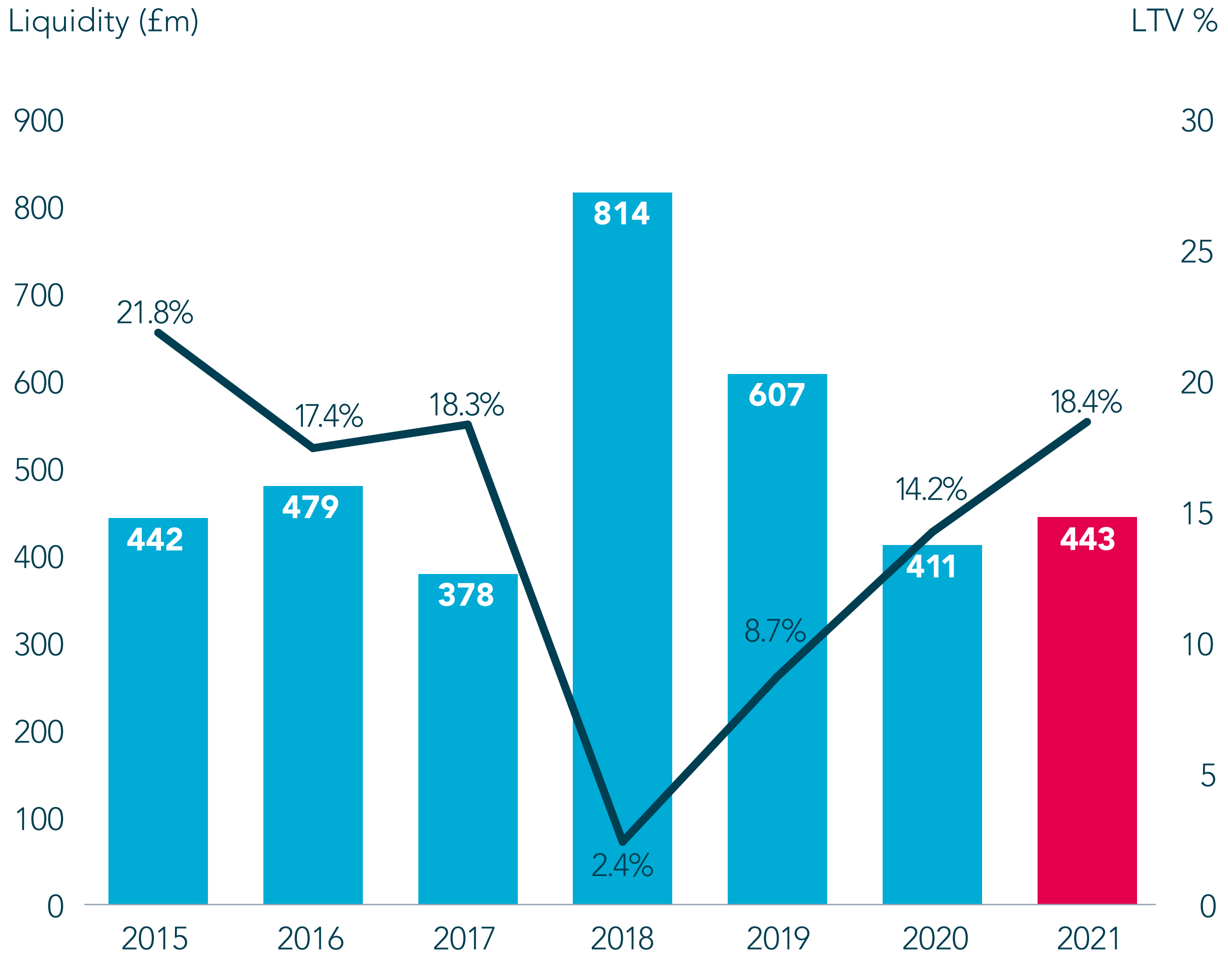
Appendix 3 continued

Rent roll subject to break or expiry %



