Press Release

22 May 2019

Annual results – developments driving strong operational performance

The Directors of Great Portland Estates plc announce the results for the Group for the year ended 31 March 2019. Highlights[1] for the year include:

Robust financial performance; ordinary dividend growth of 8.0%

- EPRA[2] NAV per share of 853 pence, up 1.0% over twelve months; net assets of £2,309.7 million
- EPRA[2] earnings of £53.7 million, down 19.2% on 2018 following £348.9 million of asset sales
- EPRA[2] EPS of 19.4 pence, down 4.9%. Cash EPS of 17.1 pence, up 0.6%
- After revaluation surplus, IFRS profit after tax of £56.1 million (2018: £76.7 million)
- Total dividend per share of 12.2 pence, up 8.0% on 2018, including final dividend of 7.9 pence, up 8.2%
- Total accounting return of 2.3% (2018: 7.2%)

Valuation stable, with committed developments performing well; rental value growth of +1.2[3]%

- Portfolio valuation up 0.2%[3] (developments: up 4.1%[2]), down 0.4% in H2
- Rental value growth of 1.2%[3] (+1.9% offices, -0.6% retail); yield expansion of 1 bp
- Total property return of 3.5%, with capital return of 0.3% v IPD Central London of 1.1%
- Rental value growth guidance for new financial year; range of +1.5% to minus 2.0%

Excellent leasing performance, 6.9% ahead of ERV; embracing opportunity with flex space offering

- Rent roll up 6.2%[3] to £100.4 million, with total potential future growth of 51% to £152.0 million
- 78 new lettings (annual rent of £24.5 million, 326,000 sq ft), market lettings 6.9% above March 2018 ERV (with H2 lettings 8.4% above March 2018 ERV)
  – Second major pre-let at Hanover Square, W1 to Glencore UK Ltd, 53,900 sq ft on 20 year term (no break)
  – 87,600 sq ft flex and co-working space delivered, rent at 30%[4] premium; appraising further 124,300 sq ft
- 27 rent reviews securing £13.3 million, 19.2% ahead of passing rent, 3.3% ahead of ERV at the review date
- Vacancy rate of 4.8%, average office rent of £55.20 per sq ft, reversionary potential of 8.3% (£8.3 million)

Good progress on committed schemes and extensive pipeline of opportunities (54% of portfolio)

- 160 Old Street, EC1 (161,700 sq ft) completed in April 2018, now 94% let; 26.8% profit of cost
- Three committed schemes (414,900 sq ft) progressing well; all located near to Crossrail stations, targeting BREEAM Excellent and 19.1% forecast profit on cost. 21% pre-let with encouraging occupier interest
- Flexible development pipeline of 10 schemes (1.4 million sq ft), all income producing, 3.4 years average lease length; planning application submitted for 373,100 sq ft scheme at New City Court, SE1

£348.9 million of sales, broadly in line with book value; balanced outlook for sales and acquisitions

- 160 Great Portland Street, W1 sold for headline price of £127.3 million, crystallising surplus since development commitment of 101%
- 55 Wells Street, W1 sold for £64.6 million, net initial yield of 3.99% and capital value of £1,674 per sq ft
- Four smaller commercial sales and ten residential sales, all W1, totalling £157.0 million

Exceptional financial strength and discipline

- Loan-to-value of 8.7%, weighted average interest rate of 2.7%, weighted average debt maturity of 6.4 years, cash and undrawn facilities of £608 million
- £380 million of surplus equity returned to shareholders during year, with flexible share buyback programme of up to £200 million continuing

Market leading ESG supported by strong culture

- Sustainability integral to our success; GRESB 5 star and new ambitious carbon targets
- Innovating & future proofing portfolio; dedicated Occupier Services Team & new market leading app
- Enhancing team & culture; ‘Together We Thrive’ values launched and promoting internal talent

1. All values include share of joint ventures unless otherwise stated 2. In accordance with EPRA guidance 3. On a like-for-like basis 4. Comparison to a combination of outperformance of March 2018 net effective ERV and net effective rent achievable on short term letting ahead of development.

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

Toby Courtauld, Chief Executive, said:

"The GPE team is operating well. Against a backdrop of elevated political and economic uncertainty, we are pleased to have delivered many successes over the past year; with another strong leasing performance, we've beaten rental value estimates and pre-let more of our committed developments, ahead of schedule, to global businesses; we're innovating across our operations, introducing new technology, and evolving our product to suit the changing patterns of occupier demand; we've successfully progressed our pipeline, the quality and size of which means we have ample raw material for years to come; and through our disciplined approach to capital management, we've crystallised surpluses through asset sales, returned surplus equity to shareholders and maintained our exceptional balance sheet strength with our loan to value ratio at only 8.7%.

Whilst we can expect political and possibly economic turbulence over the year ahead, we remain convinced of the long-term, enduring appeal of our capital city and its property markets to businesses and investors alike. With our clear strategy, exciting portfolio and talented team, supported by our collaborative culture, deep market knowledge and financial strength, we have the capacity to choose our path to maximise returns for shareholders and we look to our future with confidence."

Contacts:

Great Portland Estates plc **+44 (0) 20 7647 3000**

Toby Courtauld, Chief Executive
Nick Sanderson, Finance & Operations Director

Finsbury Group **+44 (0) 20 7251 3801**

James Murgatroyd
Gordon Simpson

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

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

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

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

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

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of GPE is Desna Martin, Company Secretary.

Statement from the Chief Executive

We are pleased to report on another strong operational performance as we continued to unlock potential, creating space for London to thrive. Against an uncertain political backdrop, our leasing successes, positive progress at our development schemes, profitable recycling and disciplined capital management together delivered solid financial results. EPRA NAV per share rose by 1.0% in the year and, when combined with ordinary dividend per share growth of 8.0% to 12.2 pence, our total accounting return was 2.3%. We had net assets of £2,309.7 million at 31 March 2019 and delivered diluted IFRS EPS of 17.1 pence, or 19.4 pence on an EPRA basis. With a portfolio full of opportunity, exceptional financial strength and a talented team, we remain extremely well positioned.

Our markets have trended broadly flat

The combination of low economic growth and ongoing political uncertainty resulted in central London's commercial property markets tracking broadly sideways over the year. Despite political stalemate, both the weight of international capital and occupier demand remained healthy given continued workforce growth and tight supply of new high quality office space, supporting the prime investment and occupational markets. Across our portfolio, like-for-like property valuation growth was 0.2%, with our committed developments up 4.1%, whilst ERVs grew by 1.2%, driven by office rental growth of 1.9%. The current Brexit impasse has reduced transaction activity in recent months, particularly in the investment market. Given this ongoing uncertainty, near term we expect London's commercial markets to continue in their current direction. Looking further ahead, we remain confident on London's long-term prospects, as one of only a handful of truly global cities, with enduring appeal for both businesses and investors.

Excellent leasing performance ahead of ERV and embracing opportunity to meet occupiers' evolving needs

Today's occupiers are increasingly focused on the benefit of a high quality working environment in attracting and retaining talent. Our constant commitment to creating exceptional workspace has enabled us to deliver another strong leasing year, securing £24.5 million of annual rent, 6.9% above our valuer's ERV. Our 78 new lettings ranged from development pre-lettings with global commodity trading businesses on 20 year lease terms through to flexible leases with tech start-ups in co-working space. We have continued to embrace opportunity and evolve our occupier offering through the provision of fully fitted space on flexible lease terms, along with entering into a revenue share partnership with a co-working operator at New City Court, SE1. These offerings now represent 4% of our office space, which would rise to 10% when including space currently under appraisal, and deals done to date delivered rents at a 30% premium to net effective ERVs. Our team has also crystallised significant rental reversion across the investment portfolio, with 27 rent reviews settled securing £13.3 million at an average increase of 19.2% above the previous rent and beating ERV by 3.3%. We can also look forward to further rental growth given our low average office rent of £55.20 per sq ft, reversionary potential of 8.3% and a further £23.8 million of rent available at our committed development schemes.

Good progress delivering our three committed developments and preparing our extensive pipeline of opportunity

We completed our most sustainable refurbishment to date at our 161,700 sq ft 160 Old Street, EC1 scheme, delivering a profit on cost of 26.8%, achieving both BREEAM Excellent and EPC A ratings. This innovative, tech-enabled building is already 94% let to a diverse range of occupiers. Our three on-site development schemes are all near Crossrail stations and will provide 414,900 sq ft of Grade A, office and retail space. With construction progressing well, the schemes are expected to deliver a profit on cost of c.19% and we are targeting BREEAM Excellent sustainability ratings. Our Hanover Square scheme is the largest, where we have already pre-let 48% of the 221,200 sq ft development, more than a year ahead of completion. Our substantial pipeline of future development opportunities extends to 1.4 million sq ft across ten schemes in four London boroughs. To ensure these schemes meet evolving occupiers' needs (including the wellbeing of employees), anticipate future sustainability requirements and are resilient to climate risk, we recently formulated 'Our Guiding Principles for Design' and also relaunched our Sustainable Development Brief, in particular to reflect the sustainability requirements of the emerging London Plan. This pipeline includes New City Court, SE1, where working in collaboration with Southwark Council and other local stakeholders, we have now submitted a planning application to allow us to replace the existing 98,000 sq ft of Grade B office buildings with 373,100 sq ft of prime office space, new public realm and improved public transport access. Taken together, our total development programme represents 54% of our portfolio.

Committed to excellence: capital discipline and exceptional financial strength
We were a net seller for the sixth consecutive year with sales of £348.9 million at prices in line with March 2018 book values, including two prime, long-let completed development schemes at 160 Great Portland Street, W1 and 55 Wells St, W1. With our disciplined balance sheet management, combined with no purchases in the year, we launched our third recent return of surplus equity to shareholders, on this occasion through a flexible share buyback programme, of up to £200 million. As a result, we have now returned £490 million of surplus equity to shareholders in the last two years. We have also maintained both our financial strength, with our loan to value ratio at only 8.7%, and our significant liquidity, with cash and committed undrawn facilities of £608 million.

Achieving more together
We were delighted that GPE was ranked first, for the third consecutive year, in the property sector in Management Today's 'Britain's Most Admired Companies', recognising the dedication and efforts of our talented team. Moreover, in order to further strengthen our positive culture, we were pleased with the active involvement of all our employees in our 'Together We Thrive' initiative, set up to articulate our values in a simple, but powerful expression of who we are. We were also pleased to launch our new community strategy and social value guidelines, 'Creating Sustainable Relationships', which seek to ensure that we contribute positively to, and secure long-term benefits for, the communities in which we are working.

We continue to be recognised for our leading stance on sustainability and were again awarded 5 stars in the Global Real Estate Sustainable Benchmark. Following a review of climate risk across our portfolio, along with an ESG materiality review aligned to the UN's Sustainable Development Goals, we also launched ambitious energy and carbon targets including a commitment for our developments to be net zero carbon by 2030.

Outlook
The GPE team is operating well. Against a backdrop of elevated political and economic uncertainty, we are pleased to have delivered many successes over the past year; with another strong leasing performance, we've beaten rental value estimates and pre-let more of our committed developments, ahead of schedule, to global businesses; we're innovating across our operations, introducing new technology, and evolving our product to suit the changing patterns of occupier demand; we've successfully progressed our pipeline, the quality and size of which means we have ample raw material for years to come; and through our disciplined approach to capital management, we've crystallised surpluses through asset sales, returned surplus equity to shareholders and maintained our exceptional balance sheet strength with our loan to value ratio at only 8.7%.

Whilst we can expect political and possibly economic turbulence over the year ahead, we remain convinced of the long-term, enduring appeal of our capital city and its property markets to businesses and investors alike. With our clear strategy, exciting portfolio and talented team, supported by our collaborative culture, deep market knowledge and financial strength, we have the capacity to choose our path to maximise returns for shareholders and we look to our future with confidence.

Our market

Our market is accompanied by graphics (see Appendix 1)

The combination of low economic growth and heightened levels of political and macro–economic uncertainty has resulted in London's commercial real estate markets trending broadly flat over the last 12 months. Whilst growth has been largely absent, markets remain open for business with activity levels ahead of long run averages. Looking forward, UK political uncertainty continues to cloud the outlook. As a result, we expect markets to continue in their current direction until further clarity emerges on the structure of the UK's future trading relationships with the EU. Whatever the outcome, our confidence in the ability of London to attract businesses, capital and talent from around the world is undiminished, with London expected to remain one of only a handful of truly global cities.

Low growth economic environment

Whilst global equity markets have bounced back from the lows of late 2018, investors remain cautious as concerns around trade tensions, political disruption and the fear of a global economic slowdown persist. This uncertain economic outlook has been incorporated in the IMF's Global GDP forecasts which have reduced by 0.2% to 3.5% for 2019, in particular reflecting a slowdown in Chinese growth and a contraction in German industrial production in the last quarter of 2018. Despite increased levels of volatility and slowing global growth, the UK's GDP remained stable and grew by a modest 1.4% in 2018, and forecasts remain benign. Oxford Economics forecast annual GDP growth to be 1.7% p.a. over the next three years, unchanged from twelve months ago.

Despite record levels of employment, low levels of inflation and signs of real wage growth, Brexit uncertainty has dominated the political debate and weighed on consumer and business confidence. Recent Purchasing Manager Indices remain at or below 50, indicating the expectation of a future slowdown. Furthermore, the most recent Deloitte survey of UK CFOs also reported that the impact of Brexit remains the top risk facing their businesses with corporate risk appetite at cyclical lows.

To date, London's property markets have surprised many, being relatively immune from the uncertainty generated by the 2016 referendum result. Property values remain at near cyclical highs and activity levels in both the investment and occupational markets remain healthy, although there has been a notable slowdown in London investment market activity in the first quarter of 2019. However, the protracted negotiations to agree the nature of our future trading arrangements with the EU and the rest of the world remain unresolved.

Furthermore, the risk remains that the continued political impasse may inadvertently lead to the UK exiting the EU without a deal and/or contribute to potential changes in the UK political landscape, both of which could adversely impact the prospects for businesses across London. Our expectation is that, should the current stasis persist, London's commercial property markets will continue in their current direction in the near term. However, the backdrop is highly dynamic and the spread of possible outcomes is wide. In this context, we are exceptionally well placed. Our low financial leverage will enable us to both weather market volatility and take advantage of any dislocation should it arise.

London to remain a global city

London has one of the deepest concentrations of global businesses, capital, talent and institutions in the world and has the largest economy of any city in Europe, generating around 22% of UK GDP. London is also the most popular global work destination, ranked the most attractive city for the global workforce in a recent survey by Boston Consulting Group, and for the 7th consecutive year leads the Global Power City Index. Whilst the outlook for UK economic growth is modest, London is expected to continue to outperform the rest of the UK with Oxford Economics forecasting annual GDP growth of 2.3% over the next three years.

With London's population at a record high and further growth predicted, CBRE/Oxford Economics predict that this growth will increase inner London office-based employment by 182,000 new jobs (up from 140,500 a year ago) over the next five years, driven by the professional services and creative industries. London's deep pool of talented labour and collection of world-class universities and business schools continue to attract businesses from around the world. Three quarters of Fortune 500 companies have offices in London.

London is also set to benefit from further infrastructure improvements. Whilst the opening of Crossrail has been delayed until 2020, it will expand London's rail capacity by 10% once fully operational, bringing an additional 1.5 million people within 45 minutes of central London and further increasing its potential workforce.

Notwithstanding London's positive longer-term outlook, the elevated level of uncertainty in the very near term will likely lead to business decisions being delayed, with a potentially negative impact on the London economy and its property market. As a result, we continue to monitor closely prevailing market conditions and the fortunes of our diverse occupier base.

Healthy occupational demand for well-located, high quality space

Notwithstanding low levels of economic growth, occupational markets have been highly active. In part this activity has been supported by occupiers needing to move, with lease expiries driving nearly half of all central London active demand. For the year ended 31 March 2019, central London take-up was 13.6 million sq ft, in line with the preceding 12 months and 7.1% ahead of the ten year annual average of 12.7 million sq ft. Take-up was once again from a diverse range of industries with professional and business services (28%), creative industries (25%) and banking and finance (18%) the dominant sectors.

As demonstrated by our leasing successes at Hanover Square, W1, occupational demand has been particularly strong at the prime end of the market. In a highly competitive employment market, businesses recognise that providing a modern, high quality working environment with good access to public transport can help attract and retain employees. A recent Hays survey found that 76% of all job applicants want to see the physical space they will be working in before accepting a role. As a result, the best space has continued to let well, with businesses looking beyond the short-term macro uncertainty to secure the right home for the long-term success of their business. This in turn has been supportive to prime rents.

Supply of new space tight; 37% of all forecast deliveries already pre-let

Whilst demand for new space is robust, the supply of new buildings across central London remains limited, with development completions for the year to 31 March 2019 of 4.1 million sq ft, down from 5.1 million sq ft in the preceding 12 months. Moreover, in the core of the West End, the focus of our own development activities, development completions totalled only 0.2 million sq ft over the year.

The combination of an increasingly challenging planning regime, continued macro-economic uncertainty and limited availability of speculative development debt finance has helped restrict the delivery of new space. Looking ahead, we expect 18.8 million sq ft of new office space to be delivered in central London over the five years to December 2023, of which 1.6 million sq ft of speculative space is in the West End core, equating to only 0.6% p.a. of existing stock.

This lack of supply has motivated occupiers to secure new space in advance of buildings completing. As a result, pre-lets represented 26.5% of all take up in the year to 31 March 2019 and 37.2% of future development completions are already pre-leased. This has provided support for headline and net effective rental values across our key markets.

Availability rising for second hand space

Whereas the demand for new and second hand space has historically moved together, more recently they have been diverging. Demand now far outstrips supply of new office space, while there is an increasing supply of second hand space. The availability of second hand space rose to 9.3 million sq ft at 31 March 2019, 68% of all available space, albeit the vacancy reduced to 4.3% at 31 March 2019, down from 4.7% a year earlier.

As a result of this increasing second hand supply, CBRE is forecasting a divergence in the rent profiles of newer and older office stock. It expects that rents for the best located, highest quality offices will grow by 2% per year from 2018 to 2022. By contrast, rents for secondary space are forecast to fall by 1% per year.

The growth of flexible space

London has witnessed significant growth in the provision of flexible office and co-working space in recent years. The growth in start-up businesses, increased mobility in the workforce and the rise of the gig economy has helped drive this growth, and a plethora of new suppliers has come into the market to provide it. Whilst marginally lower than the previous year, flexible office providers represented 19% of take-up for the year to 31 March 2019, although their total share of the London office market still remains low at around 5.1%.

Whilst our own leasing track record demonstrates that for many businesses, securing high quality, well-located space for longer-term occupation is vital, we recognise occupiers are increasingly seeking an element of flexibility for some parts of their business. During the year, we launched two separate solutions to meet this growing market need. Firstly, a flex space offer to provide dedicated, fully fitted space on flexible terms allowing occupiers to move in and out of the space with ease. Secondly, we entered into a partnership arrangement with Runway East, a co-working and flexible office provider, for 48,400 sq ft of office space at New City Court, SE1. Runway East are operating the space and we share the revenue that is paid by the businesses in occupation. To date, together these comprise 87,600 sq ft of space and we are continuing to review opportunities across the remainder of our portfolio with a further 124,300 sq ft identified.

West End occupational markets

Over the year to 31 March 2019, West End office take-up was 3.9 million sq ft, 19.3% lower than the preceding year, as a lack of supply limited activity. Given this tight supply, availability reduced to 3.9 million sq ft (down from 4.1 million sq ft in the prior year and the lowest since September 2015) and vacancy rates also remain low with Grade A space vacancy estimated by CBRE to be only 1.9% of total vacant space. Accordingly, CBRE reported that prime office rental values in the West End rose to £107.50 per sq ft, up from £105.00 a year earlier. Rent free periods on average increased marginally by one month over the last year to around 24 months on a ten-year term. Looking ahead, in the short term, CBRE expects rents to increase as the demand for high quality space continues to outstrip supply with West End prime office rents forecast to increase by around 2.0% over the next two years.

