Press Release

GREAT
PORTLAND
ESTATES

15 November 2018

Strong operational performance in H1 driven by leasing successes with continued capital discipline

The Directors of Great Portland Estates plc announce the results for the Group for the six months ended 30 September 2018. Highlights[1] for the six months:

Valuation up 0.6%, driven by rental value growth; upgrading rental value guidance

- Portfolio valuation up 0.6%[2] (developments: up 2.1%[2])
- Rental value growth of 0.7%[2] (0.4% offices, 1.6% retail); yield compression of 1 bp
- Total property return of 2.2%, with capital return of 0.6% v IPD Central London (quarterly index) of 1.3%
- Upgrading rental value growth guidance for financial year; range now +1.5% to minus 1%

Solid financial performance; interim dividend up 7.5%

- EPRA[3] NAV per share of 849 pence, up 0.5% over six months; net assets of £2,381.4 million
- EPRA[3] earnings of £25.3 million, down 19.9% on H1 2017 following asset sales. EPRA[3] EPS of 9.0 pence, down 6.3%. Cash EPS of 8.3 pence, up 15.3%
- After revaluation surplus, IFRS profit after tax of £33.7 million (2017: £25.3 million)
- Total accounting return of 1.3% over six months; interim dividend per share of 4.3 pence, up 7.5%

Further leasing successes, market lettings 4.8% ahead of March 2018 ERV

- 37 new lettings (annual rent of £8.4 million, 135,400 sq ft), market lettings 4.8% above March 2018 ERV
- £1.6 million let since September 2018 and a further £2.7 million under offer; together 4.8% ahead of March 2018 ERV
- Flex space and co-working commitments of 64,500 sq ft securing rent at a premium of 36%[5]; appraising further 100,000 sq ft
- 17 rent reviews securing £7.6 million, 20.6% ahead of passing rent, 4.1% ahead of ERV at the review date
- £1.9 million reversion captured since March 2018; further reversionary potential of 9.8% (£9.8 million)
- Vacancy rate of 4.8%, average office rent of £54.10 per sq ft, average lease length of 5.0 years
- Rent roll of £99.3 million (up 2.5%[2]), with total potential future growth of 52% to £151.2 million

Good progress on committed schemes; extensive pipeline of opportunities (53% of portfolio)

- 160 Old Street, EC1 (161,700 sq ft) completed in April, now 87% let; 19.6% profit of cost
- Good progress across our three committed schemes (412,000 sq ft), including land buyback completed at Hanover Square, W1; all located near to Crossrail stations, 16.7% forecast profit on cost, capital expenditure to come of £206.1 million. 11% pre-let with encouraging levels of occupier interest
- Exceptional and flexible development pipeline of 11 schemes (1.3 million sq ft), currently income producing, with 3.4 years average lease length, 13.5% reversionary (existing use)

Continued recycling; £329 million of sales since 1 April, broadly in line with book value

- 160 Great Portland Street, W1 sold for headline price of £127.3 million, crystallising a 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 sales, all W1, totalling £137.4 million, 2.0% above March 2018 book value
- Likely net seller in H2; approximately £120 million in the market for sale

Unprecedented financial strength; maintaining balance sheet discipline with proposed share buyback of up to £200 million

- Property loan-to-value of 5.8%, weighted average interest rate of 2.7%, weighted average debt maturity of 6.9 years, cash and undrawn facilities of £682 million (incl. amended and extended £450 million RCF)
- £306 million returned to shareholders via B-share scheme in April; further return of surplus equity via share buyback of up to £200 million launched today

[1] All values include share of joint ventures unless otherwise stated [2] On a like-for-like basis [3] In accordance with EPRA guidance
[4] See our Financial Results EPRA and adjusted metrics: we prepare our financial statements using IFRS, however we also use a number of adjusted measures in assessing and managing the performance of the business. These include measures defined by EPRA, which are designed to enhance transparency and comparability across the European real estate sector, see note 8 to the financial statements. [5] Comparison to a combination of outperformance of March 2018 net effective ERV and net effective rent achievable on short term letting ahead of development.

Toby Courtauld, Chief Executive, said:

"We are pleased to report another strong operational performance, led by leasing successes and development progress, delivering a solid set of financial results for the first half and continued capital discipline through a further return of surplus capital to shareholders.

With healthy occupier demand, we maintained our strong leasing momentum across our high quality, sensibly priced office and retail portfolio, capturing reversion and leasing well ahead of ERV. We also continued the roll-out of our flexible space offering, meeting the evolving needs of our occupiers, and we have a further 100,000 sq ft being evaluated for the product. When combined with £2.7 million of investment lettings currently under offer at a 6.9% premium to ERV and good onsite progress across our three committed development schemes which are already 11% pre-let, we have raised the interim dividend by 7.5% and increased our rental guidance for the financial year. Taking advantage of a still competitive investment market, we have also crystallised further surpluses with £329 million of net sales so far this financial year, reducing our LTV to only 5.8%, and we expect further sales in the second half. As a result, we currently intend to return up to £200 million of surplus equity to shareholders through a share buyback programme, which will be kept under regular review by the Board.

Whilst we expect, and are planning for, continued political and economic uncertainty, particularly given the ongoing Brexit negotiations, GPE remains exceptionally well positioned: Our well-located portfolio is full of opportunity, with 92% in close proximity to a Crossrail station; our properties are let off low rents with significant further reversionary potential; our exceptional income-producing development pipeline offers nearly 1.3 million sq ft of flexible future growth potential, meaning that we have no need to buy. But if any market weakness should emerge, we retain significant financial capacity to exploit it; meanwhile, our talented team remains focused on maximising the opportunity we have to generate long-term value across our business."

Contacts:

Great Portland Estates plc	**+44 (0) 20 7647 3000**
Toby Courtauld, Chief Executive	
Nick Sanderson, Finance 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.

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

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

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

Half Year Results

Our market

Introduction

London's commercial real estate markets have continued to lack clear direction as the ongoing Brexit negotiations have yet to provide clarity regarding the UK's future relationship with the EU and the potential implications on both the UK economy and political landscape. Business confidence surveys have deteriorated as the perceived likelihood of no deal with the EU being reached has increased. Notwithstanding this unsettled backdrop, activity in London's commercial property markets was maintained over the last six months, with transaction levels in both the occupational and investment markets remaining above the 10 year average, supporting property valuations.

For the remainder of the financial year, absent any economic disruption from an adverse settlement with the EU, we expect capital values and rental levels to continue to trend broadly flat, although we expect a softening in some secondary yields. However, whilst the near-term economic and political outlook is challenging to predict, over the longer term we believe London will remain a truly global city, adapting to prevailing market conditions and continuing to attract a diverse range of businesses and investors as Europe's business capital. Moreover, its population continues to grow and Oxford Economics forecast the creation of 152,000 new office-based jobs in inner London over the next five years (up from 140,500 at May 2018).

Low levels of economic growth

While the global economy continues to grow at above trend rates, downside risks have increased over the last six months with an escalation in the trade war between the US and China, rising US interest rates and weakness in emerging markets. Closer to home, with employment levels at a record high and real wage growth starting to emerge, UK base rates were increased to their highest level since 2009 over the summer. However, the most recent Deloitte UK CFO survey undertaken in September indicated a further deterioration in business confidence, with only 12% of CFOs believing now is a good time to take greater risk and Brexit being rated as the biggest threat over the next twelve months. As a result, UK GDP forecasts have decreased marginally over the period with Oxford Economics forecasting annual GDP growth over the next three years of 1.6%, down from 1.7% in March. However, London's forecast outperformance has been maintained with annual GDP growth of 2.1% forecast over the next three years.