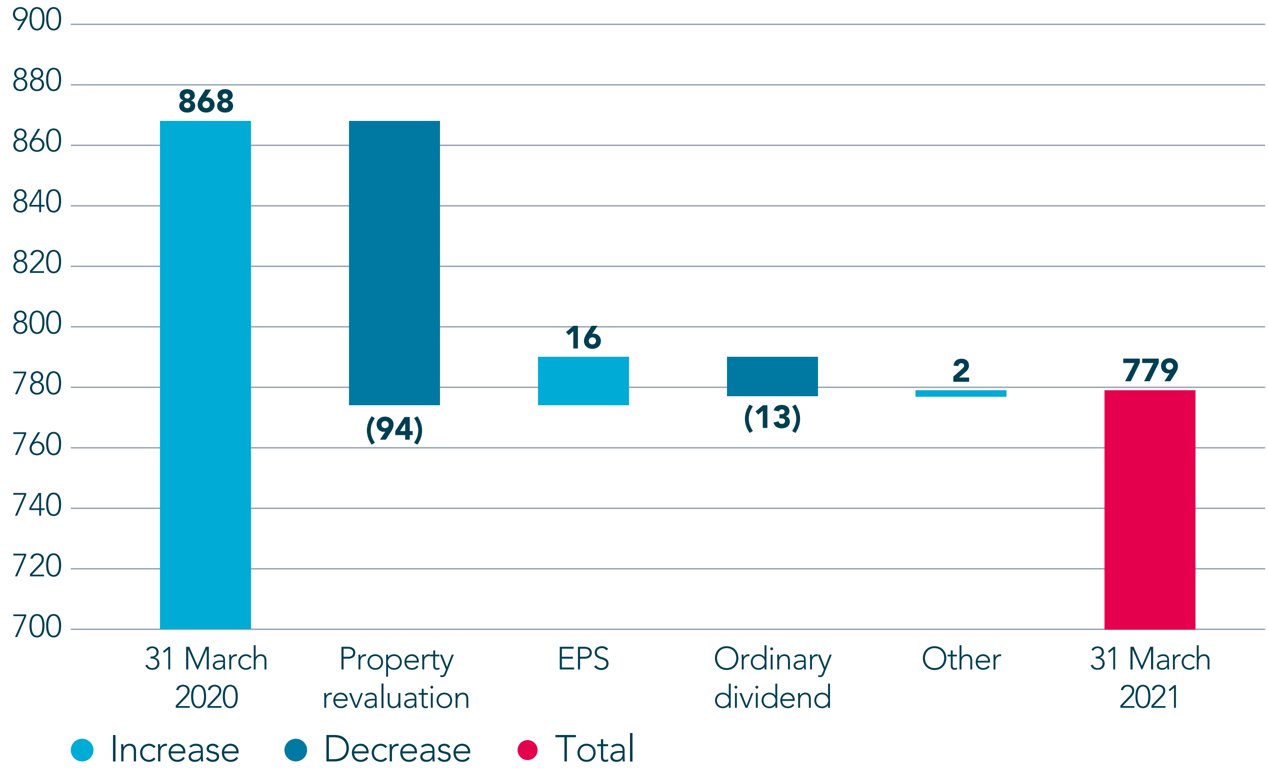
Appendix 3 continued

LTV and liquidity (years to March)