Whilst wider UK retailing has suffered from a combination of lower retail sales and a structural shift, as increasing volumes of sales move online, central London retail has so far suffered to a lesser extent. Our rental values have softened on parts of London's key retail streets, down overall by 0.7% during the year. However, London's high levels of tourism (both domestic and international), flagship stores, deep cultural offering and its growing population have contributed to its relative resilience with low vacancy and prime rental values largely unchanged year on year.

City, Midtown and Southwark occupational markets

Over the year to 31 March 2019, City office take-up was 5.7 million sq ft, up 1.8% on the preceding year, with availability falling to 5.9 million sq ft (down 6.1%) and below the ten year average of 6.1 million sq ft. Although higher than in the West End, vacancy rates remain low with Grade A vacancy estimated by CBRE to be only 3.6%. CBRE has also reported that prime City rental values increased by 3.6% to £71.00 per sq ft.

Midtown and Southwark office take up was 3.3 million sq ft, up 24.1% on the preceding year, while availability at 31 March 2019 was 2.3 million sq ft, up 10.0% during the year, albeit lower than the ten-year average. CBRE reported prime office rents in Southwark and Midtown were unchanged at £65.00 per sq ft and £80.00 per sq ft respectively.

GPE occupational market positioning

Whilst the dynamics of the occupational market are currently healthy, particularly for high quality space, the outlook remains uncertain. Prospects for the forthcoming year are likely to remain opaque until the UK has resolved its future relationship with the EU. Moreover, this is likely to be set against a backdrop of continued global macro-economic uncertainty and slowing global growth. However, we are well positioned: our leasing record remains strong including good performance from our flex offerings, our committed development programme is focused on high quality, well-located schemes that are in high demand, our average rents are low with room to grow and 92% of our portfolio is within walking distance of a Crossrail station. However, given the challenging environment, we estimate that for the next twelve months rental value growth across our portfolio will be between -2.0% and +1.5%.

Investment markets strong for prime assets

Following a strong 2017, the volume of central London office transactions remained elevated in 2018, totalling £17.6 billion, the highest level since 2014. Demand continued to be strong for prime, well-let and well-located assets, including those of scale, with five deals over £500 million completing in the year. We also saw deep demand for sites with near-term development opportunities as investors sought to increase their returns beyond those provided by low yielding, longer let assets. However, activity levels in the first quarter of 2019 have been subdued, at £2.4 billion, down 15.0% on the equivalent quarter of 2018. Volumes have reduced as levels of political uncertainty surrounding the ongoing Brexit negotiations have risen. We expect this muted activity to persist until greater clarity returns.

Despite the unpredictable backdrop, London's attraction to overseas investors has continued. It has a transparent legal system, a position as a global hub, a perceived safe haven status and continues to provide relative value to other global real estate markets. As a result, over the past five years, London was the leading destination for cross border real estate investment, double that of New York, its nearest rival. During 2018, overseas investors accounted for 77% of transactions, with Asian investors active at 41% of the total. Given this demand, prime yields have remained stable in both the West End and the City at 3.75% and 4.00% respectively.

Retail investment volumes marginally increased in 2018 to £1.7 billion, up from £1.5 billion in 2017, but remain below the five year average of £2.2 billion. Whilst investment turnover remains healthy, CBRE note that buyers are becoming more selective, with activity focused on a number of very prime locations which have been competitively bid. This includes Bond Street where recent pedestrianisation works have materially boosted footfall and retailer activity. Given the pockets of strength, prime yields remained stable during the year at 2.25% on Bond Street and 2.50% on Oxford Street.

Weight of money continues to support yields
Whilst the excess of equity capital to invest over commercial property available for sale across central London has remained high (estimated at £31.8 billion versus £3.5 billion respectively), the absolute level of equity demand reduced by 14.1% over the 12 months. Interestingly, we have seen some shift in the buyer mix with an increase in demand from UK funds and private European investors at the expense of overseas institutional investors, including sovereign wealth funds.

In the near term, we expect investors to remain cautious and activity to be muted, with prime yields moving out marginally, until the uncertainty surrounding our exit from the EU is lifted. However, should an orderly Brexit be secured, we could see this outward movement reverse given the weight of money currently waiting on the sidelines to invest.

GPE investment market positioning
We have been a net seller for the past six financial years, taking advantage of strong investment markets to crystallise surpluses where our business plans were complete. However, we are constantly reviewing acquisition opportunities, and over the past three months we have reviewed £0.5 billion of potential acquisitions.

Whilst the number of assets we are reviewing remains high, opportunities providing attractive value remain scarce. Assets with a near-term development opportunity, the sort of assets that we typically look to buy, have seen strong demand and pricing has been robust with only 9% of the assets we reviewed trading within 10% of our view of fair value. We remain disciplined. Any potential purchase needs to outperform the assets we already own, and with our existing portfolio stacked with opportunity, the hurdle is high.

Our lead indicators are unchanged
Given the cyclical nature of our markets, we actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the last 12 months, we have seen our property capital value indicators overall remain stable, with investment activity in the central London commercial property market remaining robust and the real yield spread over gilt yields continuing to be supportive, resulting in broadly stable prime investment yields. On the occupational side, business confidence remains low, forecast rates of economic growth are modest and the uncertainty surrounding the UK's exit from the EU is set to continue, although development completions are constrained. As a result, we expect headline rental values across our portfolio to grow by between -2.0% and +1.5% over the next 12 months.

Our valuation

Our valuation is accompanied by graphics (see Appendix 2)

Portfolio values broadly stable; up 0.2% in year
The valuation of our portfolio, including our share of joint ventures, rose marginally over the 12 months, increasing by £5.8 million, or 0.2%, on a like-for-like basis, to £2,579.0 million at 31 March 2019.

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

- development gains – the valuation of our committed development properties increased by 4.1% on a like-for-like basis to £432.7 million during the year. Our development returns were supported by our further pre-letting activity at Hanover Square, W1, which was ahead of the valuer's assumptions;
- supportive portfolio management – during another strong year, 105 new leases, rent reviews and renewals were completed, with new lettings 6.9% ahead of ERV, securing £29.8 million (our share) of annual income, supporting the valuation over the year;
- rental value growth – in the past 12 months, rental values increased by 1.2% on a like-for-like basis, with our office portfolio increasing by 1.9%, largely driven by our leasing performance, and our retail portfolio down 0.6%; and
- flat investment yields – the valuation was largely unchanged by yield movements which increased by 1 basis point (2018: 10 basis point reduction) during the year. At 31 March 2019, 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 2019 was 4.2%, 20 basis points higher than at the start of the financial year.

Drivers of valuation growth
Whilst the overall valuation was marginally up by 0.2% during the year, elements of the portfolio showed greater variation. Our office properties rose by 1.2% compared to a 1.8% fall in retail values, as weaker retailer sentiment reduced ERVs. Furthermore, short leasehold properties (<100 years), which represent 19% of the portfolio, reduced in value by 6.4% compared to an increase of 1.9% in the rest of the portfolio, as investor demand for shorter leasehold assets reduced.

Our joint venture properties increased in value by 0.8% over the year, driven by our letting successes at our recent development completion 160 Old Street, EC1 and a further significant pre-let at Hanover Square, W1, while the wholly-owned portfolio rose by 0.1% on a like-for-like basis.

The Group delivered a total property return (TPR) for the year of 3.5%, compared to the central London MSCI benchmark of 4.5% and a capital return of 0.3% versus 1.1% for MSCI. This relative under-performance resulted from our higher than benchmark exposure to short leasehold properties and investment properties with shorter occupational lease terms, where valuations were less resilient given the uncertain economic backdrop and the associated potential leasing risk. These properties form our development pipeline and active portfolio management opportunities where income is necessarily shorter to enable us to unlock the future long-term value upside.

Our business

Our business is accompanied by graphics (see Appendix 3)

Investment management

Central London asset values were largely unchanged over the year and remain at near cyclical highs, with investor demand for both long-let, well-located, prime assets and development sites continuing to support pricing. As a result, we made no acquisitions during the year and again took advantage of these supportive market conditions to sell assets and crystallise further surpluses.

As we set out in last year's annual report, our strategic priority for the current year was selective investment and recycling. This expectation was borne out and we were once again a net seller as we continued to take advantage of the robust investment market but found limited opportunities to accretively invest. During the year, we sold a further six commercial properties and ten residential units, securing strong pricing. Given the strength of the investment market, attractive opportunities to buy were limited and we made no acquisitions. In total, sales generated £348.9 million in gross proceeds at a 0.7% discount to the 31 March 2018 book values.

Commercial sales of £322.5 million, broadly in line with book value
In April 2018, we sold the freehold of the recently redeveloped and long-let 78/92 Great Portland Street and 15/19 Riding House Street, W1 to a UK institution. The headline price of £49.6 million equated to £48.2 million after deductions for tenant incentives, or 2.4% ahead of the 31 March 2018 book value. This reflected a net initial yield of 3.9% on a topped up basis and a capital value of £1,362 per sq ft.

In August 2018, we sold 160 Great Portland Street, W1 to a Middle Eastern investor. We comprehensively refurbished the property in 2012 to provide 95,923 sq ft of Grade A office and restaurant space. The BREEAM 'Very Good' building was fully let with the offices, accounting for 97% of the income, let to Double Negative Limited until May 2032. The headline price of £127.3 million was 2.0% below the 31 March 2018 book value, reflecting a headline net initial yield of 4.08% and a capital value of £1,328 per sq ft.

In October 2018, we completed the sale of 55 Wells Street, W1 to a European investor for a headline sale price of £65.5 million, equating to £64.6 million after deduction of tenant incentives and vendor top ups, 3.0% below the 31 March 2018 book value. The headline price reflects a net initial yield of 3.99% and a capital value of £1,674 per sq ft. The BREEAM 'Excellent' building was developed by GPE in 2017 and comprises 39,095 sq ft of high quality office space arranged over six upper floors, a ground floor restaurant unit and D1 accommodation at lower ground floor. The offices are let to Williams Lea Limited and Synova Capital, and the ground floor is home to Yotam Ottolenghi's new flagship restaurant ROVI.

We also sold three smaller commercial buildings for a total of £82.4 million, where our portfolio management activities were complete and the resulting forward look returns muted:

- 32/36 Great Portland Street, W1 for £18.9 million, 7.3% above book value, reflecting a net initial yield of 3.94% and a capital value of £1,465 sq ft;
- 27/35 Mortimer Street, W1 for £38.5 million, 0.8% above book value, reflecting a net initial yield of 3.90% and a capital value of £1,242 sq ft; and
- Percy House, 33/34 Gresse Street, W1 for a headline price of £25.0 million, in line with book value after deductions for rent guarantees, reflecting a net initial yield of 3.76% and a capital value of £1,445 per sq ft.

In February 2019, we entered into a structured sale agreement for our small Whitechapel Courtyard sites at the rear of our Hickman development. We expect the sale to conclude prior to completion of the main development in Q1 2020.

Residential sales of £26.4 million
Over the course of the 12 months, we sold eight residential units at 78/92 Great Portland Street, W1 for a combined price of £12.0 million. We also sold two of the remaining three penthouse apartments at Rathbone Square, W1 for £14.4 million, marginally below book value. The office element of this scheme was sold in 2017 and, following the final residential sale, which completed in April 2019, GPE has no remaining interest in the asset.

Balanced outlook for sales and acquisitions
We have been a net seller for the past six financial years. Our sales have focused on crystallising surpluses from assets with limited future returns, typically recently completed developments let to high quality occupiers on long lease terms. Today, the proportion of the portfolio represented by our long dated properties is only 9%. As a result, the velocity of sales is likely to slow from here and hence the outlook for sales and acquisitions is more balanced.

Notwithstanding the increasingly uncertain economic and political backdrop, we are exceptionally well placed. The asset sales, and subsequent returns of capital, have increased the proportion of the portfolio in buildings more likely to deliver higher future returns over the long term, including our development programme. As a result, with the portfolio already stacked with opportunities to add future value, we have no need to buy. However, we continue to closely monitor the market and we have both the financial firepower and the team to exploit any market weakness should it arise.

Development management

Our strategic priority for this year was to progress the three committed schemes on site and prepare our pipeline of future opportunities. As we have been a net seller once again this year, the development programme has become an even more meaningful proportion of our business and today represents 54% of the entire portfolio.

We currently have three committed schemes on site, set to deliver 414,900 sq ft of high quality space, all near Crossrail stations, which are expected to generate a profit on cost of 19.1%. Capital expenditure to come at these schemes totals £139.5 million and, at 31 March 2019, the committed development properties were valued at £432.7 million (our share).

Our ability to deliver sustainable development returns requires a deep pipeline of opportunities, which, when conditions allow, will become the development schemes of tomorrow. Today, our pipeline of future schemes is as rich as ever, with the team busy preparing a further ten schemes with prospective deliveries into the early 2020s and beyond.

One scheme completed in the year
At 160 Old Street, EC1, owned in our Great Ropemaker Partnership, we completed the 161,700 sq ft of office, retail and restaurant space in April 2018, delivering a profit on cost of 19.6% at completion, or 26.8% after our recent leasing successes. The building is our most sustainable refurbishment to date achieving BREEAM Excellent and an EPC A rating. Letting activity in this high quality building post completion has been strong. Following the successful pre-letting of 116,500 sq ft to Turner Broadcasting, we have let a further three office floors and three retail units. The building is now 94% let on long leases with only one office floor and one retail unit remaining.

Committed schemes progressing well, securing pre-lets; all to benefit from Crossrail
At Hanover Square, W1, in October 2018, we completed the purchase of the land that sits directly above the eastern entrance of the Bond Street Crossrail station and have commenced construction of the main building at 18 Hanover Square. The land purchase price of £38.6 million (our share) was marginally above our expectations. The delayed opening of Crossrail has been beneficial to operations on site preventing the need to construct the building over a fully operational station and progress has been rapid. The steel frame is complete, the majority of the modular cladding has been applied and the building topped out in April 2019. The scheme will deliver 221,200 sq ft in total, comprising 167,200 sq ft of offices, 41,800 sq ft of retail and restaurant space and 12,200 sq ft of residential apartments.

Following the pre-let of 57,200 sq ft of offices in 18 Hanover Square to KKR last year, in March 2019 we pre-let a further 53,900 sq ft to Glencore UK Limited, the global natural resource company. Glencore will occupy the second to fourth floors on three separate 20-year leases (no breaks). Following this substantial pre-let, only the first floor in the main office building is available and the scheme is now 48% pre-let with £12.8 million of rent secured.

We have commenced the marketing campaign for the Bond Street retail and the remaining office space, and the strong interest we have had to date is very encouraging. The project is expected to deliver a profit on cost of 20.9%. The development is owned in the GHS Partnership, our 50:50 joint venture with the Hong Kong Monetary Authority, with completion expected in Q3 2020.

In May 2018, we achieved vacant possession at Oxford House, 76 Oxford Street, W1 and also successfully settled all of the neighbourly matters with adjoining owners. Demolition of the existing building completed in April 2019 and the main construction contract with Lendlease has commenced. Oxford House will deliver 81,100 sq ft of new offices and 37,900 sq ft of retail space. Given the building's location at the rapidly improving eastern end of Oxford Street, directly opposite the entrance to the Tottenham Court Road Crossrail station, it is primarily a retail led scheme. Whilst London's retail is not immune to the challenges faced by UK retail more widely, the attraction of its key streets remains and, to date, retailer interest in the space has been encouraging. Completion is targeted for Q2 2021, with an expected profit on cost of 18.3%.

At The Hickman, E1 (formerly known as Cityside House), we have now finished demolition and started construction of the new building. Our activities will transform the existing building into 74,700 sq ft of Grade A office and retail space. The Hickman will be our most intelligent building to date. We are pioneering an integrated building app which will deliver real-time data on occupancy, energy consumption, air quality, light and temperature to us and our occupiers, allowing us to better understand how the building is operating and being utilised. We are targeting a profit on cost of 13.8% with average office rents across the building of around £51.40 per sq ft, with delivery now deferred to Q1 2020.

Our three committed development properties require £139.5 million of capital expenditure to complete, of which 98% is already fixed. In total the three schemes, which are all targeting a BREEAM 'Excellent' rating, are 21.3% pre-let and are expected to deliver a profit on cost of 19.1%, a yield on cost of 4.8% and an ungeared IRR of 10.8%.

Future proofing developments
It is clear from both the assessment of our ESG material risks and our focus groups that sustainability, wellbeing and community relationships continue to move up the agenda of our key stakeholders. When preparing the buildings in our pipeline for redevelopment, we use our Sustainable Development Brief to ensure that our schemes anticipate future sustainability requirements and are resilient to climate risk.

To ensure that we address the ever evolving workplace needs and future proof our developments, our Design Review Panel, chaired by our Director of Workplace and Innovation, meets weekly and challenges our professional teams to ensure that we create space that fulfils our occupiers' needs. In particular, this means ensuring our developments meet the highest standards of sustainable design, embraces technology and provides a variety of adaptable and flexible working environments.

Exceptional development pipeline
Beyond our three committed schemes, we have a substantial and flexible pipeline of ten uncommitted schemes (1.3 million sq ft). These schemes include a number of exciting projects, including New City Court, SE1 in the London Bridge Quarter, where we have now submitted a planning application to materially increase the size of the existing 98,000 sq ft building, and Mount Royal, W1, located at the western end of Oxford Street, where we have started early discussions on redevelopment of this two acre block with both the freeholder and the hotel owner who also have an interest in the site.

Our potential development programme totals 1.4 million sq ft today, with the potential to increase this to more than 1.8 million sq ft post development. These schemes cover 54% of GPE's existing portfolio and will provide the bedrock of our development activities into the 2020s, although there will of course be a variety of important steps that we will need to navigate (including planning, freeholder support and vacant possession amongst others) prior to development commencement.

Portfolio management

Our excellent leasing momentum continued throughout the year as we completed 78 new lettings, securing £24.5 million of rent, outperforming March 2018 ERVs by 6.9%, and we settled a further 27 rent reviews delivering £13.3 million. These combined to drive rental growth and produce another strong year of operational performance.

London's commercial property market has remained resilient to the ongoing economic uncertainty. Occupier demand for high quality space remained robust and, while rental values have remained broadly stable, our successful leasing activity has helped us deliver market lettings 6.9% ahead of ERV. We have continued to capture reversion across the portfolio, and coupled with the leasing activity, this has helped drive like-for-like Group rent roll up by 6.2%.

The key highlights of a busy year included:

- 78 new leases and renewals completed during the year (2018: 68 leases) generating annual rent of £24.5 million (our share: £19.3 million; 2018: £22.6 million), with market lettings 6.9% ahead of ERV;
- 15 flex space and co-working lettings (87,600 sq ft), securing rent at a premium of 30% to net effective ERV, and currently appraising a further 124,300 sq ft;
- 27 rent reviews securing £13.3 million of rent (our share: £10.5 million; 2018: £17.2 million) were settled at an increase of 19.2% over the previous rent and capturing significant reversion;
- £2.7 million of reversion captured in the year to 31 March 2019 (2018: £5.7 million);
- total space covered by new lettings, reviews and renewals was 600,400 sq ft (2018: 768,300 sq ft); and
- an increase of 6.2% in rent roll on a like-for-like basis, although absolute rent roll was down 6.4% to £100.4 million over the year as property sales more than outweighed new lettings and reversion capture.

Driving like-for-like rent roll growth

Whilst we have been successful in leasing both our completed development at 160 Old Street, EC1 and pre-letting a further 53,900 sq ft at our committed Hanover Square development (see development section), we have also delivered significant leasing activity across our investment portfolio. With some occupiers demanding more flexible lease terms, we successfully launched our flex space offering across a number of buildings, which now totals some 87,600 sq ft.

We also saw healthy demand for our newly refurbished space. In March 2019, we completed part of the extensive 26,400 sq ft refurbishment of Elsley House, W1, a building set in the heart of Fitzrovia. Four leases have been completed to date, delivering a combined annual rent of £2.0 million, 11.6% above the March 2018 ERV. With completion of the fifth floor and common parts due in July 2019, the 11 month refurbishment has already achieved an average rent across the let floors of £83.70 per sq ft (£95 per sq ft on the top floor), a 59% increase on the rent achieved pre refurbishment.