The attractions of investing in central London real estate, particularly to the overseas buyer, remain intact, with transaction volumes of £4.3 billion in the quarter to 30 September 2018. Investor demand has largely been focused at the prime end of the market, albeit more recently we have also seen strong demand for secondary assets with redevelopment or refurbishment potential. With the level of equity capital looking to invest in London remaining at elevated levels, prime office yields were unchanged over the period.

Occupational markets; open for business

Our occupational markets remained resilient over the six months to 30 September 2018, with businesses continuing to commit to London despite the uncertain backdrop. Central London office take-up was 6.9 million sq ft, in line with the preceding six months and 9.5% above the ten-year average of 6.3 million sq ft. Central London availability marginally reduced over the six months to 13.7 million sq ft at 30 September 2018, down 0.6 million sq ft and below the ten-year average of 14.9 million sq ft. This has helped broadly maintain rental values and pre-letting activity across our markets. Furthermore, tenant incentives (including rent frees) remain largely unchanged.

In the central London office market as a whole, development completions in the six months to 30 September 2018 were 2.1 million sq ft, with an overall vacancy rate of 4.8%. However, in the core of the West End, the focus of our development activities, completions totalled only 0.3 million sq ft in the six month period. This supply shortage has meant that occupiers continue to secure space well in advance of building completion, with 48.7% of the 13.8 million sq ft of space under construction already pre-let or under offer. Looking ahead, the speculative development pipeline continues to be modest. In central London, we estimate that 10.3 million sq ft of new speculative space could be delivered over the period to December 2022, of which only 2.1 million sq ft is in the West End core, equating to only 0.7% of core stock per annum.

West End occupational market

Over the six months to 30 September 2018, West End office take-up was 1.7 million sq ft, down 22.6% on the preceding six months and marginally below the 10 year average, albeit current availability of 4.3 million sq ft is 0.6 million sq ft also below the ten-year average. Vacancy rates remain low at 3.7% at 30 September

2018, with grade A vacancy estimated by CBRE to be only 2.5%. CBRE reported that prime office rental values remain unchanged over the last six months at £105 per sq ft with rent frees increasing on average by around one month to 24 months on a ten-year lease.

Although the squeeze on UK consumer spending has continued, with a number of high profile retailer administrations during the period, the West End retail market (where 40.1% of our West End portfolio by value is located) has continued to demonstrate relative strength. Vacancy on Oxford Street, Regent Street and Bond Street remains low at c.3.5% with prime Zone A rents on Oxford Street and Bond Street stable at £1,000 per sq ft and £2,200 per sq ft respectively.

City, Midtown and Southbank occupational markets
Over the six months to 30 September 2018, City office take up of 3.0 million sq ft is well ahead of the ten-year average of 2.6 million sq ft. Availability reduced to 5.2 million sq ft (from 6.4 million sq ft at 31 March 2018), with the amount of space under offer at 1.7 million sq ft, 42% above the 10-year average, suggesting a potentially strong final leasing quarter for 2018. The City vacancy rate was greater than that of the West End at 5.4%, although grade A vacancy was estimated by CBRE to be 3.5%, down from 4.1% at March. CBRE also reported that City prime rental values remained stable at £68.50 per sq ft, unchanged since December 2017, with rent free periods on a ten-year lease also unchanged at 24 months.

Take-up in Midtown and Southbank was strong, up 63.7% on the preceding six months, at 1.8 million sq ft, with the increase attributable to a small number of large pre-lets in Kings Cross. Prime office rental values remained £80 and £65 per sq ft for Midtown and Southbank respectively. Rent frees also remained unchanged at 24 months on average on a ten-year lease.

Investment market activity supported by overseas purchasers
The investment market continues to be robust with £9.4 billion of transactions in the last six months, up from £5.8 billion in the preceding six months. Interest from overseas investors continues to dominate transactional activity, accounting for 85% of transactions over the last six months (and 90% over the last three months). London’s relative value, the low value of Sterling and London’s safe haven status continued to attract international interest, particularly from Asian and continental European investors.

We reported in May 2018 that we estimated £37.0 billion of equity capital was seeking to invest in commercial property across central London compared to only £6.0 billion of stock on the market available to buy. Today we estimate that there is currently £4.3 billion of stock on the market available to buy, whilst the weight of money seeking to invest remains strong at £34.0 billion. With levels of equity demand at elevated levels and debt availability still good for prime quality assets and sponsors, investment yields for office properties remain unchanged. At 30 September 2018, prime yields were 3.75% and 4.00% in the West End and City respectively, according to CBRE.

Poor visibility on market outlook continues
Given the cyclical nature of our markets, we actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the last six months, our property capital value indicators are largely unchanged and continue to provide limited market visibility. Investment activity in the central London commercial property market remains healthy and the real yield spread over gilt yields continues to be supportive. However, we expect to witness some modest expansion in the medium term, given the uncertain macro-economic backdrop and the challenging rental outlook. We do not expect significant rental value movements in the very near-term and, given the rental performance of the portfolio in the first half of the year, we have marginally upgraded our rental value growth range for the financial year to 31 March 2019 to +1.5% to minus 1.0% (previously +1.0% to minus 2.5%) (see Portfolio Management below).

Our business

Our business is accompanied by graphics (see Appendix 1 and 3)

Investment management

Investor demand for long-let, well-located, prime assets remained strong during the six months to 30 September 2018. As a result, we have continued to take advantage of these supportive market conditions by selling assets and crystallising further surpluses. We made no acquisitions in the period.

£329 million of disposals since 1 April 2018, 0.6% below book value
In April, 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. Over the course of the six months, we also sold five residential units, adjoining the office space, for a combined price of £6.8 million.

In August, 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 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, 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 tenants' 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 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.

Likely net seller for the second half of the year
Our sales since 1 April 2018 have further reduced the proportion of the portfolio represented by long-dated properties, from 16% of the portfolio at March to 9% today following the sale of 55 Wells Street, W1. With investment pricing strong and prime yields currently trending flat, we are likely to remain a net seller as we continue to explore opportunities to crystallise further returns from the long-dated portfolio as it continues to see robust demand from international capital. We currently have c.£90.0 million (our share) of commercial property in the market for sale, with a further c.£30.0 million of residential property.

Portfolio management

During the six months to 30 September 2018, our leasing activity has remained healthy, letting ahead of ERV and continuing to capture the reversion across the portfolio. Key highlights include:

- 37 new leases were signed during the first half (2017: 37 leases), generating annual rent of £8.4 million (our share: £6.6 million; 2017: £9.8 million), with market lettings 4.8% above March 2018 ERVs;
- 17 rent reviews securing £7.6 million (our share: £6.1 million; 2017: £7.9 million) of rent were settled during the half year, representing an annualised increase of £1.3 million per annum, or 20.6% above the previous passing rent and 4.1% above the ERV at the review date;
- total space covered by new lettings, reviews and renewals during the first half was 243,400 sq ft (2017: 310,200 sq ft);
- £1.9 million of reversion was captured (our share) in the six months to 30 September 2018, with a further reversionary potential of £9.8 million (9.8%) of which 85% is available in the next 18 months; and
- 95% (by area) of the 101 leases with breaks or expiries in the twelve months to 30 September 2018 were retained, re-let, under offer or under refurbishment, leaving only 5% still to transact.

As we continued to be a net seller over the period, Group rent roll decreased by 7.5% to £99.3 million at 30 September 2018 (31 March 2018: £107.3 million). However, after adjusting for sales, the rent roll has increased by 2.5% on a like-for-like basis.