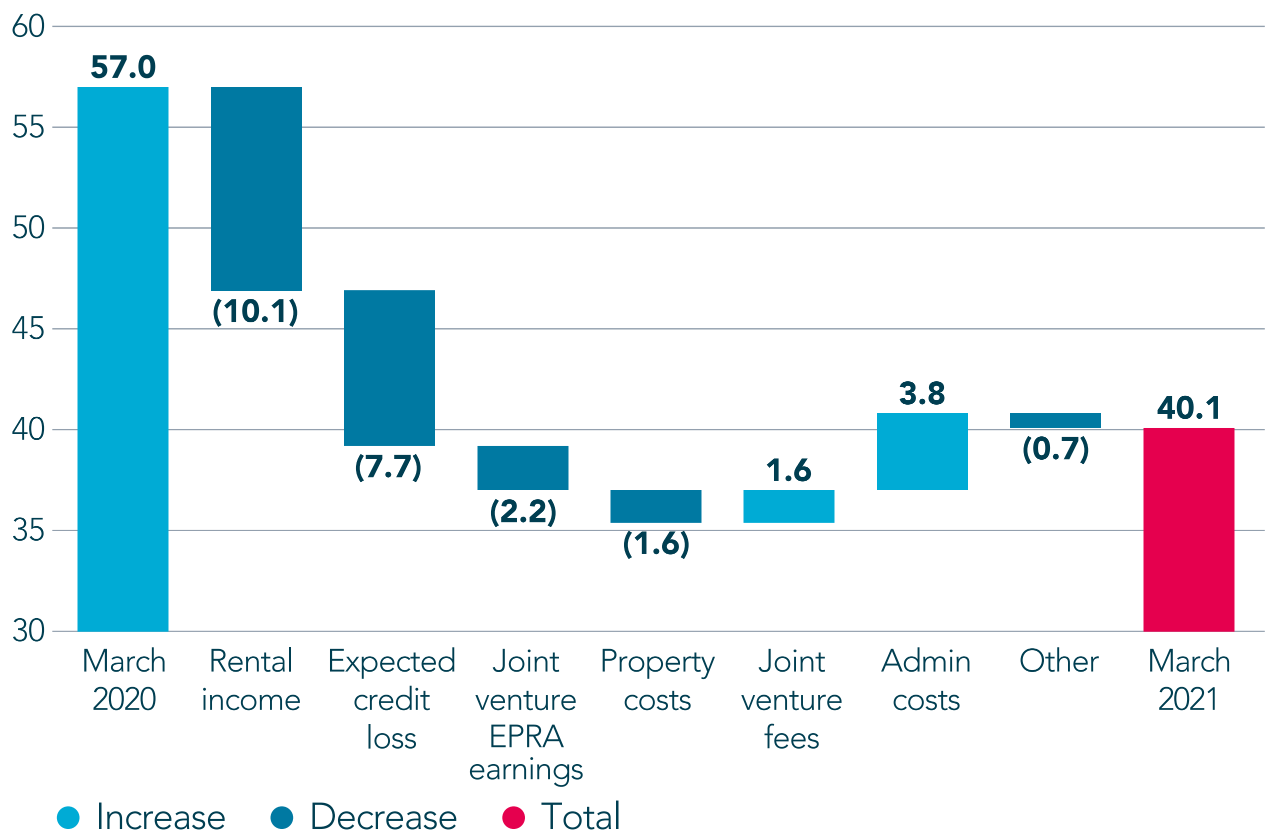


Appendix 4

EPRA NTA pence per share



EPRA earnings £m



Appendix 4 continued

Debt analysis

	March 2021	March 2020
Net debt excluding JVs (£m)	**477.5**	349.4
Net gearing	**24.6%**	16.2%
Total net debt including 50% JV non-recourse debt (£m)	**451.0**	373.3
Loan-to-property value	**18.4%**	14.2%
Interest cover	**n/a**	n/a
Weighted average interest rate	**2.5%**	2.2%
Weighted average cost of debt	**2.7%**	3.0%
% of debt fixed/hedged	**91%**	69%
Cash and undrawn facilities (£m)	**443**	411

Appendix 4 continued

EPRA performance measures

Measure	Definition of Measure	**March 2021**	March 2020
EPRA earnings*	Recurring earnings from core operational activities	**£40.1m**	£57.0m
EPRA EPS*	EPRA earnings divided by the weighted average number of shares	**15.8p**	22.0p
Diluted EPRA EPS*	EPRA earnings divided by the diluted weighted average number of shares	**15.8p**	22.0p
EPRA costs (by portfolio value)*	EPRA costs (including direct vacancy costs) divided by market value of the portfolio	**1.4%**	1.4%
EPRA capital expenditure*	The Group's capital expenditure on the portfolio categorised between acquisitions, development and on the investment portfolio	**£83.3m**	£119.7m
EPRA NTA*	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets	**£1,971.6m**	£2,203.1m
EPRA NTA per share*	EPRA NTA assets divided by the number of shares at the balance sheet date on a diluted basis	**779p**	868p
EPRA NDV*	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax and fixed interest rate debt	**£1,968.6m**	£2,211.5m
EPRA NDV per share*	EPRA NDV assets divided by the number of shares at the balance sheet date on a diluted basis	**777p**	871p
EPRA NRV*	Represents the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives, real estate transfer taxes, and deferred taxes on property valuation surpluses are therefore excluded	**£2,150.9m**	£2,208.4m
EPRA NRV per share*	EPRA NRV assets divided by the number of shares at the balance sheet date on a diluted basis	**849p**	944p
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%**	3.4%
EPRA 'topped up' NIY	EPRA NIY adjusted to include rental income in rent-free periods (or other unexpired lease incentives)	**3.3%**	3.6%
EPRA vacancy rate	ERV of non-development vacant space as a percentage of ERV of the whole portfolio	**15.3%**	5.1%

* Audited; reconciliation to IFRS numbers included in note 8 to the financial statements.