Our average office rent remains low at £55.20 per sq ft and this strong leasing momentum from our activities across the whole portfolio has combined to drive rent roll and maintain the Group’s void rate at 4.8% (March 2018: 4.9%).

Since 31 March 2019, we have completed eight further lettings delivering new rent of £1.9 million (our share: £1.7 million). We also have an additional five lettings currently under offer accounting for £0.9 million p.a. of rent (our share: £0.9 million), together 2.1% ahead of 31 March 2019 ERV.

Capturing reversion through rent reviews

One of our strategic priorities for the year was to capture the significant reversionary potential (the difference between the passing rent and market rental value) within our investment portfolio. Of the reversion that could be captured this financial year, a large proportion was available through rent review. As a result, it was essential that we settled these reviews at, or ahead of, the market rental value. We had another busy year, settling 27 rent reviews, 19.2% ahead of the previous passing rent and at a 3.3% premium to ERV.

Significant transactions included:

- at Kingsland House, Regent Street, W1, we settled a rent review with Folli Follie (UK) Limited, capturing reversion of £0.3 million, an increase of 102% on the previous passing rent and 29% above ERV at the review date; and
- at 200 Gray’s Inn Road, WC1, we settled two rent reviews with ITN at a combined annual rent of £2.9 million, capturing reversion of £0.4 million, an increase of 16% on the previous passing rent and 7.6% above ERV at the review date.

Together, the combination of settling rent reviews and letting new space increased our rent roll (including share of joint ventures) by 6.2% on a like-for-like basis to £100.4 million.

Rent collection

Our quarterly cash collection performance throughout the year remained very strong. We secured 99.2% of rent within seven working days following the March 2019 quarter date (March 2018: 99.9%). The average collection rate across the four quarters of the year was 99.3% (2018: 99.9%). Occupiers on monthly payment terms represent around 6% of our rent roll (2018: 4%).

Our financial results

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

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

EPRA NAV growth driven by retained earnings and return of capital to shareholders
At 31 March 2019, the Group's net assets were £2,309.7 million, down from £2,366.9 million at 31 March 2018 predominantly due to the £74.8 million returned to shareholders via a share buyback. EPRA net assets per share (NAV) at 31 March 2019 was 853 pence per share, an increase of 1.0% over the year, largely due to the marginal rise in value of the Group's properties, attractive earnings growth and the impact of the share buyback on a per share basis. When combined with ordinary dividends paid of 11.6 pence per share, this delivered a total accounting return of 2.3%.

The main drivers of the 8 pence per share increase in EPRA NAV from 31 March 2018 were:

- the increase of 2 pence per share arising from the revaluation of the property portfolio, primarily driven by our committed development properties;
- EPRA earnings for the year of 19 pence per share enhanced NAV;
- losses on property disposals of 2 pence per share reduced NAV;
- ordinary dividends paid of 12 pence per share reduced NAV;
- the commencement of the share buyback programme enhanced NAV by 5 pence per share; and
- tax on property sales and other items reduced NAV by 4 pence per share.

EPRA NNNAV was 850 pence at 31 March 2019 compared to 842 pence at 31 March 2018 (up 1.0%).

Lower EPRA earnings due to property disposals
EPRA earnings were £53.7 million, 19.2% lower than last year predominantly due to lower rental income as a result of our recent property disposals.

Rental income from wholly-owned properties and joint venture fees for the year were £80.3 million and £3.8 million respectively, generating a combined income of £84.1 million, down £13.1 million or 13.5% on last year. This drop in income is predominantly due to the six commercial sales completed during the year offset by another strong leasing year. Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income (including joint ventures) increased 3.2% on the prior year.

EPRA earnings from joint ventures were £6.7 million, up marginally from £6.5 million last year, largely due to reduced finance costs and significant leasing transactions from our flex space offering and at our recently completed development, 160 Old Street, EC1 offsetting the sale of 240 Blackfriars Road, SE1 in the prior year.

Property expenses increased by £0.6 million to £11.9 million principally due to increased costs associated with our leasing initiatives and empty rates returning to more normalised levels as the benefits of prior year rates rebates were not repeated in the current year. Administration costs were £25.1 million, an increase of £1.0 million on last year, primarily as a result of an increase in marketing costs from the opening of our new marketing suite at Kent House, W1, and lower capitalised employee costs.

Gross interest paid on our debt facilities was £4.2 million lower than the prior year. The reduction in interest paid was predominantly due to the prepayment of 85% of the Group's £142.9 million 5.63% debenture in the prior year and the interest saved on the repayment of the Group's convertible bond more than offsetting interest payable on the Group's new private placement notes which were drawn during the year. Capitalised interest reduced by £1.1 million to £4.8 million, due to the completion of a number of large wholly-owned development schemes in the prior year. As a result, the Group had an underlying net finance income (including interest receivable) of £0.2 million (2018: expense of £1.4 million).

The revaluation gain of the Group's investment properties, along with a small accounting loss on disposals, led to the Group's reported IFRS profit after tax of £49.5 million (2018: £70.3 million). Basic IFRS EPS for the year was 17.9 pence, compared to 21.5 pence for 2018. Diluted IFRS EPS for the year was 17.1 pence compared to 18.2 pence for 2018. Diluted EPRA EPS was 19.4 pence (2018: 20.4 pence), a decrease of 4.9% and cash EPS was 17.1 pence (2018: 17.0 pence).

Results of joint ventures
The Group's net investment in joint ventures increased to £511.9 million at 31 March 2019, up from £423.7 million in the previous year. The increase is largely due to increased partner loan contributions to fund ongoing development expenditure, in particular the land purchase at Hanover Square, W1. Our share of joint venture net rental income was £15.7 million, down from last year, as income lost from the sale of 240 Blackfriars Road, SE1, which was fully let, was offset by portfolio management transactions. Our share of non-recourse net debt in the joint ventures was marginally lower at £67.4 million at 31 March 2019 (2018: £72.7 million), predominantly due to higher cash balances.

Strong financial position
The Group's consolidated net debt increased to £156.6 million at 31 March 2019, compared to a net cash position of £5.2 million at 31 March 2018. The increase was due to the payment of £306.0 million in April 2018 in respect of the Group's B share scheme, amounts committed on the Group's share buyback and development capital expenditure more than offsetting receipts from the Group's property sales. As a result, the Group's gearing increased to 6.8% at 31 March 2019 from 0% at 31 March 2018.

Including non-recourse debt in joint ventures, total net debt was £224.0 million (2018: £67.5 million), equivalent to a low loan-to-property value of 8.7% (2018: 2.4%), or 13.6% on completion of the remainder of the share buyback. At 31 March 2019, the proportion of the Group's total net debt represented by our share of joint venture was 30.1%, compared to 100% last year. At 31 March 2019, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £608 million.

The Group's weighted average cost of debt for the year, including fees and joint venture debt, was 3.2%, unchanged on the prior year. The weighted average interest rate (excluding fees) was 2.7% at the year end increasing from the record low of 2.1% in the prior year, as a result of drawing down our new £100 million 2.7% private placement notes and redemption of the £150 million 1.0% coupon convertible bond.

At 31 March 2019, 100% of the Group's total debt (including non-recourse joint venture debt) was at fixed or hedged rates (2018: 100%). The Group, including its joint ventures, is operating with substantial headroom over its debt covenants.

Robust occupier base
One of our occupiers went into administration around the March 2019 quarter day (March 2018: none) and we had only two occupier delinquencies in the year (2018: two) representing 0.17% of rent roll. However, we are vigilant and continue to monitor the financial position of our occupiers on a regular basis, particularly in light of the more challenging retail and leisure market backdrop. To help mitigate occupier delinquency risk, we held rent deposits and bank guarantees totalling £25.1 million at 31 March 2019.

Taxation
The tax charge in the income statement for the year is £6.6 million (2018: £6.4 million) and the effective tax rate on EPRA earnings is 0% (2018: 0%). The majority of the Group's income is tax free as a result of its REIT status. The tax charge for the year results from property sales which fall outside our REIT ring-fence. The Group complied with all relevant REIT tests for the year to 31 March 2019.

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

As a REIT, profits 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.

The Group's REIT exemption does not extend to either profits arising from the sale of trading properties (including the sale of the remaining residential units at Rathbone Square, W1) or profits arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years (including the sale of 78/92 Great Portland Street, W1 and 55 Wells Street, W1).

Additionally, during January 2019, HMRC circulated new draft guidance which states that it considers that the REIT exemption also does not extend to profits arising from the sale of investment properties which are undergoing a major redevelopment at the time of sale. This guidance has yet to be issued in final form. The Group will continue to monitor this matter and consider its potential effect on any recent and future sales by the Group.

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 £12.2 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.

On-market share buyback programme
During the year, our continued property disposals reduced our LTV to less than 6%, with more than £200 million of cash on deposit yielding a very low return. As a result, in November 2018 we announced a return up to £200 million of surplus equity to shareholders, over a 12 month period, through an on-market share buyback programme. At 31 March 2019, we had repurchased and cancelled 10.3 million shares (£74.1 million) at an average price of £7.20 per share (or £7.26 per share, £74.8 million including costs).

Dividend growth
The Group operates a low and progressive ordinary dividend policy. The Board has declared a final dividend of 7.9 pence per share (2018: 7.3 pence) which will be paid in July 2019. All of this final dividend will be a REIT PID in respect of the Group's tax exempt property rental business. Together with the interim dividend of 4.3 pence, the total dividend for the year is 12.2 pence per share (2018: 11.3 pence), an 8.0% increase in the 12 months.

Promoting from within

This year, we have further enhanced our Senior Management Team with the creation of a new Head of Office Leasing role, which includes responsibility for the oversight of our flex offering and which we were pleased to be able to fill internally with the promotion of Simon Rowley. We have also promoted our IT Manager (Steven Rollingson) and our HR Manager (Rachel Aylett) to Head of IT and Head of HR respectively. Furthermore, given the increase in Nick Sanderson's wider operational responsibilities in recent years, including day-to-day oversight of human resources, valuation, sustainability and health & safety, his title has been changed to Finance and Operations Director.

New ambitious energy and carbon targets

We keep our approach to sustainability under constant review and identify climate risks both through utilising the expertise of our specialist in-house team and through stakeholder engagement. As part of our ongoing commitment to integrating our approach to ESG risk into our wider business processes, this year we commissioned a materiality review, undertaken by an external consultant, using best practice methodologies supported by the Global Reporting Initiative. Climate change mitigation, energy efficiency and climate change adaptation were clearly identified as significant issues for both internal and external stakeholders and accordingly we have incorporated them within our analysis of the Group's business risks. The outcomes of the review were discussed and approved by the Board. As a result of this Board review, new long-term energy and carbon targets were agreed as follows:

- achieve a 40% reduction in energy intensity and at least a 69% reduction in carbon intensity across our portfolio; and
- all new build developments completed from 2030 to be net zero carbon.

In addition, during the next financial year, we will be setting out our approach and timescale to become a net zero carbon business.

Group income statement

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Total revenue	2	**112.4**	386.9
Net rental income	3	**80.3**	92.0
Joint venture management fee income	12	**3.8**	5.2
Rental and joint venture fee income		**84.1**	97.2
Property expenses	4	**(11.9)**	(11.3)
Net rental and related income		**72.2**	85.9
Administration expenses	5	**(25.1)**	(24.1)
Development management revenue	14	**–**	14.2
Development management costs		**(0.3)**	(14.6)
Development management losses		**(0.3)**	(0.4)
Trading property revenue		**14.4**	262.3
Trading property cost of sales		**(23.9)**	(250.7)
(Loss)/profit on sale of trading property	10	**(9.5)**	11.6
Operating profit before surplus on property and results of joint ventures		**37.3**	73.0
Surplus from investment property	10	**7.3**	35.5
Share of results of joint ventures	12	**10.0**	41.2
Operating profit		**54.6**	149.7
Finance income	6	**8.3**	9.8
Finance costs	7	**(8.1)**	(11.2)
Premium paid on cancellation of private placement notes		**–**	(36.6)
Premium paid on cancellation of debenture stock		**–**	(38.1)
Fair value movement on convertible bond		**1.3**	8.5
Fair value movement on derivatives		**–**	(5.4)
Profit before tax		**56.1**	76.7
Tax	8	**(6.6)**	(6.4)
Profit for the year		**49.5**	70.3
Basic earnings per share	9	**17.9p**	21.5p
Diluted earnings per share	9	**17.1p**	18.2p
Basic EPRA earnings per share	9	**19.5p**	20.4p
Diluted EPRA earnings per share	9	**19.4p**	20.4p

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

Group statement of comprehensive income

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Profit for the year		**49.5**	70.3
Items that will not be reclassified subsequently to profit and loss			
Actuarial (loss)/gain on defined benefit scheme	24	**(0.9)**	6.1
Deferred tax on actuarial (loss)/gain on defined benefit scheme		**0.2**	(0.1)
Total comprehensive income and expense for the year		**48.8**	76.3

Group balance sheet
At 31 March 2019

	Notes	**2019 £m**	2018 £m
Non-current assets			
Investment property	10	**2,025.0**	2,305.2
Investment in joint ventures	12	**511.9**	423.7
Plant and equipment	13	**4.0**	4.6
Pension asset	24	**–**	0.5
		2,540.9	2,734.0
Current assets			
Trading property	11	**5.6**	19.5
Trade and other receivables	14	**10.9**	15.1
Cash and cash equivalents		**139.4**	351.4
		155.9	386.0
Total assets		**2,696.8**	3,120.0
Current liabilities			
Trade and other payables	15	**(47.1)**	(363.3)
Interest-bearing loans and borrowings	16	**–**	(150.9)
Corporation tax	8	**(3.3)**	(0.1)
		(50.4)	(514.3)
Non-current liabilities			
Interest-bearing loans and borrowings	16	**(296.0)**	(196.2)
Obligations under finance leases	18	**(40.7)**	(40.8)
Deferred tax	8	**–**	(1.8)
		(336.7)	(238.8)
Total liabilities		**(387.1)**	(753.1)
Net assets		**2,309.7**	2,366.9
Equity			
Share capital	19	**41.4**	43.0
Share premium account		**46.0**	46.0
Capital redemption reserve	19	**324.0**	322.4
Retained earnings		**1,900.0**	1,957.9
Investment in own shares	20	**(1.7)**	(2.4)
Total equity		**2,309.7**	2,366.9
Net assets per share	9	**851p**	840p
EPRA NAV	9	**853p**	845p

Approved by the Board on 22 May 2019 and signed on its behalf by:

Toby Courtauld
Chief Executive

Nick Sanderson
Finance and Operations Director

Group statement of cash flows

For the year ended 31 March 2019

	Notes	**2019 £m**	2018 £m
Operating activities			
Operating profit		**54.6**	149.7
Adjustments for non-cash items	21	**(13.7)**	(78.9)
Decrease in trading property		**13.4**	232.2
Decrease in receivables		**2.2**	11.5
Decrease in payables		**(13.5)**	(54.9)
Cash generated from operations		**43.0**	259.6
Interest paid		**(12.3)**	(18.4)
Interest received		**1.3**	–
Tax paid		**(5.0)**	(1.6)
Cash flows from operating activities		**27.0**	239.6
Investing activities			
Distributions from joint ventures		**10.1**	21.1
Funds to joint ventures		**(35.6)**	(30.7)
Funds from joint ventures		**–**	130.3
Purchase and development of property		**(47.6)**	(128.7)
Purchase of plant and equipment		**(0.1)**	(0.4)
Sale of properties		**342.1**	487.1
Investment in joint ventures		**(45.6)**	(12.9)
Cash flows from investing activities		**223.3**	465.8
Financing activities			
Revolving credit facility repaid	16	**–**	(109.0)
Repayment of convertible bond	16	**(149.6)**	–
Issue of private placement notes	16	**99.7**	174.1
Redemption of private placement notes	16	**–**	(127.7)
Premium paid on redemption of private placement notes	16	**–**	(36.3)
Termination of cross currency swaps	16	**–**	23.1
Redemption of debenture loan stock	16	**–**	(121.1)
Premium paid on redemption of debenture stock	16	**–**	(38.9)
Purchase of own shares	19	**(73.7)**	–
Capital returned via a B share scheme	16	**(306.0)**	–
Dividends paid	22	**(32.7)**	(143.7)
Cash flows from financing activities		**(462.3)**	(379.5)
Net (decrease)/increase in cash and cash equivalents		**(212.0)**	325.9
Cash and cash equivalents at 1 April		**351.4**	25.5
Cash and cash equivalents at 31 March		**139.4**	351.4

Group statement of changes in equity

For the year ended 31 March 2019

	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 2018		**43.0**	**46.0**	**322.4**	**1,957.9**	**(2.4)**	**2,366.9**
Profit for the year		**–**	**–**	**–**	**49.5**	**–**	**49.5**
Actuarial loss on defined benefit scheme		**–**	**–**	**–**	**(0.9)**	**–**	**(0.9)**
Deferred tax on actuarial loss on defined benefit scheme		**–**	**–**	**–**	**0.2**	**–**	**0.2**
Total comprehensive income for the year		**–**	**–**	**–**	**48.8**	**–**	**48.8**
Employee Long-Term Incentive Plan charge	20	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Dividends to shareholders	22	**–**	**–**	**–**	**(32.5)**	**–**	**(32.5)**
Share buyback	19	**(1.6)**	**–**	**1.6**	**(74.8)**	**–**	**(74.8)**
Transfer to retained earnings	20	**–**	**–**	**–**	**0.6**	**(0.6)**	**–**
Total equity at 31 March 2019		**41.4**	**46.0**	**324.0**	**1,900.0**	**(1.7)**	**2,309.7**

Group statement of changes in equity

For the year ended 31 March 2018

	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 2017		43.0	352.0	16.4	2,330.8	(3.8)	2,738.4
Profit for the year		–	–	–	70.3	–	70.3
Actuarial gain on defined benefit scheme		–	–	–	6.1	–	6.1
Deferred tax on actuarial gain on defined benefit scheme		–	–	–	(0.1)	–	(0.1)
Total comprehensive income for the year		–	–	–	76.3	–	76.3
Employee Long-Term Incentive Plan charge	20	–	–	–	–	2.0	2.0
Dividends to shareholders	22	–	–	–	(143.8)	–	(143.8)
Issue of B shares	19	–	(306.0)	–	–	–	(306.0)
Redemption of B shares	19	–	–	306.0	(306.0)	–	–
Transfer to retained earnings	20	–	–	–	0.6	(0.6)	–
Total equity at 31 March 2018		43.0	46.0	322.4	1,957.9	(2.4)	2,366.9

Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation
The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 March 2019. Whilst the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 March 2019 or 2018, but is derived from those financial statements.

Financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 2019 and 2018 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The financial statements 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.

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

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

Key source of estimation uncertainty: property portfolio valuation
The valuation to assess the fair value of the Group's investment properties is prepared by its external valuer. The valuation is based upon a number of assumptions including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. For the current year and prior year the directors adopted the valuation without adjustment, further information is provided in the accounting policy for investment property and note 10.

New accounting standards
During the year ended 31 March 2019, the following accounting standards and guidance were adopted by the Group:

- IFRS 9 Financial instruments: This standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The application of IFRS 9 has had no impact on the Group's financial instruments as regards their classification and measurement. The transition to IFRS 9 does not require any restatement of prior period balances
- IFRS 15 Revenue from Contracts with Customers: The standard is applicable to service charge income, joint venture fee income, trading property revenue and development management revenue, but excludes lease rental income arising from contracts with the Group's tenants as well as the spreading of lease incentives. The adoption of this standard has not had a material impact on the financial statements. We have chosen to adopt IFRS 15 on a retrospective basis using a cumulative catch-up method, and therefore comparative balances have not been restated
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Transfers of Investment Property (Amendments to IAS 40)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)

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:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)

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

Certain standards which may have an impact are discussed below:

- IFRS 16 Leases: The standard replaces IAS 17 Leases and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset will be assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The accounting for lessors will not significantly change. The Group has completed its impact assessment of the standard and concluded that as the Group is primarily a lessor, holds a limited number of operating leases and the standard does not impact the recognition of rental income, the impact on the financial statements will be immaterial. As the transition to IFRS 16 will have an immaterial impact no further disclosure is provided.