Key leasing transactions

The notable transactions during the six months included:

- at 160 Old Street, EC1, further to the 116,500 sq ft of space pre-let to Turner Broadcasting, we completed two office lettings to Pusher and Bosch totalling 23,350 sq ft of space for a combined rent of £1.5 million, equating to £66.00 per sq ft and 9.1% above March 2018 ERV;
- 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;
- the continued roll out of our flexible offering:
  - at Elm Yard, WC1, we completed three flex space lettings (11,900 sq ft) at a combined annual rent of £0.7 million, 14.2% ahead of March 2018 ERV or 35% ahead on a net effective basis; and
  - at New City Court, SE1, we entered into a partnership arrangement with Runway East, a co-working and flexible office provider, for 26,000 sq ft of the office space (including 6,000 sq ft signed in October) on a three year term. Runway East will operate the space and we will share the revenue that is paid by the businesses in occupation.

We are currently appraising a further 100,000 sq ft of flex and co-working space across our existing portfolio.

The Group’s vacancy rate has marginally decreased to 4.8% at 30 September 2018 (31 March 2018: 4.9%) due to our letting successes offset by refurbishment and development completions. At 30 September 2018, the average rent across our office portfolio was £54.10 per sq ft, up from £52.80 per sq ft at 30 September 2017.

The table below summarises our leasing transactions in the period:

Leasing Transactions	**Three months ended 30 September 2018**	**Six months ended 30 September 2018**	**Six months ended 30 September 2017**
New leases and renewals completed			
Number	24	37	37
GPE share of rent p.a.	£4.7 million	£6.6 million	£9.8 million
Area (sq ft)	90,000	135,400	170,100
Rent per sq ft (including retail)	£76	£62	£67
Rent reviews settled			
Number	7	17	21
GPE share of rent p.a.	£2.3 million	£6.1 million	£7.9 million
Area (sq ft)	47,300	108,000	140,100
Rent per sq ft (including retail)	£52	£71	£62

Note: Includes joint ventures at share

Since 30 September 2018, our leasing momentum has continued:

- We have completed 6 new leases generating £1.6 million (our share: £1.6 million) of annual rent (22,200 sq ft), with market lettings in line with March 2018 ERVs; and
- a further 30,100 sq ft of space is currently under offer which would deliver approximately £2.7 million p.a. in rent (our share: £2.6 million), with market lettings 6.9% above March 2018 ERVs.

Everything else being equal, should we complete all of these transactions, the vacancy rate would fall to 2.9%.

Development management

As we have continued to sell mature, long-dated assets, the proportion of the portfolio in the development programme has continued to grow and now represents 53% of the portfolio, providing significant development opportunities today and for the future. Since the start of the financial year, we have successfully completed one scheme and have continued to make good progress on our committed schemes. Currently we have three committed schemes on site, set to deliver 412,000 sq ft of high-quality space, all near Crossrail stations, which are expected to generate a profit on cost of 16.7%. Beyond this, the team is busy preparing the further 11 schemes with prospective deliveries into the early 2020s and beyond.

One development profitably completed
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 late April, delivering a profit on cost of 19.6%. Following the lettings to Turner Broadcasting, Pusher and Bosch, the building is now 87% let on a blended average remaining lease term of 13.3 years with only two office floors remaining.

Three committed schemes all to benefit from Crossrail
In May, we obtained vacant possession at Oxford House, 76 Oxford Street, W1 and have commenced demolition of the building. During the period, we have successfully settled all of the neighbourly matters with adjoining owners and have appointed Lendlease as the main contractor. The new building will deliver 78,100 sq ft of new offices and 37,900 sq ft of retail space directly opposite the Dean Street entrance to the Tottenham Court Road Crossrail station and completion is targeted for Q3 2021, with an expected profit on cost of 17.9%. Early occupier interest for the retail element of the scheme is good, with formal marketing commencing in the new year.

At Hanover Square, W1, we have now taken back control of the entire site as Crossrail have completed their preparatory works. During October, to enable the development, we completed the purchase of the land under existing agreements that sits directly above the eastern entrance of the Bond Street Crossrail. The scheme will deliver 221,300 sq ft in total, comprising 167,200 sq ft of offices, 41,900 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 the over station office building to KKR in March, we have launched the marketing campaign for the Bond Street retail and early leasing interest is very encouraging. The project is expected to deliver a profit on cost of 15.8%.

At Cityside House, E1, having improved the design we inherited, we have now stripped out the building, commenced demolition and awarded the main construction contract. Our activities will transform the existing building into 74,700 sq ft of Grade A office and retail space. We are targeting a profit on costs of 15.1% with average office rents across the building of around £51.40 per sq ft, with delivery expected in Q4 2019 following the opening of the nearby Whitechapel Crossrail station.

At 30 September 2018, the three committed development properties required £206.1 million of capital expenditure to complete.

Substantial development pipeline
Our development pipeline includes a further 11 uncommitted projects (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 hope to materially increase the size of the existing 97,800 sq ft building to more than 370,000 sq ft and will be submitting a planning application early next year. At Mount Royal, W1, located at the western end of Oxford Street, we are drawing up early plans to redevelop this two-acre site into a retail-led development scheme. All but one of these buildings is income producing today, with an average lease length of 3.4 years, and they provide a substantial opportunity to add value stretching into the 2020s.

Valuation

Valuation is accompanied by graphics (see Appendix 2)

The valuation of the Group’s properties was £2,595.7 million as at 30 September 2018, reflecting a valuation increase of 0.6% on a like-for-like basis since 31 March 2018. At 30 September 2018, the wholly-owned portfolio was valued at £2,066.6 million and the Group had three active joint ventures which owned properties valued at £529.1 million (our share) by CBRE.

The key drivers behind the Group’s valuation movement for the six-month period were:

- rental value increase – since the start of the financial year, rental values have increased by 0.7%, with office and retail rental values rising by 0.4% and 1.6% respectively. At 30 September 2018, the portfolio was 9.8% reversionary;
- intensive portfolio management – during the period, 54 new leases, rent reviews and renewals were completed, securing £12.7 million (our share) of annual income which helped to support the valuation;
- good progress across our development properties – the valuation of current committed development properties increased by 2.1% to £355.8 million; and
- yield compression – equivalent yields decreased very marginally by 1 basis point over the period largely driven by our repositioning activities. At 30 September 2018, 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 30 September 2018 was 4.0%, unchanged from the start of the financial year.

Our West End investment portfolio produced the most robust performance by geographic sector over the period, increasing in value by 0.5% on a like-for-like basis, in part driven by our portfolio management activity as set out above. Our City, Midtown and Southbank properties increased by 0.1%. Our joint venture properties increased in value by 0.9% over the period while the wholly-owned portfolio increased by 0.5% on a like-for-like basis.

The Group delivered a total property return (TPR) for the six months to 30 September 2018 of 2.2% (2017: minus 2.4%), compared to the Central London IPD quarterly benchmark of 2.9%, and a capital return of 0.6% (versus 1.3% for IPD). This relative under-performance resulted from our higher than benchmark exposure to investment properties with shorter lease lengths, where valuations were less resilient given the 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 longer-term value upside.

Our financial results

Our financial results are accompanied by graphics, see Appendix 3, and details on our approach to risk are set out in Appendix 1

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 8 to the accounts.