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	24.2	0.4	24.6	–	–	–	24.6
		Retail	5.4	(0.9)	4.5	3.6	(0.2)	3.4	7.9
	Rest of West End	Office	11.9	(0.1)	11.8	6.4	–	6.4	18.2
		Retail	10.0	(0.9)	9.1	2.8	(0.3)	2.5	11.6
	Total West End		**51.5**	**(1.5)**	**50.0**	**12.8**	**(0.5)**	**12.3**	**62.3**
	City, Midtown and Southwark	Office	18.2	8.3	26.5	11.1	1.0	12.1	38.6
		Retail	1.5	0.2	1.7	0.1	–	0.1	1.8
	Total City, Midtown and Southwark		**19.7**	**8.5**	**28.2**	**11.2**	**1.0**	**12.2**	**40.4**
Total let portfolio			**71.2**	**7.0**	**78.2**	**24.0**	**0.5**	**24.5**	**102.7**
Voids					13.0			6.2	19.2
Premises under refurbishment					22.8			0.7	23.5
Total portfolio					**114.0**			**31.4**	**145.4**

EPRA vacancy

	Wholly-owned £m	Joint ventures £m	Total £m	Void %
Investment void	13.0	6.2	19.2	13.2
Premises under refurbishment	2.3	0.7	3.0	2.1
EPRA vacancy rate	15.3	6.9	22.2	15.3
Premises under development	20.5	–	20.5	14.1
Total void	**35.8**	**6.9**	**42.7**	**29.4**

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	36.6	3.9	5.3	–	–	–
		Retail	43.4	4.7	8.4	34.4	3.4	21.1
	Rest of West End	Office	3.4	1.9	23.0	100.0	17.0	27.1
		Retail	29.6	2.8	0.9	100.0	6.9	45.9
	Total West End		**28.3**	**3.3**	**9.3**	**81.6**	**11.0**	**30.9**
	City, Midtown and Southwark	Office	7.7	2.2	15.3	32.6	5.6	1.9
		Retail	100.0	16.4	–	73.3	10.2	28.4
	Total City, Midtown and Southwark		**14.9**	**3.3**	**14.8**	**33.1**	**5.6**	**2.2**
Total portfolio			**24.6**	**3.3**	**11.4**	**59.0**	**8.5**	**19.5**

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	71.8	77.4	–	–	4.2	4.5	–	–
		Retail	59.5	66.7	91.9	92.6	4.2	4.6	4.7	4.9
	Rest of West End	Office	77.7	81.2	115.4	113.8	3.9	4.8	–	3.7
		Retail	105.8	95.0	91.5	105.5	4.4	4.4	1.3	3.5
	Total West End		**76.3**	**75.3**	**102.2**	**102.4**	**4.1**	**4.6**	**1.0**	**3.8**
	City, Midtown and Southwark	Office	37.9	56.5	46.1	50.1	3.1	5.3	4.8	4.9
		Retail	21.8	28.4	47.2	39.6	2.0	5.2	4.1	4.9
	Total City, Midtown and Southwark		**35.9**	**52.7**	**46.1**	**49.9**	**3.1**	**5.3**	**4.7**	**4.9**
Total portfolio			**58.1**	**64.7**	**65.2**	**72.3**	**3.8**	**4.8**	**2.4**	**4.2**

Appendix 5 continued

Top ten occupiers

	Occupier	Use	Rent roll (our share) £m	% of rent roll (our share)
1	Kohlberg Kravis Roberts LLP	Office	3.3	3.5
2	Glencore UK Limited	Office	3.1	3.3
3	Turner Broadcasting	Office	3.0	3.1
4	New Look	Office	2.7	2.8
5	Richemont UK Limited	Office	2.7	2.8
6	Winckworth Sherwood LLP	Office	2.5	2.7
7	Carlton Communications Limited	Office	2.4	2.5
8	Superdry	Retail	2.1	2.2
9	ITN Limited	Office	1.8	1.9
10	Dennis Publishing Limited	Office	1.6	1.7
	Total		**25.2**	**26.5**