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 2019. 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.

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

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

Lease incentives
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.

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

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

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

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

All of the Group's revenue is generated from investment 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 10.

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, 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.

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.

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

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

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

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

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

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

2 Total revenue

	2019 £m	2018 £m
Gross rental income	**82.9**	87.7
Spreading of tenant lease incentives	**(1.6)**	5.1
Service charge income	**12.9**	12.4
Joint venture fee income	**3.8**	5.2
Trading property revenue	**14.4**	262.3
Development management revenue	**–**	14.2
	112.4	386.9

3 Net rental income

	2019 £m	2018 £m
Gross rental income	**82.9**	87.7
Spreading of tenant lease incentives	**(1.6)**	5.1
Ground rents	**(1.0)**	(0.8)
	80.3	92.0

4 Property expenses

	2019 £m	2018 £m
Service charge income	**(12.9)**	(12.4)
Service charge expenses	**15.1**	15.0
Other property expenses	**9.7**	8.7
	11.9	11.3

5 Administration expenses

	2019 £m	2018 £m
Employee costs	**17.2**	17.8
Operating leases	**1.0**	1.0
Depreciation	**0.8**	0.9
Other head office costs	**6.1**	4.4
	25.1	24.1

Included within employee costs is an accounting charge for the LTIP scheme of £1.3 million (2018: £2.0 million). Employee costs, including those of directors, comprise the following:

	2019 £m	2018 £m
Wages and salaries (including annual bonuses)	**14.0**	13.9
Share-based payments	**1.3**	2.0
Social security costs	**2.3**	2.0
Other pension costs	**1.6**	1.9
	19.2	19.8
Less: recovered through service charges	**(1.5)**	(1.0)
Less: capitalised into development projects	**(0.5)**	(1.0)
	17.2	17.8

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:

	2019 £m	2018 £m
Wages and salaries (including annual bonuses)	**3.3**	3.6
Share-based payments	**0.4**	1.1
Social security costs	**0.5**	0.6
Other pension costs	**0.4**	0.3
	4.6	5.6

The Group had loans to key management of £9,985 outstanding at 31 March 2019. The Group's key management, its pension plan and joint ventures are the Group's only related parties.

Employee information

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

	2019 Number	2018 Number
Head office and property management	**110**	111

Auditor's remuneration

	2019 £000's	2018 £000's
Audit of the Company's annual accounts	**123**	121
Audit of subsidiaries	**102**	101
	225	222
Audit-related assurance services, including the interim review	**75**	68
Total audit and audit-related services	**300**	290
Other services	**–**	–
	300	290

6 Finance income

	2019 £m	2018 £m
Interest on balances with joint ventures	**7.1**	9.6
Interest on cash deposits	**1.2**	0.2
	8.3	9.8

7 Finance costs

	2019 £m	2018 £m
Interest on revolving credit facilities	**3.0**	2.8
Interest on private placement notes	**6.2**	3.9
Interest on debenture stock	**1.2**	7.1
Interest on convertible bond	**0.6**	1.5
Interest on obligations under finance leases	**1.9**	1.8
Gross finance costs	**12.9**	17.1
Less: capitalised interest at an average rate of 3.2% (2018: 3.2%)	**(4.8)**	(5.9)
	8.1	11.2

8 Tax

	2019 £m	2018 £m
Current tax		
UK corporation tax	**8.1**	2.7
Tax under provided in previous years	**0.1**	–
Total current tax	**8.2**	2.7
Deferred tax	**(1.6)**	3.7
Tax charge for the year	**6.6**	6.4

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

	2019 £m	2018 £m
Profit before tax	**56.1**	76.7
Tax charge on profit at standard rate of 19% (2018: 19%)	**10.7**	14.6
REIT tax-exempt rental profits and gains	**(9.8)**	(12.5)
Changes in fair value of properties not subject to tax	**(1.4)**	(12.9)
Changes in fair value of financial instruments not subject to tax	**(0.2)**	3.8
Prior periods' corporation tax	**0.1**	–
Gains in respect of sales of investment properties subject to tax	**6.8**	13.0
Gains in respect of £150 million 1% convertible bonds 2018	**2.8**	–
Other	**(2.4)**	0.4
Tax charge for the year	**6.6**	6.4

During the year, £0.2 million of deferred tax was credited directly to equity (2018: £0.1 million debited). The Group's net deferred tax asset at 31 March 2019 was £nil (2018: £1.8 million liability) consisting of a deferred tax liability of £0.1 million (2018: £2.8 million) and a deferred tax asset of £0.1 million (2018: £1.0 million).

Movement in deferred tax

	At 1 April 2018 £m	Recognised in the income statement £m	Recognised in equity £m	At 31 March 2019 £m
Deferred tax liability in respect of £150 million 1.00% convertible bonds 2018	(2.8)	**2.8**	**–**	**–**
Deferred tax asset in respect of revenue losses	0.2	**(0.2)**	**–**	**–**
Deferred tax asset in respect of other temporary differences	0.8	**(1.0)**	**0.2**	**–**
Net deferred tax (liability)/asset	(1.8)	**1.6**	**0.2**	**–**

A deferred tax asset of £2.5 million (2018: £1.5 million), mainly relating to revenue losses and contingent share awards was not recognised because it is uncertain whether future taxable profits will arise against which this asset can be utilised.

As a REIT, the Group is largely exempt from corporation tax in respect of its rental profits and chargeable gains relating to its property rental business. The Group is otherwise subject to corporation tax. In particular, the Group's REIT exemption does not extend to either profits arising from the sale of trading properties (including the sale of the remaining residential units at Rathbone Square, W1) or profits arising from the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years (including the sale of 78/92 Great Portland Street, W1 and 55 Wells Street, W1).

Additionally, during January 2019, HMRC circulated new draft guidance which states that it considers that the REIT exemption also does not extend to profits arising from the sale of investment properties which are undergoing a major redevelopment at the time of sale. This guidance has yet to be issued in final form. The Group will continue to monitor this matter and consider its potential effect on any recent and future sales by the Group.

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

9 Performance measures and EPRA metrics

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

Weighted average number of ordinary shares

	2019 Number of shares	2018 Number of shares
Issued ordinary share capital at 1 April	**281,663,675**	343,926,149
Share buyback	**(4,608,662)**	–
Share consolidations	**–**	(16,371,005)
Investment in own shares	**(1,122,294)**	(1,446,557)
Weighted average number of ordinary shares – Basic	**275,932,719**	326,108,587

Basic and diluted earnings per share

	Profit after tax 2019 £m	**Number of shares 2019 million**	**Profit per share 2019 pence**	Profit after tax 2018 £m	Number of shares 2018 million	Profit per share 2018 pence
Basic	**49.5**	**275.9**	**17.9**	70.3	326.1	21.5
Dilutive effect of convertible bond	**(0.7)**	**8.7**	**(0.8)**	(7.0)	20.6	(3.3)
Dilutive effect of LTIP shares	**–**	**0.4**	**–**	–	0.1	–
Diluted	**48.8**	**285.0**	**17.1**	63.3	346.8	18.2

Basic and diluted EPRA earnings per share

	Profit after tax 2019 £m	**Number of shares 2019 million**	**Earnings per share 2019 pence**	Profit after tax 2018 £m	Number of shares 2018 million	Earnings per share 2018 pence
Basic	**49.5**	**275.9**	**17.9**	70.3	326.1	21.5
Surplus from investment property net of tax (note 10)	**(1.4)**	**–**	**(0.5)**	(25.9)	–	(7.9)
Surplus from joint venture investment property (note 12)	**(3.4)**	**–**	**(1.2)**	(33.7)	–	(10.3)
Movement in fair value of derivatives	**–**	**–**	**–**	5.4	–	1.7
Movement in fair value of convertible bond net of tax	**1.0**	**–**	**0.4**	(8.5)	–	(2.6)
Movement in fair value of derivatives in joint ventures (note 12)	**0.1**	**–**	**–**	(1.0)	–	(0.3)
Loss/(profit) on sale of trading property net of tax	**9.5**	**–**	**3.5**	(10.4)	–	(3.2)
Premium paid on cancellation of private placement notes net of tax (note 16)	**–**	**–**	**–**	34.5	–	10.6
Premium paid on cancellation of debenture stock net of tax (note 16)	**–**	**–**	**–**	32.1	–	9.8
Deferred tax (note 8)	**(1.6)**	**–**	**(0.6)**	3.7	–	1.1
Basic EPRA earnings	**53.7**	**275.9**	**19.5**	66.5	326.1	20.4
Dilutive effect of LTIP shares	**–**	**0.4**	**(0.1)**	–	0.1	–
Dilutive effect of convertible bond	**–**	**–**	**–**	–	–	–
Diluted EPRA earnings	**53.7**	**276.3**	**19.4**	66.5	326.2	20.4

EPRA net assets per share

	Net assets 2019 £m	**Number of shares 2019 million**	**Net assets per share 2019 pence**	Net assets 2018 £m	Number of shares 2018 million	Net assets per share 2018 pence
Basic net assets	**2,309.7**	**271.4**	**851**	2,366.9	281.7	840
Investment in own shares	**–**	**(1.1)**	**4**	–	(1.2)	4
Dilutive effect of LTIP shares	**–**	**0.5**	**(2)**	–	0.2	–
Diluted net assets	**2,309.7**	**270.8**	**853**	2,366.9	280.7	844
Surplus on revaluation of trading property (note 11)	**–**	**–**	**–**	1.3	–	–
Fair value of convertible bond (note 17)	**–**	**–**	**–**	0.9	–	–
Fair value of derivatives in joint ventures (note 12)	**0.4**	**–**	**–**	0.3	–	–
Deferred tax (note 8)	**–**	**–**	**–**	1.8	–	1
EPRA NAV	**2,310.1**	**270.8**	**853**	2,371.2	280.7	845
Fair value of financial liabilities (note 17)	**(7.2)**	**–**	**(3)**	(2.8)	–	(1)
Fair value of financial liabilities in joint ventures (note 12)	**(1.0)**	**–**	**–**	(1.3)	–	(1)
Fair value of convertible bond (note 17)	**–**	**–**	**–**	(0.9)	–	–
Fair value of derivatives in joint ventures (note 12)	**(0.4)**	**–**	**–**	(0.3)	–	–
Tax arising on sale of trading properties	**–**	**–**	**–**	(0.3)	–	–
Deferred tax (note 8)	**–**	**–**	**–**	(1.8)	–	(1)
EPRA NNNAV	**2,301.5**	**270.8**	**850**	2,363.8	280.7	842

In the prior year, the Group had £150.0 million of convertible bonds in issue with a conversion price of £7.21 per share. The dilutive effect of the contingently issuable shares within the convertible bond is required to be recognised in accordance with IAS 33 – Earnings per Share. For the prior year, the convertible bond had no dilutive impact on IFRS EPS. In accordance with the EPRA Best Practice Recommendations, we have presented EPRA earnings per share on a basic and diluted basis.

EPRA cost ratio (including share of joint ventures)

	2019 £m	2018 £m
Administration expenses	**25.1**	24.1
Property expenses	**11.9**	11.3
Joint venture management fee income	**(3.8)**	(5.2)
Joint venture property and administration costs	**(2.4)**	0.1
EPRA costs (including direct vacancy costs) (A)	**30.8**	30.3
Direct vacancy costs	**(6.1)**	(3.7)
Joint venture direct vacancy (cost)/cost recovery	**(0.4)**	1.0
EPRA costs (excluding direct vacancy costs) (B)	**24.3**	27.6
Net rental income	**80.3**	92.0
Joint venture net rental income	**15.7**	17.4
Gross rental income (C)	**96.0**	109.4
Portfolio at fair value including joint ventures (D)	**2,579.0**	2,790.0
Cost ratio (including direct vacancy costs) (A/C)	**32.1%**	27.7%
Cost ratio (excluding direct vacancy costs) (B/C)	**25.3%**	25.2%
Cost ratio (by portfolio value) (A/D)	**1.2%**	1.1%

EPRA capital expenditure is included in note 10.

Net debt and loan-to-property value

	2019 £m	2018 £m
£142.9 million 5⅝% debenture stock 2029	**22.0**	22.0
£450.0 million revolving credit facility	**–**	–
Private placement notes	**274.0**	174.2
£150.0 million 1.00% convertible bonds 2018 (at nominal value)	**–**	150.0
Less: cash balances	**(139.4)**	(351.4)
Net debt/(cash) excluding joint ventures	**156.6**	(5.2)
Joint venture bank loans (at share)	**84.8**	84.7
Less: joint venture cash balances (at share)	**(17.4)**	(12.0)
Net debt including joint ventures (A)	**224.0**	67.5
Group properties at market value	**1,989.9**	2,285.2
Joint venture properties at market value	**589.1**	504.8
Properties at fair value including joint ventures (B)	**2,579.0**	2,790.0
Loan-to-property value (A/B)	**8.7%**	2.4%

Total accounting return

	2019 Pence per share	2018 Pence per share
Opening EPRA NAV (A)	**845.0**	799.0
Closing EPRA NAV	**853.0**	845.0
Increase in EPRA NAV	**8.0**	46.0
Ordinary dividends paid in the year	**11.6**	10.4
Total return (B)	**19.6**	56.4
Total accounting return (B/A)	**2.3%**	7.1%

Cash earnings per share

	Profit after tax 2019 £m	Number of shares 2019 million	Earnings per share 2019 pence	Profit after tax 2018 £m	Number of shares 2018 million	Earnings per share 2018 pence
Diluted EPRA earnings	**53.7**	**276.3**	**19.4**	66.5	326.2	20.4
Capitalised interest	**(4.8)**	**–**	**(1.7)**	(5.9)	–	(1.8)
Capitalised interest in joint ventures	**(3.5)**	**–**	**(1.3)**	(1.8)	–	(0.6)
Spreading of tenant lease incentives	**1.6**	**–**	**0.6**	(5.1)	–	(1.6)
Spreading of tenant lease incentives in joint ventures	**(1.0)**	**–**	**(0.4)**	(0.1)	–	–
Employee Long-Term Incentive Plan charge	**1.3**	**–**	**0.5**	2.0	–	0.6
Cash earnings per share	**47.3**	**276.3**	**17.1**	55.6	326.2	17.0

10 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2017	1,222.9	1,041.1	2,264.0
Acquisitions	29.9	–	29.9
Costs capitalised	16.3	19.1	35.4
Disposals	(195.5)	–	(195.5)
Transfer from investment property under development	102.9	–	102.9
Transfer to investment property under development	(140.2)	–	(140.2)
Net valuation surplus on investment property	23.3	22.9	46.2
Book value at 31 March 2018	1,059.6	1,083.1	2,142.7
Costs capitalised	**7.0**	**2.2**	**9.2**
Disposals	**(336.6)**	**–**	**(336.6)**
Net valuation surplus/(deficit) on investment property	**3.5**	**(4.2)**	**(0.7)**
Book value at 31 March 2019	**733.5**	**1,081.1**	**1,814.6**

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2017	87.9	–	87.9
Acquisitions	25.6	–	25.6
Costs capitalised	14.2	–	14.2
Interest capitalised	0.8	–	0.8
Transfer to investment property	(102.9)	–	(102.9)
Transfer from investment property	140.2	–	140.2
Net revaluation deficit on investment property under development	(3.3)	–	(3.3)
Book value at 31 March 2018	162.5	–	162.5
Costs capitalised	**38.8**	**–**	**38.8**
Interest capitalised	**4.8**	**–**	**4.8**
Net valuation surplus on investment property under development	**4.3**	**–**	**4.3**
Book value at 31 March 2019	**210.4**	**–**	**210.4**

Total investment property	**943.9**	**1,081.1**	**2,025.0**

The book value of investment property includes £40.7 million (2018: £40.8 million) in respect of the present value of future ground rents. The market value of the portfolio (excluding these amounts) is £1,984.3 million. The market value of the Group's total property portfolio, including trading properties, was £1,989.9 million (2018: £2,285.2 million). The total portfolio value including joint venture properties of £589.1 million (see note 12) was £2,579.0 million. At 31 March 2019, property with a carrying value of £108.4 million (2018: £388.4 million) was secured under the first mortgage debenture stock (see note 16).

Surplus from investment property

	2019 £m	2018 £m
Net valuation surplus on investment property	**3.6**	42.9
Profit/(loss) on sale of investment properties	**3.7**	(7.4)
	7.3	35.5

On the settlement of all outstanding payments on the completion of Rathbone Square, W1, the allocation of costs between the residential and commercial elements of the scheme has been finalised. This resulted in £9.4 million of further costs being allocated to the residential element of the scheme (from the commercial element), resulting in a £9.4 million profit on disposal of the commercial element and an equal loss on disposal being recognised on the residential element. There is no overall impact on the income statement from this adjustment.

The Group's investment properties, including those held in joint ventures (note 12), were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2019. 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.

The total fees, including the fee for this assignment, earned by CBRE (or other companies forming part of the same group of companies within the UK) from the Group are less than 5.0% of total UK revenues. The valuation at 31 March 2019 was the first year for a new principal signatory of the CBRE valuation reports. CBRE has continuously been carrying out valuation instructions for the Group for in excess of 20 years. CBRE has carried out valuation, agency and professional services on behalf of the Group for in excess of 20 years.

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

Key inputs to the valuation

		ERV		True equivalent yield	
		Average £ per sq ft	**Range £ per sq ft**	**Average %**	**Range %**
North of Oxford Street	Office	**74**	**46 – 86**	**4.5**	**3.5 – 6.2**
	Retail	**81**	**34 – 157**	**4.1**	**3.6 – 5.9**
Rest of West End	Office	**75**	**43 – 93**	**4.7**	**3.6 – 5.7**
	Retail	**118**	**9 – 335**	**4.1**	**3.4 – 5.4**
City, Midtown & Southwark	Office	**54**	**46 – 60**	**5.1**	**4.6 – 5.6**
	Retail	**80**	**28 – 122**	**4.6**	**4.6 – 4.7**

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. However, the relationship between capitalisation yields and the property valuation is negative; therefore an increase in capitalisation yields will reduce the valuation of a property and a reduction will increase its valuation. 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 £132.9 million, whilst a 25 basis point increase would reduce the fair value by £148.2 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 2019, the Group had capital commitments of £93.6 million (2018: £131.6 million).

EPRA capital expenditure

	2019 £m	2018 £m
Group		
Acquisitions	**–**	55.5
Developments (including trading properties)	**38.8**	28.3
Investment property	**9.2**	35.4
Interest capitalised (including trading properties)	**4.8**	5.9
Joint ventures (at share)		
Developments	**70.5**	33.7
Investment property	**5.8**	2.2
Interest capitalised	**3.5**	1.8
Total	**132.6**	162.8

11 Trading property

	2019 £m	2018 £m
At 1 April	19.5	246.7
Costs capitalised	**–**	14.1
Interest capitalised	**–**	5.1
Disposals	**(13.9)**	(246.4)
At 31 March	**5.6**	19.5

The Group has developed a large mixed-use scheme at Rathbone Square, W1. Part of the approved scheme consists of residential units which the Group holds for sale. As a result, the residential element of the scheme is classified as trading property. At 31 March 2019, the remaining residential unit was under offer with the sale completing in April 2019. The fair value of the trading property was £5.6 million (2018: £20.8 million), representing a Level 3 valuation as defined by IFRS 13 (see note 10).