EPRA NAV growth of 0.5%

EPRA net assets per share (NAV) at 30 September 2018 was 849 pence per share, an increase of 0.5% over the last six months, largely due to the 0.6% like-for-like increase in value of the property portfolio. The main drivers of the 4 pence per share increase in NAV from 31 March 2018 were:

- the increase of 6 pence per share arising from the revaluation of the property portfolio. Of this amount, development properties increased NAV by around 3 pence;
- EPRA earnings for the period of 9 pence per share enhanced NAV;
- the final dividend of 7 pence per share reduced NAV;
- tax, predominantly associated with property sales, reduced NAV by 3 pence per share; and
- other movements reduced NAV by 1 pence per share.

EPRA NAV growth of 0.5%, combined with the payment of last year's final dividend of 7.3 pence per share, delivered a total accounting return for the six months to 30 September 2018 of 1.3%.

At 30 September 2018, the Group's net assets were £2,381.4 million, up from £2,366.9 million at 31 March 2018, with the increase largely attributable to the revaluation of the property portfolio and net earnings for the period. EPRA triple net assets per share (NNNAV) was 847 pence at 30 September 2018 compared to 842 pence at 31 March 2018 (up 0.6%). At the period end, the difference between NAV and NNNAV was the net impact of the mark to market of debt of 2 pence per share, mainly arising from the Group's 2029 debenture (coupon of 5.63%) and deferred tax. There was a £1.5 million decrease in deferred tax liabilities during the period.

EPRA earnings given net sales activity

EPRA earnings were £25.3 million, 19.9% lower than for the same period last year, predominantly due to reduced rental income as a result of property sales and securing vacant possession of buildings ahead of redevelopment.

Rental income from wholly-owned properties was £40.0 million, down £4.7 million or 10.5% on last year, principally as a result of property sales during the period, the sale of 30 Broadwick Street, W1 in the prior year and securing vacant possession at Oxford House, W1 ahead of development. Joint venture fees were £2.5 million, up £1.4 million on last year due to higher levels of transaction activity in the joint ventures, including the commencement of the Turner lease at 160 Old Street, EC1. Taken together, rental income from wholly-owned properties and joint venture fees totalled £42.5 million, down 7.2% on the prior period. Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income (including from joint venture properties) increased 1.7% on the prior period.

Property expenses increased by £2.4 million to £6.1 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 period. Administration costs were £12.8 million, an increase of £0.9 million, primarily as a result of higher marketing costs associated with our development activities, including the opening of our new marketing suite at Kent House, W1.

EPRA profits from joint ventures (excluding fair value movements) were £2.5 million, up from £1.0 million last year predominantly due to reduced finance costs as a result of the repayment of joint venture balances with the proceeds of property sales (including 240 Blackfriars Road, SE1).

Gross interest paid on our debt facilities was £6.3 million, down £2.7 million on the prior period. The reduction in interest paid was due to the prepayment of 85% of the Group's £142.9 million 5.63% debenture in the latter part of the prior year. We capitalised interest of £1.9 million (2017: £4.5 million), a £2.6 million reduction reflecting our reduced wholly-owned development exposure when compared to the prior period. As a result, the Group had underlying net finance charge (including interest receivable on joint ventures balances) of £0.7 million (2017: £0.7 million income).

Revaluation gains together with increased underlying earnings resulted in an accounting profit after tax of £33.7 million (2017: £25.3 million). The basic earnings per share for the period was 12.0 pence, compared to 7.7 pence for 2017. The diluted earnings per share for the period was 11.1 pence, compared to 5.7 pence per share for 2017. Diluted EPRA earnings per share was 9.0 pence (2017: 9.6 pence), a reduction of 6.3%, and cash earnings per share was up 15.3% at 8.3 pence (2017: 7.2 pence).

Results of joint ventures

The Group's net investment in joint ventures was £484.4 million, an increase from £423.7 million at 31 March 2018, due to a 0.9% like-for-like increase in value of the property portfolio and an increase in partner loan contributions to fund the Hanover Square land buy back and development expenditure. Our share of joint venture net rental income was £6.9 million, down £1.7 million on last year as a result of the sale of 240 Blackfriars Road, SE1 last year, offset by positive asset management activity. The underlying joint venture profits are stated after charging £2.5 million of GPE management fees (2017: £1.1 million).

Overall, our three active joint ventures represent an important proportion of the Group's business. At 30 September 2018, joint ventures represented 20.4% of the portfolio valuation, 20.3% of net assets and 18.9% of rent roll (31 March 2018: 18.1%, 17.9% and 13.6% respectively).

Robust financial position with continued active balance sheet management

In June, we drew down £100.0 million of new unsecured US private placement notes. The notes were placed with seven US institutional investors and mature in 10, 12 and 15 years, with a weighted average fixed rate coupon of 2.8%.

In September, the Group's £150.0 million convertible bond matured. Bonds with a face value of £136.9 million were repaid on maturity at par and £13.1 million of bonds converted. The Group opted to pay a cash amount in respect of the converted bonds rather than issue new 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 £12.6 million, which was paid in early October, with the £0.5 million discount on maturity recognised in the income statement for the period.

At September 2018, Group consolidated net debt was £116.3 million, up from £(5.2) million net cash at 31 March 2018 (30 September 2017: £502.8 million). The increase was due to the payment of £306.0 million in respect of the Group's B share scheme and development capital expenditure of £48.1 million in the period more than offsetting receipts from property sales. Group gearing increased to 4.9% at 30 September 2018 (31 March 2018: 0%) due to higher levels of on-balance sheet debt more than offsetting the increase in the portfolio value. Including the non-recourse debt in the joint ventures, total net debt was £149.6 million (31 March 2018: £67.5 million) equivalent to a loan to property value of 5.8% (31 March 2018: 2.4%). The proportion of the Group's total net debt represented by our share of joint venture net debt was 22.3% at 30 September 2018. At 30 September 2018, the Group, including our share of joint ventures, had cash and undrawn committed credit facilities of £682 million.

Pro forma for the receipt of the sales proceeds of 55 Wells Street, W1, which was sold in October 2018 and the payment of the remaining £12.6 million in respect of the convertible bond, the Group's loan to property value is 3.9%.

The Group's weighted average cost of debt, including fees and joint venture debt, for the period was 2.8%, 50 basis points lower than at 31 March 2018 due to the partial prepayment of the Group's debenture as mentioned above. The weighted average interest rate (excluding fees) at the period end was 2.7% up from 2.1% at 31 March 2018, as a result of drawing down our new private placement notes and redemption of the 1.0% coupon convertible bond. At 30 September 2018, 72% of the Group's total drawn debt (including non-recourse joint venture debt) was provided on an unsecured basis (31 March 2018: 89% pro forma) and 88% was from non-bank sources (31 March 2018: 90%).

At 30 September 2018, 100% of the Group's total drawn debt (including non-recourse joint ventures) was at fixed or hedged rates (31 March 2018: 100%). Due to our low levels of debt and the treatment of capitalised interest under our Group covenants, our net interest cover ratio was 67 times (31 March 2018: n/a). Our weighted average drawn debt maturity was 6.9 years at 30 September 2018 (31 March 2018: 3.9 years).

Since the period end, the Group signed a £450 million unsecured revolving credit facility (“RCF”) at a headline margin of 92.5 basis points over LIBOR with a group of six existing relationship banks. The facility has an initial five-year term which may be extended to a maximum of seven years at our request, subject to bank consent. This facility includes our standard unsecured financial covenants and is an amendment and extension of the Group’s £450 million RCF signed in October 2014 which had a headline margin of 105 basis points and was due to mature in October 2021.

Maintaining balance sheet discipline; share buyback of up to £200 million
We have already completed £329 million of net sales so far this financial year, crystallising profits from properties where we have delivered our business plans and reducing our LTV to less than 6%, with more than £200 million of cash on deposit yielding a very low return.

As a result, we currently intend to return up to £200 million of equity which is surplus to our present needs to shareholders over the next 12 months through a share buyback. The proposed on-market share buyback programme reflects our ongoing commitment to capital allocation and balance sheet discipline, whilst also ensuring that we retain our significant financial flexibility to deliver our development programme and fund potential acquisition opportunities which may emerge given the ongoing economic and political uncertainty.

Adjusting for this proposed return of capital, pro forma LTV would rise to 11.8% (or 18.4% when including existing development capex commitments), although we expect to continue to be a net seller for the rest of the financial year.

Over the coming months, we expect to review regularly the size and timing of the buyback, including potentially ceasing the programme, as the future direction of the UK economy becomes clearer and should the scale and speed of our property sales and acquisitions evolve from our expected path.

A further announcement containing more detailed information regarding the share buyback will be released before the start of any dealing under the share buyback programme.

99.7% rent collection and robust tenant base
The quarterly cash collection performance has continued to be very strong throughout 2018. We secured 99.7% of rent due within seven working days following the September quarter day, compared with 99.9% and 99.0% at March and June respectively earlier this year. Tenants on monthly payment terms represent around 5.6% of our rent roll (30 September 2017: 3.1%). We had one tenant delinquency in the first half of the six month period (0.1% of rent roll) and we remain vigilant, regularly monitoring the financial position of our tenants. In addition, we have further protection from any tenant defaults with £23.6 million of rent deposits and bank guarantees, representing around 24% of rent roll.

Taxation

The tax charge in the income statement for the half year was £6.7 million (2017: £2.5 million credit) and the effective tax rate on EPRA earnings was 0% (2017: 0%). The tax charge for the period results from property sales which fall outside our REIT ring-fence and the maturity of the convertible bond.

In general, as a REIT, the Group is broadly exempt from corporation tax in respect of its rental profits and chargeable gains relating to its property rental business but is otherwise subject to corporation tax. In particular, the Group is subject to corporation tax in respect of (i) any profits arising from trading properties (including the sale of the residential units at Rathbone Square, W1) and (ii) any gains arising on the sale of investment properties in respect of which a major redevelopment has completed within the preceding three years (including 78/92 Great Portland Street, W1 and 55 Wells Street, W1).

Dividends

The Board has declared an interim ordinary dividend of 4.3 pence per share (2017: 4.0 pence) which will be paid on 2 January 2019. All of this dividend will be a REIT Property Income Distribution (PID) in respect of the Group’s tax-exempt property rental business.

Condensed group income statement

For the six months ended 30 September 2018

Year to 31 March 2018 Audited £m		Notes	**Six months to 30 September 2018 Unaudited £m**	Six months to 30 September 2017 Unaudited £m
386.5	Total revenue	2	**50.8**	65.4
92.0	Net rental income	3	**40.0**	44.7
5.2	Joint venture fee income	11	**2.5**	1.1
97.2	Rental and joint venture fee income		**42.5**	45.8
(11.3)	Property expenses	4	**(6.1)**	(3.7)
85.9	**Net rental and related income**		**36.4**	42.1
(24.1)	Administrative expenses		**(12.8)**	(11.9)
14.2	Development management revenue		**0.1**	12.6
(14.6)	Development management costs		**(0.2)**	(12.9)
(0.4)	Development management losses		**(0.1)**	(0.3)
262.3	Trading property revenue		**1.9**	–
(250.7)	Trading property cost of sales		**(10.2)**	(0.1)
11.6	(Loss)/profit on sale of trading property		**(8.3)**	(0.1)
73.0	**Operating profit before surplus on property and results of joint ventures**		**15.2**	29.8
35.5	Surplus from investment property	9	**17.7**	16.9
41.2	Share of results of joint ventures	11	**6.8**	11.2
149.7	**Operating profit**		**39.7**	57.9
9.8	Finance income	5	**3.7**	5.2
(11.2)	Finance costs	6	**(4.4)**	(4.5)
(36.6)	Premium paid on cancellation of private placement notes		**–**	(36.6)
(38.1)	Premium paid on cancellation of debenture stock		**–**	–
8.5	Fair value movement on convertible bond	14	**1.4**	6.2
(5.4)	Fair value movement on derivatives		**–**	(5.4)
76.7	**Profit before tax**		**40.4**	22.8
(6.4)	Tax	7	**(6.7)**	2.5
70.3	**Profit for the period**		**33.7**	25.3

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

21.5p	**Basic earnings per share**	8	**12.0p**	7.7p
18.2p	**Diluted earnings per share**	8	**11.1p**	5.7p
20.4p	**EPRA EPS**	8	**9.0p**	9.6p

Condensed group statement of comprehensive income

For the six months ended 30 September 2018

Year ended 31 March 2018 Audited £m		**Six months to 30 September 2018 Unaudited £m**	Six months to 30 September 2017 Unaudited £m
70.3	Profit for the period	**33.7**	25.3
	Items that will not be reclassified subsequently to profit and loss:		
6.1	Actuarial gain on defined benefit scheme	**0.9**	1.1
(0.1)	Deferred tax on actuarial gain on defined benefit scheme	**(0.2)**	–
76.3	**Total comprehensive income for the period**	**34.4**	26.4

Condensed group balance sheet

At 30 September 2018

As at 31 March 2018 Audited £m		Notes	**As at 30 September 2018 Unaudited £m**	As at 30 September 2017 Unaudited £m
	Non-current assets			
2,305.2	Investment property	9	**2,088.5**	2,448.6
423.7	Investment in joint ventures	11	**484.4**	508.0
4.6	Plant and equipment		**4.3**	4.9
0.5	Pension asset		**1.7**	–
–	Deferred tax	7	**–**	4.5
2,734.0			**2,578.9**	2,966.0
	Current assets			
19.5	Trading property	10	**17.7**	262.2
15.1	Trade and other receivables	12	**16.2**	91.0
–	Corporation tax		–	0.6
351.4	Cash and cash equivalents		**179.6**	13.8
386.0			**213.5**	367.6
3,120.0	**Total assets**		**2,792.4**	3,333.6
	Current liabilities			
(363.3)	Trade and other payables	13	**(65.5)**	(121.7)
(150.9)	Interest-bearing loans and borrowings	14	**–**	(153.2)
(0.1)	Corporation tax		**(8.5)**	–
(514.3)			**(74.0)**	(274.9)
	Non-current liabilities			
(196.2)	Interest-bearing loans and borrowings	14	**(295.9)**	(378.4)
(40.8)	Obligations under finance leases	16	**(40.8)**	(40.7)
(1.8)	Deferred tax	7	**(0.3)**	–
–	Pension liability		–	(4.8)
(238.8)			**(337.0)**	(423.9)
(753.1)	**Total liabilities**		**(411.0)**	(698.8)
2,366.9	**Net assets**		**2,381.4**	2,634.8
	Equity			
43.0	Share capital	15	**43.0**	43.0
46.0	Share premium account		**46.0**	352.0
322.4	Capital redemption reserve		**322.4**	16.4
1,957.9	Retained earnings		**1,972.4**	2,227.0
(2.4)	Investment in own shares	17	**(2.4)**	(3.6)
2,366.9	**Total equity**		**2,381.4**	2,634.8
840p	**Net assets per share**	8	**845p**	806p
845p	**EPRA NAV**	8	**849p**	813p