12 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	**Balances with partners £m**	**2019 Total £m**	2018 Total £m
At 1 April	283.6	140.1	423.7	480.8
Movement on joint venture balances	**–**	**42.7**	**42.7**	(90.1)
Additions	**45.6**	**–**	**45.6**	12.9
Share of profit of joint ventures	**6.6**	**–**	**6.6**	7.5
Share of revaluation surplus of joint ventures	**3.5**	**–**	**3.5**	24.8
Share of (loss)/profit on disposal of joint venture properties	**(0.1)**	**–**	**(0.1)**	8.9
Share of results of joint ventures	**10.0**	**–**	**10.0**	41.2
Distributions	**(10.1)**	**–**	**(10.1)**	(21.1)
At 31 March	**329.1**	**182.8**	**511.9**	423.7

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

	Country of registration	**2019 ownership**	2018 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**	**2019 Total £m**	**2019 At share £m**	2018 At share £m
Balance sheets							
Investment property	**450.4**	**539.4**	**198.8**	**–**	**1,188.6**	**594.3**	510.0
Current assets	**3.3**	**1.5**	**0.1**	**–**	**4.9**	**2.4**	1.3
Cash	**20.0**	**9.6**	**4.9**	**0.2**	**34.7**	**17.4**	12.0
Balances (from)/to partners	**(175.8)**	**(200.7)**	**10.9**	**–**	**(365.6)**	**(182.8)**	(140.1)
Bank loans	**–**	**(89.8)**	**(79.8)**	**–**	**(169.6)**	**(84.8)**	(84.7)
Derivatives	**–**	**(0.9)**	**–**	**–**	**(0.9)**	**(0.4)**	(0.3)
Current liabilities	**(8.4)**	**(10.8)**	**(4.2)**	**(0.2)**	**(23.6)**	**(11.8)**	(9.4)
Finance leases	**–**	**(10.3)**	**–**	**–**	**(10.3)**	**(5.2)**	(5.2)
Net assets	**289.5**	**238.0**	**130.7**	**–**	**658.2**	**329.1**	283.6

	The GHS Limited Partnership £m	**The Great Ropemaker Partnership £m**	**The Great Victoria Partnerships £m**	**Other £m**	**2019 Total £m**	**2019 At share £m**	2018 At share £m
Income statements							
Net rental income	**–**	**18.9**	**12.4**	**–**	**31.3**	**15.7**	17.4
Property and administration costs	**(0.8)**	**(3.3)**	**(0.5)**	**(0.1)**	**(4.7)**	**(2.4)**	(0.1)
Net finance costs	**0.1**	**(10.4)**	**(3.0)**	**–**	**(13.3)**	**(6.6)**	(10.8)
Movement in fair value of derivatives	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**(0.1)**	1.0
Profit/(loss) from joint ventures	**(0.7)**	**5.0**	**8.9**	**(0.1)**	**13.1**	**6.6**	7.5
Revaluation of investment property	**26.3**	**13.5**	**(32.5)**	**–**	**7.3**	**3.5**	24.8
(Loss)/profit on sale of investment property	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**(0.1)**	8.9
Share of results of joint ventures	**25.6**	**18.4**	**(23.6)**	**(0.1)**	**20.3**	**10.0**	41.2

The non-recourse debt facilities of the joint ventures at 31 March 2019 are set out below:

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

The Great Ropemaker Partnership has two interest rate swaps with a fixed rate of 1.42%, which expire coterminously with the bank loan in 2020, with a notional principal amount of £90.0 million. Together with the swaps the loan has an all-in hedged coupon of 2.67% for its duration. At 31 March 2019, the Great Victoria Partnership loan had a fair value of £81.8 million (2018: £82.3 million). All interest-bearing loans are in sterling. At 31 March 2019, the joint ventures had £nil undrawn facilities (2018: £nil).

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

	2019 £m	2018 £m
Movement on joint venture balances during the year	**(42.7)**	90.1
Balances receivable at the year end from joint ventures	**(182.8)**	(140.1)
Distributions	**10.1**	21.1
Management fee income	**3.8**	5.2

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

The investment properties include £5.2 million (2018: £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 £589.1 million. The Group earns fee income from its joint ventures for the provision of management services. All of the above transactions are made on terms equivalent to those that prevail in arm’s length transactions.

At 31 March 2019, the Group had £nil contingent liabilities arising in its joint ventures (2018: £nil). At 31 March 2019, the Group had capital commitments in respect of its joint ventures of £45.9 million (2018: £112.9 million).

13 Plant and equipment

	Leasehold improvements £m	Fixtures and fittings/other £m	Total £m
Cost			
At 1 April 2017	5.2	1.0	6.2
Costs capitalised in respect of head office refurbishment	0.3	0.1	0.4
Disposals	–	–	–
At 31 March 2018	5.5	1.1	6.6
Costs capitalised	**0.1**	**–**	**0.1**
At 31 March 2019	**5.6**	**1.1**	**6.7**
Depreciation			
At 1 April 2018	1.3	0.7	2.0
Charge for the year	**0.5**	**0.2**	**0.7**
At 31 March 2019	**1.8**	**0.9**	**2.7**
Carrying amount at 31 March 2018	4.2	0.4	4.6
Carrying amount at 31 March 2019	**3.8**	**0.2**	**4.0**

14 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**3.6**	3.8
Expected credit loss allowance	**(0.7)**	(0.4)
	2.9	3.4
Prepayments and accrued income	**0.6**	1.3
Amounts due on development management contracts	**1.4**	1.5
Other trade receivables	**6.0**	6.9
Deferred consideration on property sales	**–**	2.0
	10.9	15.1

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 the individual occupiers' circumstance. Debtors past due but not impaired were £1.9 million (2018: £2.0 million) of which £1.8 million (2018: £2.0 million) is over 30 days.

	2019 £m	2018 £m
Movements in expected credit loss allowance		
Balance at the beginning of the year	**(0.4)**	(0.1)
Expected credit loss allowance during the year	**(0.3)**	(0.3)
Amounts written-off as uncollectable	**–**	–
	(0.7)	(0.4)

15 Trade and other payables

	2019 £m	2018 £m
Rents received in advance	**19.7**	22.8
Deposits received on forward sale of residential units	**1.9**	2.4
Obligation to redeem B shares	**–**	306.0
Non-trade payables and accrued expenses	**25.5**	32.1
	47.1	363.3

In the prior year, the Company's shareholders approved a return of capital of £306.0 million through the issue of new B shares, which were redeemed in April 2018 in order to return 93.65 pence per ordinary share to shareholders. As a result, the obligation to redeem the B shares was a liability at 31 March 2018.

16 Interest-bearing loans and borrowings

	2019 £m	2018 £m
Current liabilities at fair value		
Unsecured		
£150.0 million 1.00% convertible bonds 2018	**–**	150.9
Current interest bearing loans and borrowings	**–**	150.9
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	**22.0**	22.0
Unsecured		
£175.0 million 2.15% private placement notes 2024	**174.4**	174.2
£40.0 million 2.70% private placement notes 2028	**39.8**	–
£30.0 million 2.79% private placement notes 2030	**29.9**	–
£30.0 million 2.93% private placement notes 2033	**29.9**	–
Non-current interest bearing loans and borrowings	**296.0**	196.2
Interest bearing loans and borrowings	**296.0**	347.1

In October 2018, the Group entered into an 'Amendment and Extension' transaction on its £450 million unsecured revolving credit facility (RCF). The size of the RCF is unchanged at £450 million, but the margin was reduced to 92.5 basis points over LIBOR with the maturity initially extended to October 2023 which can potentially be further extended to October 2025, subject to bank consent. The facility was undrawn during the year.

In June 2018, the Group drew down on £100 million of new ten, twelve and fifteen-year US private placement notes. The sterling denominated, unsecured debt has a weighted average fixed rate coupon of 2.80% (representing a margin of 106 basis points over the relevant Gilt).

In September 2018, the Group's £150.0 million convertible bond matured. Bonds with a face value of £136.9 million were repaid on maturity and £13.1 million of bonds converted. The Group opted to pay a cash amount in respect of the converted bonds rather than issue shares. The quantum of the cash payment was based on GPE's share price between 7 September and 4 October. As a result, the final amount payable was £12.7 million, which was paid in October, with the £0.4 million discount on maturity recognised as a fair value movement in the income statement for the year.

At 31 March 2019, the Group had £451.0 million (2018: £451 million) of undrawn credit facilities.

17 Financial instruments

Categories of financial instrument	**Carrying amount 2019 £m**	**Amounts recognised in income statement 2019 £m**	**Gain/(loss) to equity 2019 £m**	Carrying amount 2018 £m	Amounts recognised in income statement 2018 £m	Gain/(loss) to equity 2018 £m
Convertible bond	**–**	**0.7**	**–**	(150.9)	7.0	–
Current liabilities at fair value	**–**	**0.7**	**–**	(150.9)	7.0	–
Interest rate floor	**–**	**–**	**–**	–	(0.5)	–
Cross currency swaps	**–**	**–**	**–**	–	(4.9)	–
Non-current assets held at fair value	**–**	**–**	**–**	–	(5.4)	–
Trade receivables	**10.9**	**(0.3)**	**–**	15.1	(0.3)	–
Cash and cash equivalents	**139.4**	**1.2**	**–**	351.4	0.2	–
Loans and receivables	**150.3**	**0.9**	**–**	366.5	(0.1)	–
Trade and other payables	**(11.8)**	**–**	**–**	(9.4)	–	–
Obligation to redeem B shares	**–**	**–**	**–**	(306.0)	–	–
Interest-bearing loans and borrowings	**(296.0)**	**(5.7)**	**–**	(196.2)	(7.9)	–
Obligations under finance leases	**(40.7)**	**(1.8)**	**–**	(40.8)	(1.8)	–
Liabilities at amortised cost	**(348.5)**	**(7.5)**	**–**	(552.4)	(9.7)	–
Total financial instruments	**(198.2)**	**(5.9)**	**–**	(336.8)	(8.2)	–

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. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group’s maximum exposure to credit risk without taking account of the value of rent deposits obtained. Details of the Group’s receivables are summarised in note 14 of the financial statements.

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

Capital risk
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and as such it aims to maintain an appropriate mix of debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued share capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. Debt comprises long-term debenture stock, private placement notes, convertible bonds and drawings against committed revolving credit facilities from banks. The Group aims to maintain a loan-to-property value of between 10% – 40% (see note 9).

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 2019 actuals
Group		
Net debt/net equity	**<1.25x**	**0.07x**
Inner borrowing (unencumbered asset value/unsecured borrowings)	**>1.66x**	**6.8x**
Interest cover	**>1.35x**	**n/a**

Due to low levels of consolidated group debt, there was no 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 £451.0 million and has substantial headroom above all of its key covenants. As a result, the directors consider the Group to have adequate liquidity to be able to fund the ongoing operations of the business.

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

At 31 March 2019	**Carrying amount £m**	**Contractual cash flows £m**	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	**22.0**	**33.9**	**1.2**	**1.2**	**3.7**	**27.8**
£450.0 million revolving credit facility	**–**	**5.2**	**1.5**	**1.5**	**2.2**	**–**
Private placement notes	**274.0**	**318.6**	**5.9**	**5.9**	**17.7**	**289.1**
	296.0	**357.7**	**8.6**	**8.6**	**23.6**	**316.9**

At 31 March 2018	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	22.0	35.2	1.2	1.2	3.7	29.1
£450.0 million revolving credit facility	–	4.4	1.7	1.7	1.0	–
Private placement notes	174.2	198.2	3.8	3.8	11.3	179.3
£150.0 million 1.00% convertible bonds 2018	150.9	150.6	150.6	–	–	–
	347.1	388.4	157.3	6.7	16.0	208.4

Market risk

Interest rate risk arises from the Group's use of interest-bearing financial instruments. It is the risk that future cash flows arising from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy to reduce interest rate risk in respect of the cash flows arising from its debt finance either through the use of fixed rate debt or through the use of interest rate derivatives such as swaps, caps and floors. It is the Group's usual policy to maintain the proportion of floating interest rate exposure to between 20%–40% of forecast total debt. However, this target is flexible, and may not be adhered to at all times depending on, for example, the Group's view of future interest rate movements.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both non-derivative and derivative financial instruments at the balance sheet date, and represents management's assessment of possible changes in interest rates based on historical trends. For the floating rate liabilities, the analysis is prepared assuming the amount of the liability at 31 March 2019 was outstanding for the whole year:

	Impact on profit		**Impact on equity**	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Increase of 100 basis points	**0.7**	1.1	**0.7**	1.1
Increase of 50 basis points	**0.4**	0.6	**0.4**	0.6
Decrease of 25 basis points	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Decrease of 50 basis points	**(0.4)**	(0.6)	**(0.4)**	(0.6)

Fair value of interest-bearing loans and borrowings

	Book value 2019 £m	**Fair value 2019 £m**	Book value 2018 £m	Fair value 2018 £m
Level 1				
£150.0 million 1.00% convertible bonds 2018	**–**	**–**	150.9	150.9
Other items not carried at fair value				
£142.9 million 5⅝% debenture stock 2029	**22.0**	**27.3**	22.0	27.0
Private placement notes	**274.0**	**275.9**	174.2	172.0
£450.0 million revolving credit facility	**–**	**–**	–	–
	296.0	**303.2**	347.1	349.9

The fair value of the Group's listed convertible bonds was estimated on the basis of quoted market prices up to maturity, representing Level 1 fair value measurements as defined by IFRS 13 Fair Value Measurement. 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 Obligations under finance leases

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

	Minimum lease payments 2019 £m	**Interest 2019 £m**	**Present value of minimum lease payments 2019 £m**	Minimum lease payments 2018 £m	Interest 2018 £m	Present value of minimum lease payments 2018 £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	**194.9**	**(154.3)**	**40.6**	196.9	(156.2)	40.7
	206.3	**(165.6)**	**40.7**	208.3	(167.5)	40.8

19 Share capital

	2019 Number	**2019 £m**	2018 Number	2018 £m
Allotted, called up and fully paid ordinary shares of 15 5⁄19 pence				
At 1 April	**281,663,675**	**43.0**	343,926,149	43.0
Issue of shares	**–**	**–**	22	–
Share buyback	**(10,297,781)**	**(1.6)**	–	–
19 for 20 share consolidation	**–**	**–**	(17,196,308)	–
25 for 29 share consolidation	**–**	**–**	(45,066,188)	–
At 31 March	**271,365,894**	**41.4**	281,663,675	43.0

On 15 November 2018, the Company announced its intention to return up to £200 million of equity to shareholders over a 12 month period through a share buyback. During the year, the Company bought 10,297,781 shares at an average price of £7.26 per share including costs. After taking account of the share buyback completed to date, at 31 March 2019, the Company had 271,365,894 ordinary shares with a nominal value of 15 $\frac{5}{19}$ pence each.

20 Investment in own shares

	2019 £m	2018 £m
At 1 April	**2.4**	3.8
Employee Long-Term Incentive Plan charge	**(1.3)**	(2.0)
Transfer to retained earnings	**0.6**	0.6
At 31 March	**1.7**	2.4

The investment in the Company's own shares is held at cost and comprises 1,109,303 shares (2018: 1,178,137 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, 68,834 shares (2018: 347,572 shares) were awarded to directors and senior employees in respect of the 2015 LTIP award and no additional shares were acquired by the Trust (2018: 22 shares). The fair value of shares awarded and outstanding at 31 March 2019 was £5.1 million (2018: £2.4 million).

21 Notes to the Group statement of cash flows

Reconciliation of financing liabilities

	1 April 2018 £m	**Inflows/ (outflows) £m**	**New obligations £m**	**Fair value changes £m**	**Other £m**	**31 March 2019 £m**
Long-term borrowings	196.2	**–**	**99.7**	**–**	**0.1**	**296.0**
Short-term borrowings	150.9	**(149.6)**	**–**	**(1.3)**	**–**	**–**
Obligations under finance leases	40.8	**–**	**–**	**–**	**(0.1)**	**40.7**
Obligation to redeem B shares	306.0	**(306.0)**	**–**	**–**	**–**	**–**
	693.9	**(455.6)**	**99.7**	**(1.3)**	**–**	**336.7**

	1 April 2017 £m	Inflows/ (outflows) £m	New obligations £m	Fair value changes £m	Other £m	31 March 2018 £m
Long-term borrowings	537.7	(258.9)	75.2	–	(157.8)	196.2
Short-term borrowings	–	–	–	(8.5)	159.4	150.9
Obligations under finance leases	35.9	–	4.9	–	–	40.8
Obligation to redeem B shares	–	–	306.0	–	–	306.0
Derivatives	(28.5)	23.1	–	5.4	–	–
	545.1	(235.8)	386.1	(3.1)	1.6	693.9

Adjustment for non-cash items

	2019 £m	2018 £m
Surplus from investment property	**(7.3)**	(35.5)
Employee Long-Term Incentive Plan charge	**1.3**	2.0
Spreading of tenant lease incentives	**1.6**	(5.1)
Share of results of joint ventures	**(10.0)**	(41.2)
Depreciation	**0.7**	0.9
Adjustments for non-cash items	**(13.7)**	(78.9)

22 Dividends

	2019 £m	2018 £m
Dividends paid		
Interim dividend for the year ended 31 March 2019 of 4.3 pence per share	**12.0**	–
Final dividend for the year ended 31 March 2018 of 7.3 pence per share	**20.5**	–
Interim dividend for the year ended 31 March 2018 of 4.0 pence per share	**–**	13.0
Special dividend for the year ended 31 March 2018 of 32.15 pence per share	**–**	110.0
Final dividend for the year ended 31 March 2017 of 6.4 pence per share	**–**	20.8
	32.5	143.8

A final dividend of 7.9 pence per share was approved by the Board on 22 May 2019 and will be paid on 8 July 2019 to shareholders on the register on 31 May 2019. The dividend is not recognised as a liability at 31 March 2019. The 2018 final dividend and the 2019 interim dividend are included within the Group statement of changes in equity.

23 Operating leases

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

	2019 £m	2018 £m
The Group as a lessor		
Less than one year	**73.6**	81.7
Between two and five years	**187.9**	223.7
More than five years	**88.8**	166.8
	350.3	472.2

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2019 was 4.3 years (2018: 5.1 years). All investment properties, except those under development, generated rental income and no contingent rents were recognised in the year (2018: £nil).

	2019 £m	2018 £m
The Group as a lessee		
Less than one year	**1.0**	1.0
Between two and five years	**4.1**	4.1
More than five years	**1.0**	2.0
	6.1	7.1

24 Employee benefits

The Group operates a UK-funded approved defined contribution plan. The Group's contribution for the year was £0.7 million (2018: £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 2017 by a qualified independent actuary using the projected unit method. The Plan was valued using the following key actuarial assumptions:

	2019 %	2018 %
Discount rate	**2.50**	2.70
Expected rate of salary increases	**4.20**	4.10
RPI inflation	**3.20**	3.10
Rate of future pension increases	**5.00**	5.00

Life expectancy assumptions at age 65:

	2019 Years	2018 Years
Retiring today age 65	**24**	24
Retiring in 25 years (age 40 today)	**26**	27

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

	2019 £m	2018 £m
Present value of unfunded obligations	**(36.6)**	(34.5)
Fair value of the Plan assets	**36.6**	35.0
Pension surplus	**–**	0.5

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

	2019 £m	2018 £m
Current service cost	**(0.3)**	(0.5)
Net interest cost	**–**	(0.1)
	(0.3)	(0.6)

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

	2019 £m	2018 £m
Defined benefit obligation at 1 April	**34.5**	39.9
Service cost	**0.3**	0.5
Interest cost	**0.9**	1.0
Effect of changes in financial assumptions	**1.8**	(1.5)
Effect of changes in demographic assumptions	**–**	(1.4)
Effect of experience adjustments	**–**	(3.2)
Benefits paid	**(0.9)**	(0.8)
Present value of defined benefit obligation at 31 March	**36.6**	34.5

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

	2019 £m	2018 £m
Fair value of the Plan assets at 1 April	**35.0**	34.1
Interest income	**0.9**	0.9
Actuarial gain	**0.9**	0.1
Employer contributions	**0.7**	0.7
Benefits paid	**(0.9)**	(0.8)
Fair value of the Plan assets at 31 March	**36.6**	35.0

Net pension surplus	**–**	0.5

The amount recognised immediately in the Group statement of comprehensive income was a loss of £0.9 million (2018: gain of £6.1 million).

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

	2019 £m	2018 £m
Cash	**0.2**	0.5
Equities	**14.3**	13.7
Bonds	**22.1**	20.8
	36.6	35.0

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:

	2019 £m	2018 £m
Discount rate -0.25%	**38.5**	36.3
Discount rate +0.25%	**34.9**	32.9
RPI inflation -0.25%	**35.8**	33.7
RPI inflation +0.25%	**37.5**	35.3
Post-retirement mortality assumption -1 year	**38.2**	36.0

The Group expects to contribute £0.7 million to the Plan in the year ending 31 March 2020. The expected total benefit payments for the year ending 31 March 2020 is £0.7 million, with £4.9 million expected to be paid over the next five years. A funding plan has been agreed committing the Group to cash combinations of £347,000 p.a. over five years as well as a contribution rate of 46.8% p.a. of member pensionable salaries to eliminate any funding shortfalls and the ongoing benefit accrual.