Condensed group statement of cash flows

For the six months ended 30 September 2018

Year to 31 March 2018 Audited £m		Notes	**Six months to 30 September 2018 Unaudited £m**	(Restated) Six months to 30 September 2017 Unaudited £m
	Operating activities			
149.7	Operating profit		**39.7**	57.9
(78.9)	Adjustments for non-cash items	18	**(22.8)**	(29.6)
–	Deposits received on forward sale of residential units		**–**	0.5
232.2	Decrease/(increase) in trading property		**1.3**	(12.5)
11.5	(Increase)/decrease in receivables		**(1.6)**	(5.8)
(54.9)	(Decrease)/increase in payables		**(9.7)**	5.3
259.6	**Cash generated by operations**		**6.9**	15.8
(18.4)	Interest paid		**(5.0)**	(8.4)
–	Interest received		**0.5**	–
(1.6)	Tax received/(paid)		**–**	0.4
239.6	**Cash inflow from operating activities**		**2.4**	7.8
	Investing activities			
21.1	Distributions from joint ventures		**6.5**	8.4
(30.7)	Funds to joint ventures		**(25.0)**	(15.1)
130.3	Funds from joint ventures		**–**	–
(128.7)	Purchase and development of property		**(30.9)**	(107.7)
(0.4)	Purchase of plant and equipment		**(0.1)**	(0.2)
487.1	Sale of properties		**270.1**	243.0
(12.9)	Investment in joint ventures		**(32.1)**	(4.1)
465.8	**Cash inflow from investing activities**		**188.5**	124.3
	Financing activities			
(109.0)	Revolving credit facility repaid		**–**	(47.0)
174.1	Issue of private placement notes		**99.6**	174.1
(127.7)	Redemption of private placement notes		**–**	(127.7)
–	Repayment of convertible bond		**(136.9)**	–
(36.3)	Premium paid on redemption of private placement notes		**–**	(36.6)
23.1	Termination of cross currency swaps		**–**	23.1
(121.1)	Redemption of debenture loan stock		**–**	–
(38.9)	Premium paid on redemption of debenture loan stock		**–**	–
–	Amounts paid in respect of B share scheme		**(306.0)**	–
(143.7)	Equity dividends paid		**(19.4)**	(129.7)
(379.5)	**Cash outflow from financing activities**		**(362.7)**	(143.8)
325.9	Net (decrease)/increase in cash and cash equivalents		**(171.8)**	(11.7)
25.5	Cash and cash equivalents at 1 April		**351.4**	25.5
351.4	**Cash and cash equivalents at balance sheet date**		**179.6**	13.8

Comparative re-presented: see note 22.

Condensed group statement of changes in equity

For the six months ended 30 September 2018 (unaudited)

	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 period	–	–	–	33.7	–	33.7
Actuarial gain on defined benefit scheme	–	–	–	0.9	–	0.9
Deferred tax on actuarial gain on defined benefit scheme	–	–	–	(0.2)	–	(0.2)
Total comprehensive income for the period	–	–	–	34.4	–	34.4
Employee Long-Term Incentive Plan and Share Matching Plan charge	–	–	–	–	0.6	0.6
Transfer to retained earnings	–	–	–	0.6	(0.6)	–
Dividends to shareholders	–	–	–	(20.5)	–	(20.5)
Total equity at 30 September 2018	43.0	46.0	322.4	1,972.4	(2.4)	2,381.4

Condensed group statement of changes in equity

For the six months ended 30 September 2017 (unaudited)

	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 period	–	–	–	25.3	–	25.3
Actuarial gain on defined benefit scheme	–	–	–	1.1	–	1.1
Total comprehensive income for the period	–	–	–	26.4	–	26.4
Employee Long-Term Incentive Plan and Share Matching Plan charge	–	–	–	–	0.8	0.8
Transfer to retained earnings	–	–	–	0.6	(0.6)	–
Dividends to shareholders	–	–	–	(130.8)	–	(130.8)
Total equity at 30 September 2017	43.0	352.0	16.4	2,227.0	(3.6)	2,634.8

Condensed group statement of changes in equity

For the year ended 31 March 2018 (audited)

	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 and Share Matching Plan charge	–	–	–	–	2.0	2.0
Issue of B shares	–	(306.0)	–	–	–	(306.0)
Redemption of B shares	–	–	306.0	(306.0)	–	–
Transfer to retained earnings	–	–	–	0.6	(0.6)	–
Dividends to shareholders	–	–	–	(143.8)	–	(143.8)
Total equity at 31 March 2018	43.0	46.0	322.4	1,957.9	(2.4)	2,366.9

Condensed notes forming part of the half year results

1 Basis of preparation

The information for the year ended 31 March 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The annual financial statements of Great Portland Estates plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union. The accounting policies and methods of computation applied are consistent with those applied in the Group’s latest annual audited financial statements other than the accounting policy for sales and purchases of property which has been amended to the following: the Group recognises sales and purchases of property when control of the asset transfers. The nature of the Significant Judgements and Key Sources of Estimation Uncertainty applied in the condensed financial statements have remained consistent with those applied in the Group’s latest annual audited financial statements with the exception of the recognition of sales and purchases of property which is no longer considered a significant judgement.

This is the Group’s first set of financial statements where IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied. There have been no retrospective adjustments made to the prior year figures. The impact on the six month results on adoption of these standards are set out below:

- IFRS 9 Financial instruments: This standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The adoption of this standard has not had a material impact on the condensed financial statements; and

- 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 condensed financial statements.

A number of standards and amendments to standards have been issued but are not yet effective for the current period. The most significant of these is set out below:

- IFRS 16 replaces IAS 17 Leases and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group’s balance sheet, and recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset will be assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. 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.

The Group’s performance is not subject to seasonal fluctuations.

Going concern
Details of the market in which the Group operates, together with factors likely to affect its future development and performance, are set out in the “Our market” and “Our business” sections of this report. The financial position of the Group, its liquidity position and borrowing facilities are described in “Our financial results” and in the notes of the half year results.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-year results.

2 Total revenue

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
87.7	Gross rental income	**41.4**	42.1
5.1	Spreading of lease incentives	**(1.0)**	3.1
12.0	Service charge income	**5.9**	6.5
5.2	Joint venture fee income	**2.5**	1.1
262.3	Trading property revenue	**1.9**	–
14.2	Development management revenue	**0.1**	12.6
386.5		**50.8**	65.4

3 Net rental income

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
87.7	Gross rental income	**41.4**	42.1
5.1	Spreading of lease incentives	**(1.0)**	3.1
(0.8)	Ground rent	**(0.4)**	(0.5)
92.0		**40.0**	44.7

4 Property expenses

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
(12.0)	Service charge income	**(5.9)**	(6.5)
15.0	Service charge expenses	**7.6**	7.9
8.3	Other property expenses	**4.4**	2.3
11.3		**6.1**	3.7

5 Finance income

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
9.6	Interest income on joint venture balances	**3.3**	5.2
0.2	Interest on cash deposits	**0.4**	–
9.8		**3.7**	5.2

6 Finance costs

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
2.8	Interest on revolving credit facilities	**1.2**	1.4
3.9	Interest on private placement notes	**2.9**	1.9
7.1	Interest on debenture stock	**0.7**	4.0
1.5	Interest on convertible bond	**0.6**	0.8
1.8	Interest on obligations under finance leases	**0.9**	0.9
17.1	Gross finance costs	**6.3**	9.0
(5.9)	Less: capitalised interest at an average interest cost of 2.7% (2017: 3.2%)	**(1.9)**	(4.5)
11.2		**4.4**	4.5

7 Tax

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
	Current tax		
2.7	UK corporation tax – current period	**8.4**	–
–	UK corporation tax – prior periods	**–**	–
2.7	Total current tax	**8.4**	–
3.7	**Deferred tax**	**(1.7)**	(2.5)
6.4	Tax charge/(credit) for the period	**6.7**	(2.5)

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

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
76.7	Profit before tax	**40.4**	22.8
14.6	Tax charge on profit at standard rate of 19% (2017: 19%)	**7.7**	4.3
(12.9)	Changes in the fair value of properties, not subject to tax	**(3.1)**	(5.7)
3.8	Changes in the fair value of financial instruments, not subject to tax	**(0.2)**	4.2
(12.5)	REIT tax-exempt rental income and gains	**(4.9)**	(5.2)
–	Gains in respect of £150 million 1.00% convertible bonds 2018	**2.8**	–
13.0	Gains in respect of sales of investment properties subject to tax	**6.3**	–
0.4	Other	**(1.9)**	(0.1)
6.4	Tax charge/(credit) for the period	**6.7**	(2.5)

7 Tax (continued)

The Group's deferred tax assets and liabilities have been calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the liability is settled or the asset is realised.

During the period £0.2 million (2017: £nil) of deferred tax was debited directly to equity. The Group's net deferred tax at 30 September 2018 was a liability of £0.3 million (2017: an asset of £4.5 million). This consists of deferred tax liabilities of £0.3 million (2017: £2.8 million) and deferred tax assets of £nil (2017: £7.3 million).

Movement in deferred tax:

	At 1 April 2018 £m	**Recognised in the income statement £m**	**Recognised in equity £m**	**At 30 September 2018 £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/(liability) in respect of other temporary differences	0.8	**(0.9)**	**(0.2)**	**(0.3)**
Net deferred tax liability	(1.8)	**1.7**	**(0.2)**	**(0.3)**

A further deferred tax asset of £2.3 million, 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 investment properties in respect of which a major redevelopment has completed within the preceding three years (including 78/92 Great Portland Street, W1 and 55 Wells Street, W1) or profits arising from trading properties (including the sale of the residential units at Rathbone Square, W1).

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

8 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 the reconciliations between these measures and the equivalent IFRS figures are shown in the tables below.

Weighted average number of ordinary shares

Year to 31 March 2018 No. of shares		**Six months to 30 September 2018 No. of shares**	Six months to 30 September 2017 No. of shares
343,926,149	Issued ordinary share capital at 1 April	**281,663,675**	343,926,149
(16,371,005)	Share consolidations	**–**	(12,755,495)
(1,446,557)	Investment in own shares	**(1,141,451)**	(1,538,561)
326,108,587	Weighted average number of ordinary shares - basic	**280,522,224**	329,632,093

Basic and diluted earnings per share

Year to 31 March 2018 Profit per share pence		**Six months to 30 September 2018 Profit after tax £m**	**Six months to 30 September 2018 No. of shares million**	**Six months to 30 September 2018 Earnings per share pence**	Six months to 30 September 2017 Profit after tax £m	Six months to 30 September 2017 No. of shares million	Six months to 30 September 2017 Earnings per share pence
21.5	Basic	**33.7**	**280.5**	**12.0**	25.3	329.6	7.7
(3.3)	Dilutive effect of LTIP shares	**–**	**0.3**	**–**	–	–	–
–	Dilutive effect of convertible bond	**(0.7)**	**17.5**	**(0.9)**	(5.4)	20.7	(2.0)
18.2	Diluted	**33.0**	**298.3**	**11.1**	19.9	350.3	5.7

EPRA Earnings per share

Year to 31 March 2018 earnings per share pence		**Six months to 30 September 2018 Profit after tax £m**	**Six months to 30 September 2018 No. of shares million**	**Six months to 30 September 2018 Earnings per share pence**	Six months to 30 September 2017 Profit after tax £m	Six months to 30 September 2017 No. of shares million	Six months to 30 September 2017 Earnings per share pence
21.5	Basic	**33.7**	**280.5**	**12.0**	25.3	329.6	7.7
(7.9)	Surplus from investment property (net of tax)	**(11.9)**	**–**	**(4.2)**	(16.9)	–	(5.1)
(10.3)	Surplus from joint venture investment property	**(4.3)**	**–**	**(1.5)**	(9.7)	–	(2.9)
10.6	Premium paid on cancellation of private placement notes net of tax	**–**	**–**	**–**	36.6	–	11.1
9.8	Premium paid on cancellation of debenture stock net of tax	**–**	**–**	**–**	–	–	–
1.7	Movement in fair value of derivatives	**–**	**–**	**–**	5.4	–	1.6
(2.6)	Movement in fair value of convertible bond (net of tax)	**1.2**	**–**	**0.4**	(6.2)	–	(1.9)
(0.3)	Movement in fair value of derivatives in joint ventures	**–**	**–**	**–**	(0.5)	–	(0.1)
(3.2)	Loss/(profit) on sale of trading property	**8.3**	**–**	**2.9**	0.1	–	–
1.1	Deferred taxation	**(1.7)**	**–**	**(0.6)**	(2.5)	–	(0.8)
20.4	Basic EPRA earnings	**25.3**	**280.5**	**9.0**	31.6	329.6	9.6
–	Dilutive effect of LTIP shares	**–**	**0.3**	**–**	–	–	–
–	Dilutive effect of convertible bond	**–**	**–**	**–**	–	–	–
20.4	Diluted EPRA earnings	**25.3**	**280.8**	**9.0**	31.6	329.6	9.6

8 Performance measures and EPRA metrics (continued)

EPRA Net assets per share

31 March 2018 Net assets per share pence		**30 September 2018 Net assets £m**	**30 September 2018 No. of shares million**	**30 September 2018 Net assets per share pence**	30 September 2017 Net assets £m	30 September 2017 No. of shares million	30 September 2017 Net assets per share pence
840	Basic	**2,381.4**	**281.7**	**845**	2,634.8	326.7	806
4	Investment in own shares	**–**	**(1.1)**	**4**	–	(1.4)	4
–	Dilutive effect of convertible bond	**–**	**–**	**–**	–	–	–
–	Dilutive effect of LTIP shares	**–**	**0.3**	**(1)**	–	0.2	(1)
844	Diluted net assets	**2,381.4**	**280.9**	**848**	2,634.8	325.5	809
–	Surplus on revaluation of trading property	**1.2**	**–**	**1**	12.8	–	4
–	Fair value of convertible bond	**–**	**–**	**–**	3.2	–	1
–	Fair value of derivatives in joint ventures	**0.3**	**–**	**–**	0.8	–	–
1	Deferred tax	**0.3**	**–**	**–**	(4.5)	–	(1)
845	EPRA NAV	**2,383.2**	**280.9**	**849**	2,647.1	325.5	813
(1)	Fair value of financial liabilities	**(2.1)**	**–**	**(1)**	(27.5)	–	(8)
–	Fair value of convertible bond	**–**	**–**	**–**	(3.2)	–	(1)
(1)	Fair value of financial liabilities in joint ventures	**(1.1)**	**–**	**(1)**	(1.4)	–	–
–	Fair value of derivatives in joint ventures	**(0.3)**	**–**	**–**	(0.8)	–	–
–	Tax arising on sale of trading properties	**(0.2)**	**–**	**–**	(2.4)	–	(1)
(1)	Deferred tax	**(0.3)**	**–**	**–**	4.5	–	1
842	EPRA NNNAV	**2,379.2**	**280.9**	**847**	2,616.3	325.5	804

The Group had £150.0 million of convertible bonds in issue during the period with a conversion price of £7.13 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.