25 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.

Responsibility statement

The statement of Directors' responsibilities below has been prepared in connection with the Company's full Annual Report for the year ended 31 March 2019. Certain parts of the Annual Report have not been included in the announcement as set out in note 1 of the financial information. We confirm that to the best of our knowledge:

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

Approved by the Board on 22 May 2019 and signed on its behalf by

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

Glossary

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

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

Cash EPS
EPRA EPS adjusted for non-cash items: tenant incentives, capitalised interest and charges for share-based payments.

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.

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.

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

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

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

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

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

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.

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

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

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

Triple net asset value (NNNAV)
NAV adjusted to include the fair value of the Group’s financial liabilities, deferred tax and tax arising on sale of trading properties on a diluted basis.

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

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.

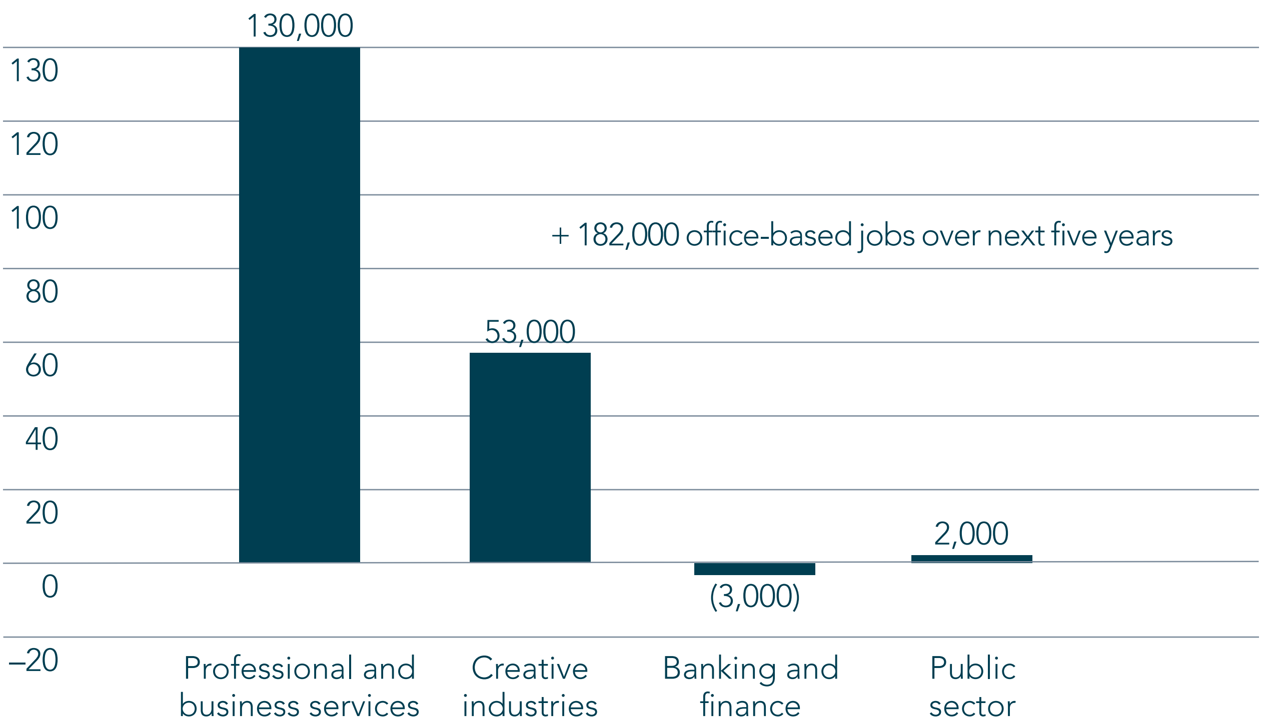
Vacancy rate
The element of a property which is unoccupied but available for letting, expressed as the ERV of the vacant space divided by the ERV of the total portfolio.

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.

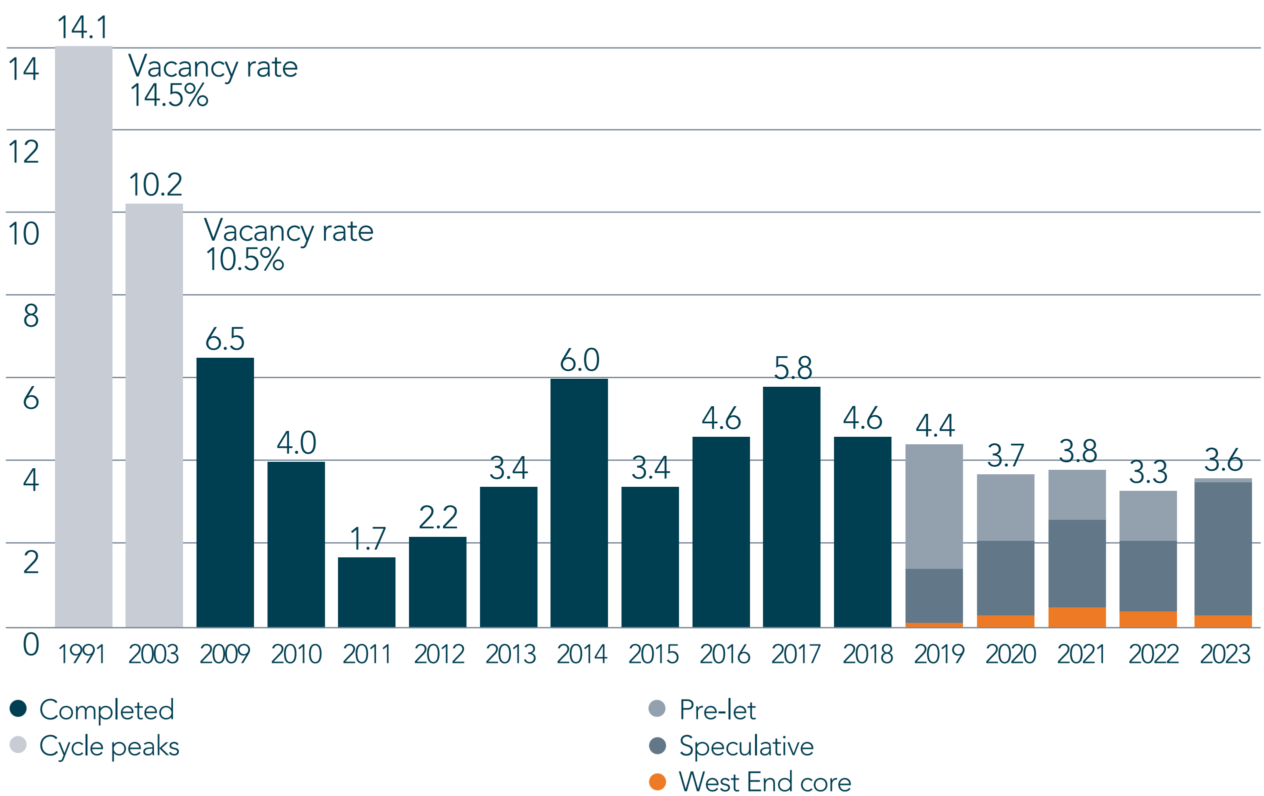
Appendix 1

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



Source: CBRE/Oxford Economics

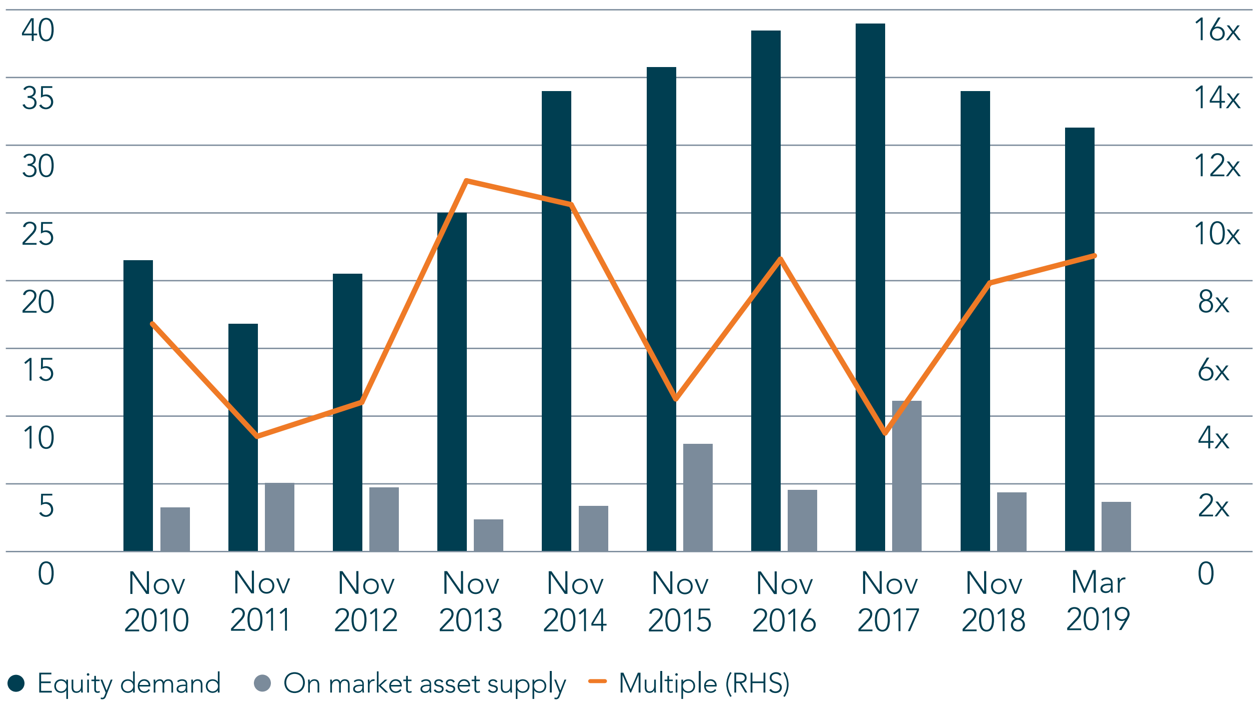
Central London office potential completions million sq ft



Source: CBRE/GPE

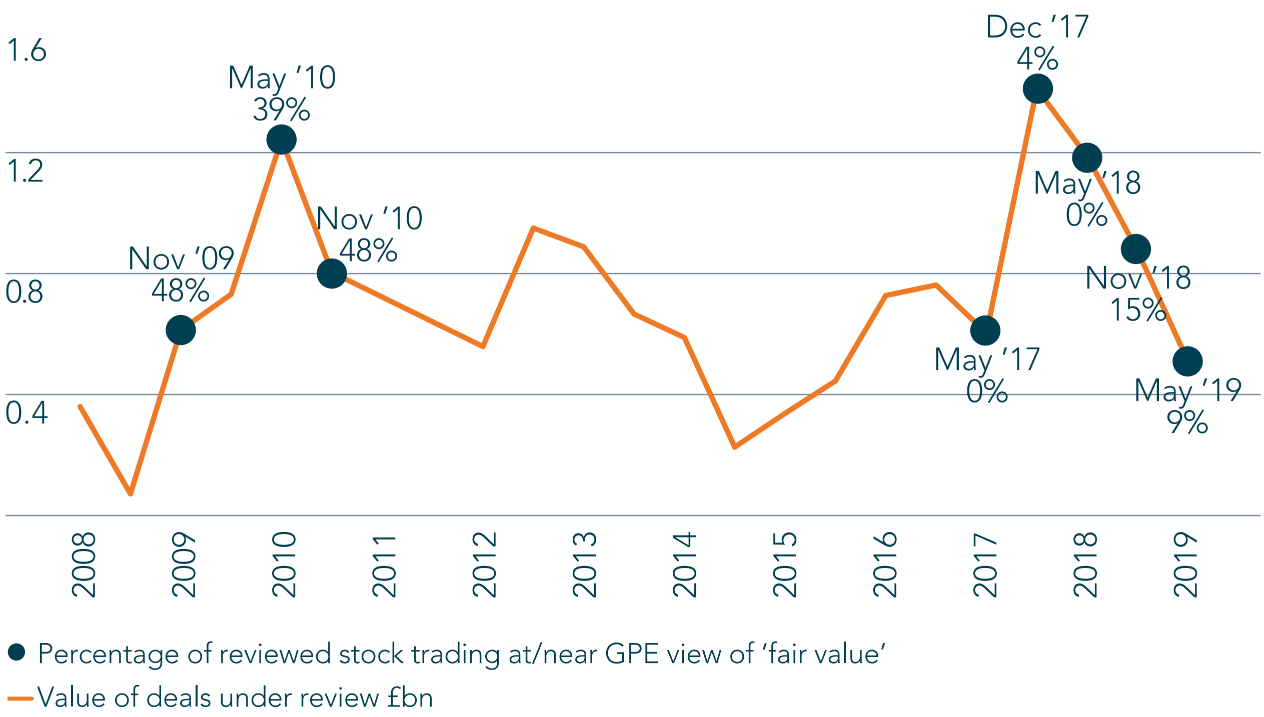
Appendix 1

London equity demand and asset supply £bn



Source: CBRE/GPE

Value of deals under review by GPE £bn



Source: Company data

Appendix 1

Selected lead indicators[1]

Drivers of rents	2018 Outlook	**2019 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. Near term market outlook assuming orderly Brexit.

Appendix 2

Portfolio performance

		Wholly-owned £m	Joint ventures[1] £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	543.1	–	543.1	21.1	2.3
	Retail	129.9	99.4	229.3	8.9	(8.3)
	Residential	13.7	–	13.7	0.5	2.4
Rest of West End	Office	252.1	–	252.1	9.8	(1.0)
	Retail	241.6	34.4	276.0	10.7	1.2
	Residential	5.5	–	5.5	0.2	1.3
Total West End		1,185.9	133.8	1,319.7	51.2	(0.6)
City, Midtown and Southwark	Office	563.3	227.0	790.3	30.5	(0.5)
	Retail	29.5	3.1	32.6	1.3	1.8
	Residential	3.7	–	3.7	0.1	(0.2)
Total City, Midtown and Southwark		596.5	230.1	826.6	31.9	(0.4)
Investment property portfolio		**1,782.4**	**363.9**	**2,146.3**	**83.1**	**(0.5)**
Development property		207.5	225.2	432.7	16.9	4.1
Total properties held throughout the year		**1,989.9**	**589.1**	**2,579.0**	**100.0**	**0.2**
Acquisitions		–	–	–	–	–
Total property portfolio		**1,989.9**	**589.1**	**2,579.0**	**100.0**	**0.2**

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		786.1	178.5	964.6	617.7	333.1	13.8	964.6	740
Rest of West End		533.6	225.2	758.8	385.4	359.3	14.1	758.8	568
Total West End		**1,319.7**	**403.7**	**1,723.4**	**1,003.1**	**692.4**	**27.9**	**1,723.4**	**1,308**
City, Midtown and Southwark		826.6	29.0	855.6	819.4	32.6	3.6	855.6	1,337
Total		**2,146.3**	**432.7**	**2,579.0**	**1,822.5**	**725.0**	**31.5**	**2,579.0**	**2,645**
By use:	Office	1,585.5	237.0	1,822.5					
	Retail	537.9	187.1	725.0					
	Residential	22.9	8.6	31.5					
Total		**2,146.3**	**432.7**	**2,579.0**					
Net internal area sq ft 000's		2,230	415	2,645					

Appendix 2

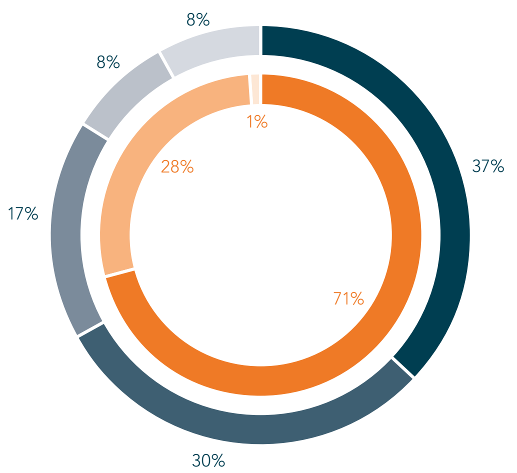
Our portfolio – 100% Central London, with 54% in our development programme

Locations

- North of Oxford Street **£964.6m**
- Rest of West End **£758.8m**
- City **£445.7m**
- Southwark **£209.5m**
- Midtown **£200.4m**

Business mix

- Office **£1,822.5m**
- Retail **£725.0m**
- Residential **£31.5m**



£2,579 million portfolio valuation

2.6 million sq ft

17% in committed development

100% BREEAM 'Excellent' targeted

37% in development pipeline

47 properties, **35** sites

326 occupiers

£55.20 average office rent per sq ft

£100.4 million rent roll

1.2% rental value uplift in year

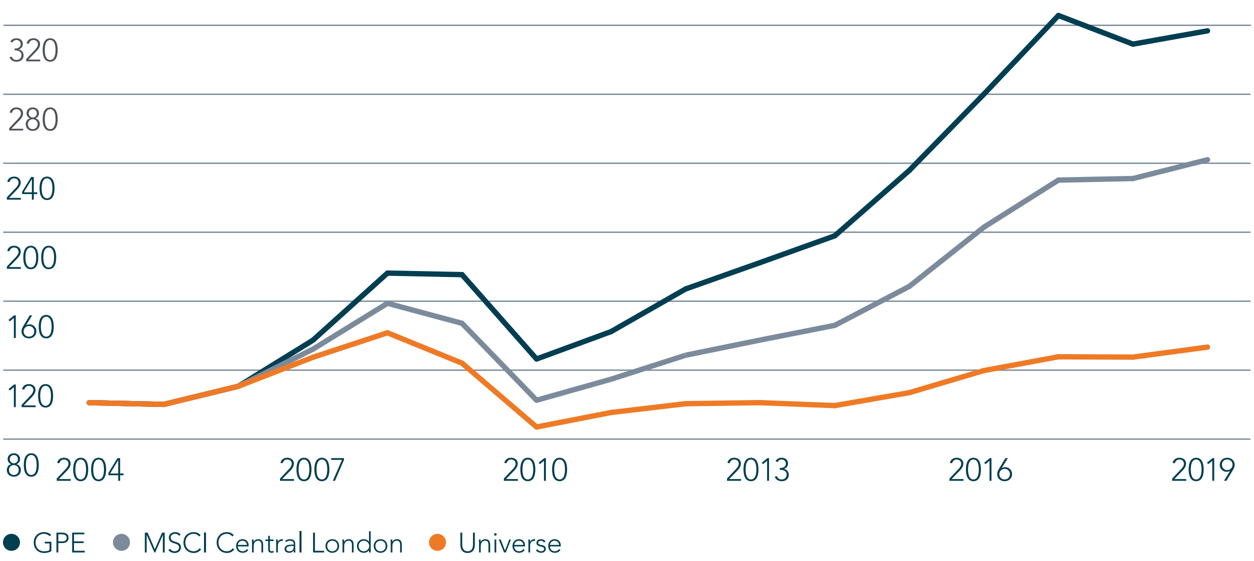
8.3% reversionary potential

4.8% vacancy rate

92% <800 metres from a Crossrail station

Long-term outperformance
Relative returns vs MSCI

Relative capital growth % pa[1]



1. 2004 – first pure comparability to MSCI central London.

Appendix 3

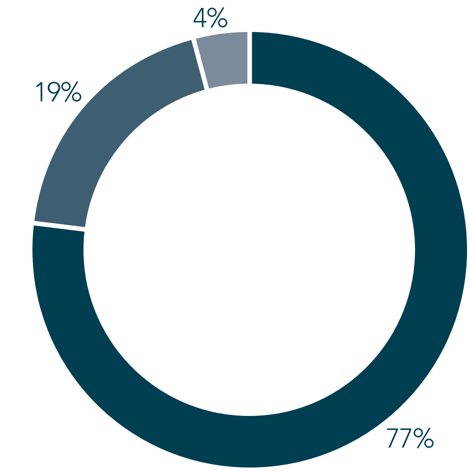
Sales for the year ended 31 March 2019

	Price[1] £m	Premium / (discount) to book value %	Price per sq ft £	NIY %
Commercial				
78/92 Great Portland Street, W1	48.2	2.4	1,362	3.90%
160 Great Portland Street, W1	127.3	(2.0)	1,328	4.08%
32/36 Great Portland Street, W1	18.9	7.3	1,465	3.94%
27/35 Mortimer Street, W1	38.5	0.8	1,242	3.90%
55 Wells Street, W1	64.6	(3.0)	1,674	3.99%
Percy House, 32/33 Gresse Street, W1	25.0	0.0	1,445	3.76%
Commercial total	**322.5**	**(0.6)**	**1,429**	**3.98%**
Residential				
78/92 Great Portland Street, W1	12.0	0.0	1,682	n/a
Rathbone Square, W1	14.4	(2.8)	2,263	n/a
Total	**348.9**	**(0.7)**	**1,459**	**3.98%**

1. Joint ventures at share and after deductions for tenant incentives.

Wholly-owned and joint venture property values at 31 March 2019

- Wholly-owned £1,989.8m
- Risk sharing £489.8m
- Access to new properties £99.4m



Appendix 3

Our development pipeline

City Place House, EC2*

Proposed size	**350,000 sq ft**
Earliest start	**2022**
Opportunity area	**Crossrail**

50 Finsbury Square, EC2

Proposed size	**122,000 sq ft**
Earliest start	**2020**
Opportunity area	**Crossrail**

New City Court, SE1*

Proposed size	**373,100 sq ft**
Earliest start	**2022**
Opportunity area	**London Bridge**

35 Portman Square, W1

Proposed size	**73,000 sq ft**
Earliest start	**2026**
Opportunity area	**Core West End**

Jermyn Street Estate, SW1

Proposed size	**133,100 sq ft**
Earliest start	**2021-2022**
Opportunity area	**Core West End**

Mount Royal, W1

Proposed size	**92,100 sq ft**
Earliest start	**2022-2023**
Opportunity area	**Core West End**

French Railways House and 50 Jermyn Street, SW1

Proposed size	**75,000 sq ft**
Earliest start	**2021-2022**
Opportunity area	**Core West End**

Kingsland/Carrington House, W1

Proposed size	**51,400 sq ft**
Earliest start	**2022-2023**
Opportunity area	**Prime retail**

Minerva House, SE1

Proposed size	**120,000 sq ft**
Earliest start	**2022**
Opportunity area	**London Bridge**

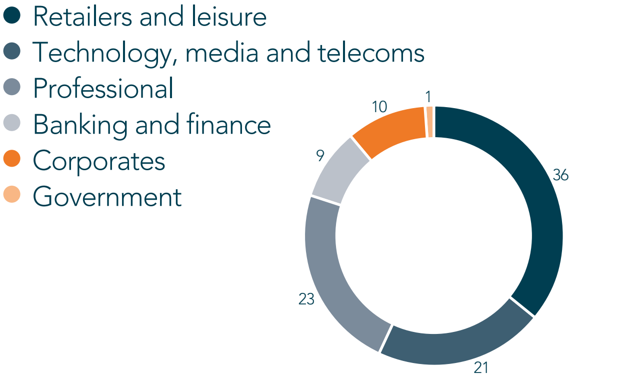
95/96 New Bond Street, W1

Proposed size	**9,600 sq ft**
Earliest start	**2023-2024**
Opportunity area	**Prime retail**

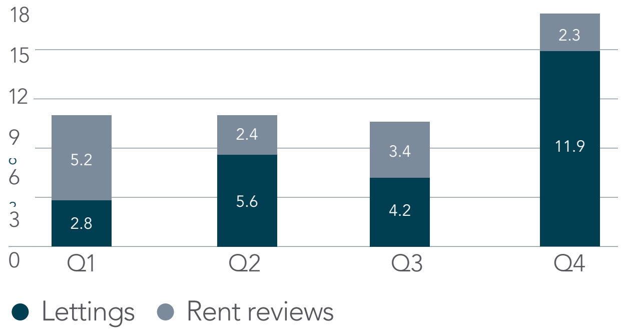
* Computer Generated Image

Appendix 3

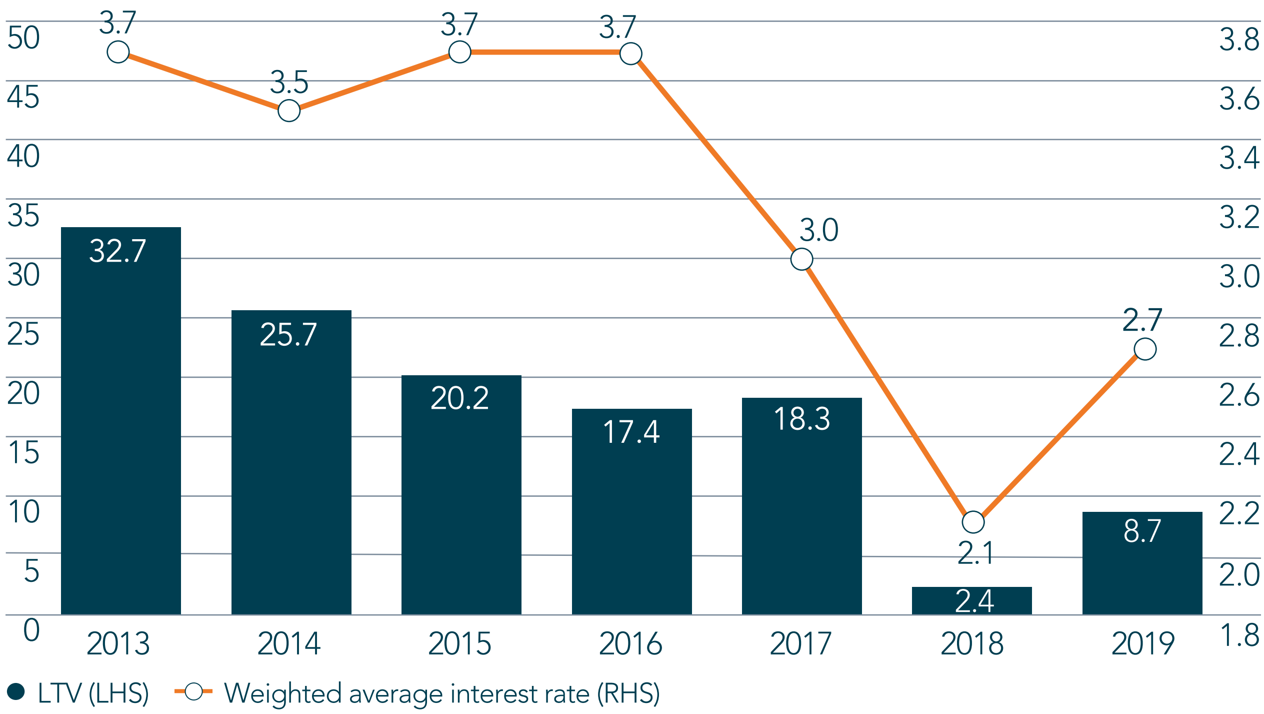
GPE occupier mix %



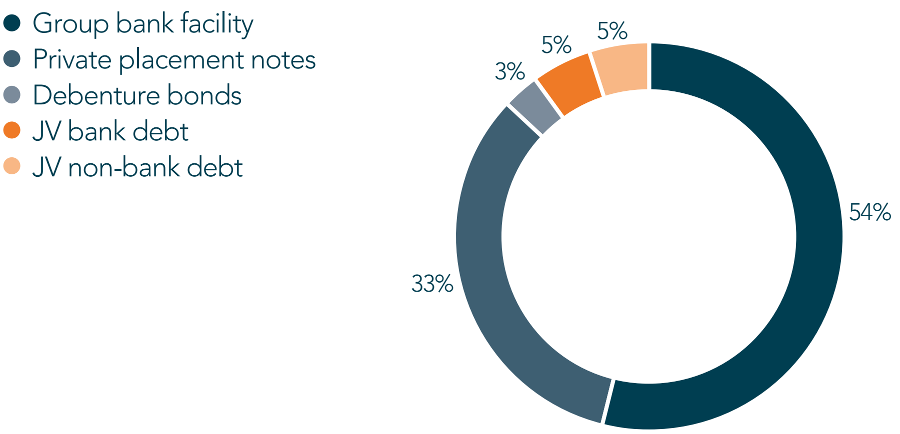
Lettings and rent reviews by quarter 2018/19 £m



LTV and cost of debt %



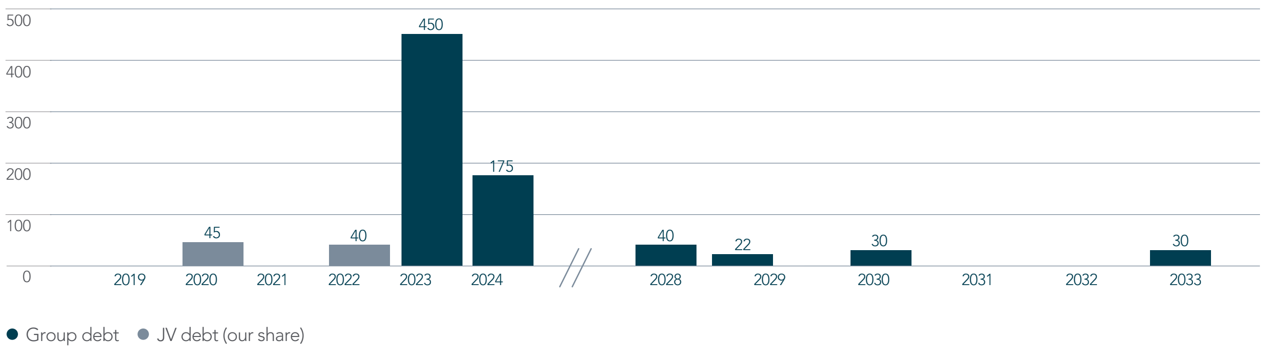
Sources of debt funding[1]



1. Based on committed facilities.

Appendix 3

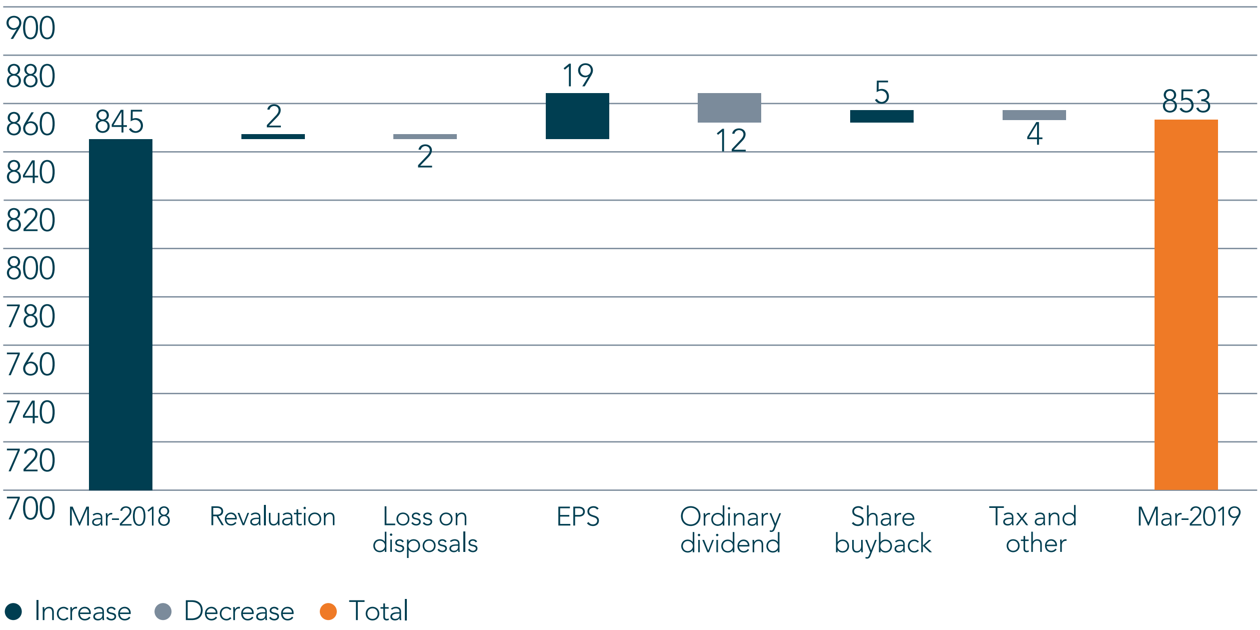
Debt maturity profile[1] £m



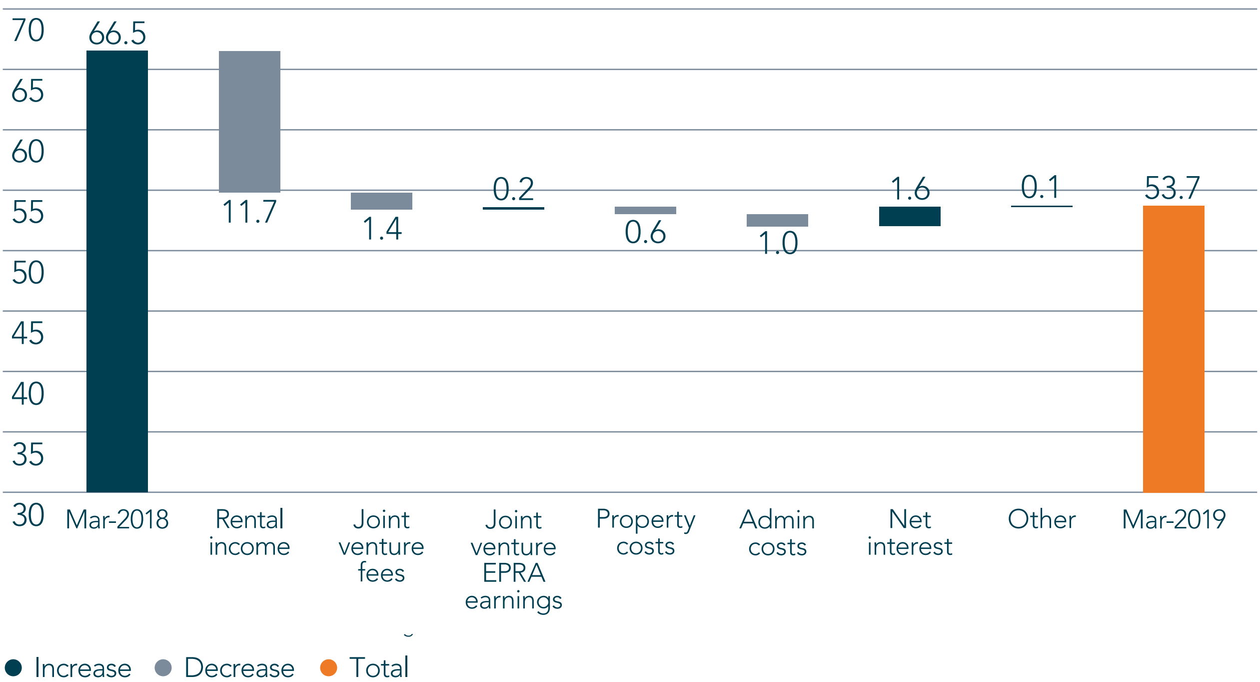
1. Based on committed facilities.

Appendix 4

EPRA NAV pence



EPRA earnings £m



Appendix 4

Debt analysis

	March 2019	March 2018
Net debt excluding JVs (£m)	**156.6**	(5.2)
Net gearing	**6.8%**	0%
Total net debt including 50% JV non-recourse debt (£m)	**224.0**	67.5
Loan to property value	**8.7%**	2.4%
Total net gearing	**9.7%**	2.9%
Interest cover	**n/a**	n/a
Weighted average interest rate	**2.7%**	2.1%
Weighted average cost of debt	**3.2%**	3.2%
% of debt fixed/hedged	**100%**	100%
Cash and undrawn facilities (£m)	**608**	814

EPRA performance measures

Measure	Definition of Measure	March 2019	March 2018
EPRA earnings*	Recurring earnings from core operational activities	**£53.7m**	£66.5m
EPRA EPS*	EPRA earnings divided by the weighted average number of shares	**19.5p**	20.4p
Diluted EPRA EPS*	EPRA earnings divided by the diluted weighted average number of shares	**19.4p**	20.4p
EPRA costs (by portfolio value)*	EPRA costs (including direct vacancy costs) divided by market value of the portfolio	**1.2%**	1.1%
EPRA net assets*	Net assets adjusted to include the valuation surplus from trading properties and exclude the fair value of financial instruments and deferred tax	**£2,310.1m**	£2,371.2m
EPRA NAV*	EPRA net assets divided by the number of shares at the balance sheet date on a diluted basis	**853p**	845p
EPRA triple net assets*	EPRA net assets amended to include the fair value of financial instruments, debt, deferred tax and tax on sale of trading properties	**£2,301.5m**	£2,363.8m
EPRA NNNAV*	EPRA triple net assets divided by the number of shares at the balance sheet date on a diluted basis	**850p**	842p
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	**3.3%**	3.6%
EPRA "topped up" NIY	EPRA NIY adjusted to include rental income in rent-free periods (or other unexpired lease incentives)	**3.6%**	3.8%
EPRA vacancy rate	ERV of non-development vacant space as a percentage of ERV of the whole portfolio	**8.6%**	8.6%

* Audited; reconciliation to IFRS numbers included in note 9 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	24.0	0.9	24.9	–	–	–	24.9
		Retail	6.3	–	6.3	6.5	(0.4)	6.1	12.4
	Rest of West End	Office	13.1	0.3	13.4	–	–	–	13.4
		Retail	9.7	1.7	11.4	2.1	0.1	2.2	13.6
	Total West End		**53.1**	**2.9**	**56.0**	**8.6**	**(0.3)**	**8.3**	**64.3**
	City, Midtown and Southwark	Office	25.4	4.7	30.1	10.6	1.0	11.6	41.7
		Retail	2.6	–	2.6	0.1	–	0.1	2.7
	Total City, Midtown and Southwark		**28.0**	**4.7**	**32.7**	**10.7**	**1.0**	**11.7**	**44.4**
Total let portfolio			**81.1**	**7.6**	**88.7**	**19.3**	**0.7**	**20.0**	**108.7**
Voids					6.7			0.6	7.3
Premises under refurbishment					22.4			13.5	35.9
Total portfolio					**117.8**			**34.1**	**151.9**

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	31.7	4.9	0.9	–	–	–
		Retail	63.1	5.1	1.6	30.8	4.0	–
	Rest of West End	Office	5.7	2.9	2.2	–	–	–
		Retail	35.4	5.2	0.8	100.0	8.0	–
	Total West End		**29.8**	**4.5**	**1.4**	**47.9**	**5.0**	**–**
	City, Midtown and Southwark	Office	20.7	3.2	12.4	45.7	7.3	4.6
		Retail	66.7	12.5	9.4	100.0	14.7	37.5
	Total City, Midtown and Southwark		**25.0**	**4.1**	**12.4**	**46.2**	**7.4**	**5.0**
Total portfolio			**28.1**	**4.3**	**5.7**	**46.9**	**6.3**	**1.8**

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	68.6	74.5	–	–	3.9	4.5	–	–
		Retail	55.7	81.3	140.4	132.0	3.8	4.1	5.9	4.1
	Rest of West End	Office	74.6	74.8	–	–	3.8	4.7	–	–
		Retail	102.2	118.1	74.8	128.0	3.8	4.1	4.2	4.1
	Total West End		**72.4**	**76.7**	**115.4**	**117.7**	**3.9**	**4.4**	**5.5**	**4.1**
	City, Midtown and Southwark	Office	45.3	54.2	44.7	49.7	3.9	5.1	2.9	4.8
		Retail	79.4	80.5	48.2	46.0	3.1	4.6	–	4.6
	Total City, Midtown and Southwark		**47.2**	**54.4**	**44.8**	**49.6**	**3.9**	**5.1**	**2.8**	**4.8**
Total portfolio			**61.1**	**66.2**	**61.5**	**78.6**	**3.9**	**4.6**	**3.8**	**4.6**

Appendix 5

Top ten occupiers

	Occupier	Use	Rent roll (our share) £m	% of rent roll (our share)
1	Bloomberg L.P.	Office	5.7	5.6
2	New Look	Office	3.8	3.8
3	Turner Broadcasting	Office	3.0	2.9
4	Richemont UK Limited	Office	2.6	2.6
5	Winckworth Sherwood LLP	Office	2.5	2.5
6	Kurt Geiger Limited	Office	2.5	2.5
7	Carlton Communications Limited	Office	2.4	2.4
8	Superdry	Retail	2.1	2.1
9	ITN Limited	Office	1.8	1.8
10	Dennis Publishing Limited	Office	1.6	1.6
	Total		**28.0**	**27.8**

Appendix 6

Market risk

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Central London real estate market underperforms other UK property sectors.	Reduced relative performance.	The execution of the Group's strategy covering the key areas of investment, development and portfolio management is adjusted and updated throughout the year, informed by regular research into the economy, investment and occupational markets. The Group's strategic priorities and transactions are considered in light of regular review of dashboard lead indicators and operational parameters. The Group aims to maintain low financial leverage throughout the property cycle.	→	→	The central London real estate market marginally outperformed the wider UK market, demonstrated by MSCI's Central London TPR exceeding its universe TPR by 90 basis points on an absolute basis during the year ended 31 March 2019, although this follows two consecutive years of underperformance. Whilst the outlook for retail property outside central London has weakened significantly, the relatively muted outlook for central London office and retail rents means the likelihood of this risk after mitigation has been maintained.
Weakening macro-economic environment for property investment.	Property valuations may decline, with increased property yields and reduced occupier demand for space.	Regular economic updates are received and scenario planning is undertaken for different economic cycles, including various potential UK exit arrangements from the EU. The Group aims to maintain low financial leverage throughout the property cycle.	→	→	The UK macro-economic growth and interest rate outlook has remained mixed over the last 12 months, in part driven by continued geo-political uncertainty associated with the ongoing Brexit negotiations. When combined with limited UK stock market growth, despite increased price volatility, the likelihood of this risk has been maintained.
Heightened political uncertainty and potential negative economic impact of ongoing negotiations to exit from the EU.	Reluctance by investors and occupiers to make investment decisions whilst outcomes remain uncertain and/or reduced attractiveness of London as a global commercial centre. Disruption to development programme through potential impact on supply chain and labour markets.	The Group's strategic priorities and transactions are considered in light of these uncertainties. The Group's financial forecasts and business plans continue to be prepared under a variety of market scenarios, including to reflect different potential exit arrangements from the EU. The Group aims to maintain low financial leverage throughout the property cycle. The Group has a diverse occupier base with around 9% in the financial services sector, including only c.1% in the investment banking, securities trading and insurance sectors (which are perceived to be most at risk in London to any adverse impact of the UK's exit from the EU). Reviews undertaken of potential for advance delivery of materials.	→	→	Although investor and occupier demand for London commercial property has remained broadly resilient over the last year, there has been a slowdown in investment market activity since the start of 2019 given the previous expectation that the UK would be leaving the EU on 29 March 2019 and the ongoing uncertainty as to when a resolution to the Brexit negotiation impasse will be achieved. Whilst evidence suggests that UK economic growth has been lower than would have been expected had the EU referendum not taken place, principally as investment decisions have been delayed, looking ahead it still remains possible that the final negotiations to leave the EU may result in arrangements that are materially damaging to the UK economy and/or central London. These could reduce levels of investor and occupier demand as a result of reduced trade and relocation of corporations and financial institutions away from the UK. These risks would likely be further increased by any additional impediments for London's businesses to access talented employees from the EU and beyond, along with challenges to the supply chain for our development activities. In addition, the continuing uncertainty could also contribute to a potential change in the political landscape at both a local and UK level, which could adversely impact the prospects of both private sector business and the property sector. Taken together, the likelihood of this risk has been maintained at an elevated level, as has the risk after mitigation given our continued net sales activity, our financial strength (with a current loan to value of only 8.7%) and our costs now 98% fixed with our contractors on our three committed development schemes.

Appendix 6

Investment management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Incorrect reading of the property market cycle through poor investment decisions and/or mis-timed recycling of capital.	Not sufficiently capitalising on market investment conditions.	The Group has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions. Regular review of property cycle by reference to dashboard of lead indicators. Detailed due diligence is undertaken on all acquisitions prior to purchase to ensure appropriate returns. Business plans are produced on an individual asset basis to ensure the appropriate rotation of those buildings with limited relative potential performance. Regular review of the prospective performance of individual assets and their business plans including with joint venture partners where relevant.	→	→	The Group has continued to profitably recycle capital and take advantage of strong investor demand for well let, attractively located properties with sales totalling £348.9 million in the year. With limited availability of attractively priced acquisition opportunities and the depth of opportunity in our existing portfolio, we made no acquisitions in the year. With our strategic focus and capital discipline, there has been no change to the likelihood of this risk after mitigation.
Inappropriate asset concentration, building mix, occupiers' covenant quality and exposure, lot size and joint venture exposure.	Reduced liquidity and relative property performance.	Regular review of portfolio mix and asset concentration. Adjustment of the portfolio as appropriate through undertaking acquisitions and/or development projects in joint venture or forward funding. Occupiers' covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with occupiers is maintained to identify if occupiers are suffering financial difficulties and their proposed actions.	→	→	The Group continues to monitor its portfolio mix and asset concentration risk. The Group has a diverse occupier base with its ten largest occupiers representing only 27.8% of rent roll. Our largest asset is only 8.7% of the total portfolio and 22.8% of the portfolio was held in joint ventures at 31 March 2019. In addition, following the sale of 11 apartments in the year, residential property now represents only 1% of our portfolio. As a result, there has been no change to the likelihood of this risk after mitigation.

Appendix 6

Portfolio management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Poor management of voids, rental mis-pricing, low occupier retention, sub-optimal rent reviews, occupier failures and dissatisfaction, and inappropriate refurbishments.	Failure to maximise income from investment properties.	The Group's in-house portfolio management and leasing teams proactively manage occupiers to ensure changing needs are met, with a focus on retaining income in light of vacant possession requirements for refurbishments and developments, and liaise regularly with external advisers to ensure correct pricing of lease transactions. Occupiers' covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with occupiers is maintained to identify if occupiers are suffering financial difficulties and their proposed actions. Independent occupier satisfaction surveys now undertaken every two years and new Head of Occupier Services role created during the year to strengthen our service delivery. EPC ratings reviewed in context of lease expiries to ensure improvements integrated into refurbishment plans.	→	→	The Group continues to actively manage the portfolio to maximise occupancy and drive rental growth. With a healthy occupier retention rate of 50% over the year, the Group maintained a relatively low void rate which was 4.8% at 31 March 2019 (4.9% at 31 March 2018). During the year, we secured £24.5 million of new rental income, with 37% of total lettings represented by pre-lets or lettings at recently completed developments. The rent reviews completed over the year were settled at an average increase of 19.2% above the previous passing rent. Whilst there was an increase in the number of our occupiers on our internal 'watchlist' (21 at 31 March 2019, compared to 22 a year earlier), particularly given the challenges in the UK retail sector, occupier delinquencies during the year represented only 0.17% of total rent roll. Moreover, at 31 March 2019 we held rent deposits and bank guarantees totalling £25.1 million (including for some of our larger retail occupiers). As a result of these performances and our current initiatives, there has been no change to the likelihood of this risk after mitigation.
Failure to react to evolving occupier needs including consideration of wellbeing, increased flexibility and enhanced sustainable building design (incorporating environmental performance and climate change resilience), combined with impact of technological advances on ways of working.	Buildings and lease structures cease to appeal to occupiers and investors, reducing income and valuations.	Our Director of Workplace and Innovation is responsible for keeping the Board up to date on market developments and incorporating innovation in the GPE portfolio. New Head of Office Leasing role created, whose remit includes managing the Group's approach to flexible office offerings. Reviews undertaken of further opportunities for flex space offering across the portfolio, including broadening our product offering. Guiding Principles of Design developed to outline our expectations of all parties involved in our refurbishment and development projects.	→	→	Our flex space offerings now represent 4% of our office space, which would rise to 10% when including space currently under appraisal. To ensure that we address the ever evolving workplace needs and future proof our developments, our Design Review Panel, chaired by our Director of Workplace and Innovation, meets weekly and challenges our professional teams to ensure that we create space that fulfils our occupiers' evolving needs. During the year, partnering with five continental European office REITS, we carried out research to understand what end users want and held a series of focus groups to understand what people expect from their office in the future.

Appendix 6

Development management

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
An inappropriate level of development undertaken as a percentage of the portfolio.	Under performance against KPIs.	Regular review of the level of development undertaken as a percentage of portfolio, including the impact on the Group's income profile and financial gearing, amongst other metrics. Developments only committed to when pre-lets obtained and/or market demand and supply considered to be sufficiently supportive.	→	→	The Group has made no new development commitments during the year, although committed development exposure has increased from 11% of the total portfolio 12 months ago to 17% today given capital expenditure. However, the Group's speculative development risk has reduced given pre-lettings during the year, increasing the pre-let proportion from 11% to 21%. As a result, the impact of this risk and likelihood after mitigation is unchanged, particularly given the quality of the space that we are delivering, all in close proximity to Crossrail stations.
Inability to profitably deliver the development programme and pipeline through: – incorrect reading of the property cycle; – inappropriate location; – failure to gain viable planning consents; – failure to reach agreement with adjoining owners/ freeholders on acceptable terms; – inappropriate level of speculative development; – incorrect cost and programme estimation; – construction cost inflation; – contractor availability and insolvency risk; – insufficient supply of labour; – insufficient Development Management team resource; – a building being inappropriate to occupier demand; – quality and benchmarks of the completed buildings; – construction and procurement delays; – ineffective marketing to prospective occupiers; and – poor development management.	Poor development returns.	See Market risk above. Prior to committing to a development, the Group conducts a detailed financial and operational appraisal process which evaluates the expected returns from a development in light of likely risks. During the course of a development, the actual costs and estimated returns are regularly monitored to signpost prompt decisions on project management, leasing and ownership. arly engagement with local residents and community groups. Active engagement with planning authorities. Early engagement with adjoining owners and freeholders. Benchmarking of costs with comparative schemes. In-house Project Management team utilise appropriate procurement methods to optimise the balance of price certainty and risk. Internal and external resourcing requirements regularly reviewed by the Executive Committee, Development Director and Head of Project Management. Third party resource expertise used to support in-house teams, where appropriate. Sustainable Development Brief in place to ensure sustainable building design. Working with agents, potential occupiers and purchasers to identify their needs and aspirations including sustainability, wellbeing and technological advances during the planning application and design stages. Design Review Panel reviews building design and specification to ensure it is appropriate for likely occupier needs, including appropriate sustainability benchmarks. In-house Leasing/Marketing team liaise with external advisers on a regular basis and marketing timetables designed in accordance with leasing/marketing objectives. Sustainable building design, including climate change mitigation and adaption, considered at an early design stage. All our major developments are subject to a minimum BREEAM rating requirement of 'Very Good' for major refurbishments and 'Excellent' for new build developments. Selection of contractors and suppliers based on track record of delivery and creditworthiness. In-house Project Management team closely monitor construction and manage contractors to ensure adequate resourcing to meet programme. Reviews undertaken of potential for advance delivery of materials. Regular review of the prospective performance of individual assets and their business plans with joint venture partners. Post-completion reviews undertaken on all developments to identify best practice and areas for improvement.	→	→	The Group's committed development exposure has not materially changed over the year with the three on-site schemes progressing well. These schemes have a combined GDV £775.9 million of which 21.3% is already de-risked through pre-lettings with capex to come of £139.5 million, down from £239.6 million a year ago. As a result, the impact of this risk and likelihood after mitigation is unchanged, with occupier demand remaining healthy for prime, new build space in central London and the supply of such space remaining tight.

Appendix 6

Financial risks

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Limited availability of further capital.	Growth of business is constrained or unable to execute business plans.	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. Funding maturities are managed across the short, medium and long term. The Group's funding measures are diversified across a range of bank and bond markets. Strict counterparty limits are operated on deposits.	→	→	The Group has continued to be active in managing its debt facilities, ensuring an attractive maturity ladder and maintaining diverse funding sources, predominantly borrowing on an unsecured basis. During the year, the Group refinanced its £450 million committed revolving credit facility, extending both its maturity and lowering its cost, drew down on £100 million new private placement notes and redeemed its £150 million convertible bond. As a result, the Group's weighted average debt maturity has increased to 6.4 years, and the Group has cash and undrawn credit facilities of £608 million. With our liquidity and debt position remaining exceptionally strong, the likelihood of this risk has not changed.
Increased interest rates and/or a fall in capital values, along with adverse exchange rate movements.	Adverse market movements negatively impact on debt covenants and cost of imported material for developments.	Consistent policy of conservative financial leverage. Regular review of current and forecast debt levels and financing ratios under various market scenarios. Our annual Business Plan, which is regularly updated, includes stress tests considering the impact of a significant deterioration in the markets in which we operate. Formal policy to manage interest rate exposure by having a high proportion of debt with fixed or capped interest rates through derivatives. Significant headroom over all financial covenants at 31 March 2019. Exchange rates fixed at the earliest opportunity on development sub-contracts.	→	→	Whilst broader economic and political uncertainties have kept global interest rates at relatively low levels, the Bank of England Base Rate increased by 0.25% in August 2018 to a still modest 0.75%, some way behind rates in the US. The expectation of any significant increases in UK interest rates over the next 12 months is low. Moreover, 100% of the Group's debt is currently at fixed or hedged interest rates, and the Group's weighted average interest rate remains low at only 2.7% (falling to 2.3% on a fully drawn basis). As a result, the risk likelihood after mitigation is unchanged, particularly given that we estimate property values could fall around 75% from their 31 March 2019 levels before Group debt covenants could be endangered, even before factoring in mitigating management actions.
Inappropriate capital structure.	Sub-optimal NAV per share growth.	Regular review of current and forecast capital requirements, gearing levels and other financing ratios. Maintain balance sheet discipline, with surplus equity capital returned to shareholders in appropriate circumstances.	→	→	The Group's existing capital structure remains well placed to take advantage of opportunities as they arise and to deliver our current development commitments. As a result, the risk likelihood after mitigation is unchanged.

Appendix 6

People

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Inability to attract, develop, motivate and retain talent in order to execute our business plans and maintain our inclusive and collegiate culture.	Strategic priorities not achieved.	Regular review is undertaken of the Group's resource requirements and succession planning. The Group has a remuneration system that is strongly linked to performance and a formal six-monthly appraisal system to provide regular assessment of individual performance. Benchmarking of remuneration packages of all employees is undertaken annually. Annual personal development planning and ongoing training support for all employees together with focused initiatives to nurture potential successors, including introduction of mentoring programme. Clear articulation of GPE values so all existing and prospective employees understand our core beliefs and behaviours. Health and wellbeing programme implemented following earlier roll out of mental health training programme. Focus on people engagement with regular two-way communication and responsive employee-focused activities e.g. employee engagement surveys and flexible working. High profile, attractive development pipeline and high quality assets to manage.	→	→	The motivation of our people and maintaining our strong collaborative culture remains fundamental to the delivery of our strategic priorities. During the year, through our 'Together we thrive' initiative involving all our employees, we articulated our corporate values which we are embedding into all our activities, including employee appraisal and recruitment processes. We also launched our health and wellbeing programme for our employees, and held our inaugural annual Community Day working with our charity partner Centrepoint. Our staff retention remains high at 87% and our continued focus on growing the breadth and depth of our talent, providing focused development support where needed, means the risk likelihood after mitigation has fallen marginally over the year.

Appendix 6

Regulatory

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
Evolving planning, tax, environmental, fire safety and other regulation and practice reducing the relative attractiveness of our buildings and impeding the financial and operational performance of the Group, including increasing costs of compliance and/or risk of non-compliance.	Impairment of the Group's ability to deliver business plans, increased cost base and potential negative impact on property values given reduced investor and occupier interest in buildings and/or reputational damage.	Senior Group representatives spend considerable time, using experienced advisers as appropriate, to ensure compliance with current and potential future regulations. The Group actively engages with local politicians, planning officers and experienced specialist advisors to ensure our proposals are developed to comply with current and emerging policy. The Group also engages with local residents and community groups early in the design process to ensure that their feedback is considered as schemes evolve. Lobbying of property industry matters is undertaken by active participation of the Executive Directors and other Executive Committee members through relevant industry bodies. Sustainability Committee meets at least quarterly to consider strategy in respect of environmental legislation and to address key areas of climate change, carbon, energy, waste and biodiversity. Environmental management system in place. Energy reduction plan for every key property. We maintain a low-risk tax status and have regular meetings with HMRC.	↗	↗	IIn addition to the significant regulatory and tax uncertainty associated with the UK's exit from the EU, the introduction of capital gains tax for overseas investors on UK commercial property from April 2019 may impact the weight of investment appetite. In addition, updated draft guidance from HMRC regarding tax on sales of developments prior to completion by REITs may impact activity going forward. We are closely monitoring a number of local plan and other policy consultations by our key local authorities and the New London Plan Examination in Public. In Westminster, in particular, we have submitted representations on the draft City Plan and Oxford Street District Consultations. The sustainability requirements of the emerging London Plan have been integrated within our long-term sustainability strategy and Sustainable Development Brief. Only 0.4% of our portfolio (by area) is EPC F or G rated. Where units are vacant they are being refurbished to improve the rating or where they are currently let plans are in place to improve the rating when they become vacant. We have noted the conclusion of The Independent Review of Building Regulations and Fire Safety. We have reviewed our own processes and we are introducing occupier safety checks to support our occupiers with managing fire safety. Taken together, the risk likelihood after mitigation has marginally increased over the year.
Health and Safety incidents. Loss of life or injury to members of the public, occupiers, contractors or employees.	Resultant reputational damage.	The Group has dedicated health and safety personnel to oversee the Group's management systems which include regular risk assessments and annual audits to proactively manage health and safety risk in connection with our employees, contractors, members of the public and occupiers. Competency checks are undertaken for all consultants and contractors. We have a thorough accident investigation process supporting our employees and supply chain to learn from accidents and incidents to improve safety outcomes. Regular safety tours are undertaken by our Senior Management Team and Executive Committee.	→	→	We continue to focus on ensuring that we have a best in class and proactive health and safety culture at GPE, which we reinforced during the year with the recruitment of an additional Health and Safety Manager. When combined with no significant change to our level of development and refurbishment activities over the year, including in our occupied buildings, the likelihood of this risk after mitigation is unchanged. The Group had three reportable accidents during the year.

Appendix 6

Business interruption

Risk	Impact	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Commentary
An external event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist attack that significantly affects the Group's operations, particularly given our portfolio concentration in central London.	Significant damage, disruption and/or reputational damage to the Group's portfolio and operations.	The Group has a Business Continuity Plan with predetermined processes and escalation for the Crisis Management Team. Asset emergency plans exist for individual properties. Physical security measures are in place at properties and security threats are regularly assessed through links with security agencies. The Group's insurance policies include cover for catastrophic events including fire, storm, riots and terrorism.	→	→	The likelihood of this risk is unchanged given the Home Office/MI5 continue to assess the UK threat from international terrorism as severe.
Cyber threat or attack.	Business disruption to the Group's portfolio and operations and/or reputational damage from data loss.	The Group's Business Continuity Plan is regularly reviewed and recovery of data at off-site recovery centre is tested during the year. Regular testing of IT security is undertaken including penetration testing of key systems. The Group's data is regularly backed up and replicated. Employee awareness training on cyber risk is undertaken regularly. Cyber risk insurance in place.	→	→	Given the increased incidence of attempted cyber attacks on UK business, we have continued to invest time and resources in our cyber security measures, both in our head office and across our portfolio.