Total Accounting return

31 March 2018 per share pence		**30 September 2018 per share pence**	30 September 2017 per share pence
799.0	Opening EPRA NAV (A)	**845.0**	799.0
845.0	Closing EPRA NAV	**849.0**	813.0
46.0	Increase in EPRA NAV	**4.0**	14.0
10.4	Ordinary dividend paid in period	**7.3**	6.4
56.4	Total return (B)	**11.3**	20.4
7.1%	Total return % (B/A)	**1.3%**	2.6%

8 Performance measures and EPRA metrics (continued)

Cash earnings per share

Year to 31 March 2018 Earnings per share pence		**Six months to 30 September 2018 Profit after tax £m**	**Six months to 30 September 2018 No. of shares million**	**Six months to 30 September 2018 Earnings per share pence**	Six months to 30 September 2017 Profit after tax £m	Six months to 30 September 2017 No. of shares million	Six months to 30 September 2017 Earnings per share pence
20.4	Diluted EPRA earnings	**25.3**	**280.8**	**9.0**	31.6	329.6	9.6
(1.8)	Capitalised interest	**(1.9)**	**–**	**(0.7)**	(4.5)	–	(1.4)
(0.6)	Capitalised interest in joint ventures	**(1.6)**	**–**	**(0.5)**	(0.8)	–	(0.2)
(1.6)	Spreading of tenant lease incentives	**1.0**	**–**	**0.3**	(3.1)	–	(1.0)
–	Spreading of tenant lease incentives in joint ventures	**–**	**–**	**–**	(0.1)	–	–
0.6	Employee Long Term Incentive Plan charge	**0.6**	**–**	**0.2**	0.8	–	0.2
17.0	Cash earnings per share	**23.4**	**280.8**	**8.3**	23.9	329.6	7.2

Net debt and loan-to-property value

31 March 2018 £m		**30 September 2018 £m**	30 September 2017 £m
22.0	£142.9 million 5.625% debenture stock 2029	**22.0**	143.9
–	£450 million revolving credit facility	**–**	60.4
174.2	Private placement notes	**273.9**	174.1
150.0	£150.0 million 1.00% convertible bonds 2018 (at nominal value)	**–**	150.0
(351.4)	Less: cash and cash equivalents	**(179.6)**	(13.8)
(5.2)	Net debt excluding joint ventures	**116.3**	514.6
84.7	Joint venture interest bearing loans and borrowings (at share)	**84.7**	84.6
(12.0)	Joint venture cash and cash equivalents (at share)	**(51.4)**	(12.2)
67.5	Net debt including joint ventures (A)	**149.6**	587.0
2,285.2	Group properties at market value (at share)	**2,066.6**	2,682.9
504.8	Joint venture properties at market value (at share)	**529.1**	594.9
2,790.0	Property portfolio at market value including joint ventures (B)	**2,595.7**	3,277.8
2.4%	Loan-to-property value (A/B)	**5.8%**	17.9%

9 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2018	**1,059.6**	**1,083.1**	**2,142.7**
Costs capitalised	**1.9**	**1.0**	**2.9**
Disposals	**(264.4)**	**–**	**(264.4)**
Net valuation (deficit)/surplus	**(3.0)**	**10.8**	**7.8**
Book value at 30 September 2018	**794.1**	**1,094.9**	**1,889.0**

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2018	**162.5**	**–**	**162.5**
Costs capitalised	**30.9**	**–**	**30.9**
Interest capitalised	**1.9**	**–**	**1.9**
Net valuation surplus	**4.2**	**–**	**4.2**
Book value at 30 September 2018	**199.5**	**–**	**199.5**
Book value of total investment property at 30 September 2018	**993.6**	**1,094.9**	**2,088.5**

Surplus from investment property

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
42.9	Net valuation surplus on investment property	**12.0**	20.4
(7.4)	Loss on sale of investment properties	**(2.5)**	(3.5)
–	Profit on sale of investment properties in prior periods	**8.2**	–
35.5	**Surplus from investment property**	**17.7**	16.9

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 £8.2 million of further costs being allocated to the residential element of the scheme (from the commercial element), resulting in a £8.2 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 11), were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 30 September 2018. At 30 September 2018, £64.6 million of investment property was held for sale. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms. CBRE have advised us that the total fees paid to CBRE by the Group represent less than five per cent of their total revenue in any year.

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 period. Inputs to the valuation, including capitalisation yields (typically the true equivalent yield) and rental values, are defined as 'unobservable' as defined by IFRS 13.

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 around £158 million, whilst a 25 basis point increase would reduce the fair value by around £141 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.

9 Investment property (continued)

Key inputs to the valuation (by building)

		ERV		True equivalent yield	
		Average £ per sq ft	**Range £ per sq ft**	**Average %**	**Range %**
North of Oxford Street	Office	**73**	**46 – 85**	**4.4**	**3.6 – 5.7**
	Retail	**84**	**34 – 165**	**4.1**	**3.9 – 6.1**
Rest of West End	Office	**74**	**44 – 92**	**4.6**	**4.6 – 5.7**
	Retail	**119**	**15 – 335**	**4.0**	**4.6 – 5.7**
City, Midtown and Southwark	Office	**54**	**46 – 60**	**5.1**	**2.8 – 4.7**
	Retail	**80**	**28 - 122**	**4.6**	**3.6 – 5.7**

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

The book value of investment properties includes £40.8 million (2017: £40.7 million) in respect of the present value of future ground rents. Net of these amounts, the market value of the investment properties together with the market value of the trading properties was £2,066.6 million. During the period, the Group capitalised £0.3 million (2017: £0.4 million) of employee costs in respect of its development team into investment properties under development. At 30 September 2018, the Group had capital commitments of £104.4 million (2017: £9.9 million).

10 Trading property

31 March 2018 £m		**30 September 2018 £m**	30 September 2017 £m
246.7	At beginning of the period	**19.5**	246.7
14.1	Costs capitalised	**–**	11.6
5.1	Interest capitalised	**–**	3.9
(246.4)	Disposals	**(1.8)**	–
19.5	At the end of the period	**17.7**	262.2

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 held as trading property. The fair value of the trading property was £18.9 million at 30 September 2018, representing a revaluation above cost of £1.2 million.

11 Investment in joint ventures

	Equity £m	Balances with partners £m	Total £m
At 1 April 2018	**283.6**	**140.1**	**423.7**
Movement on joint venture balances	**–**	**28.3**	**28.3**
Additions	**32.1**	**–**	**32.1**
Share of profit of joint ventures	**2.5**	**–**	**2.5**
Share of revaluation surplus of joint ventures	**4.3**	**–**	**4.3**
Profit on sale of investment property	**–**	**–**	**–**
Share of results of joint ventures	**6.8**	**–**	**6.8**
Distributions	**(6.5)**	**–**	**(6.5)**
At 30 September 2018	**316.0**	**168.4**	**484.4**

The investments in joint ventures comprise the following:

Ownership 31 March 2018		Country of Incorporation/registration	Ownership 30 September 2018	Ownership 30 September 2017
50%	The GHS Limited Partnership	Jersey	**50%**	50%
50%	The Great Capital Partnership (dormant)	United Kingdom	**50%**	50%
50%	The Great Ropemaker Partnership	United Kingdom	**50%**	50%
50%	The Great Victoria Partnerships	United Kingdom	**50%**	50%
50%	The Great Wigmore Partnership (dormant)	United Kingdom	**50%**	50%

The non-recourse loans of the joint ventures at 30 September 2018 are set out below:

Joint venture debt facilities	Nominal value £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 entered into two interest rate swaps with a fixed rate of 1.42%, which expire conterminously with the bank loan in 2020, with a notional principal amount of £90.0 million. The loan has an all-in hedged coupon of 2.67%.

At 30 September 2018, the Great Victoria Partnership loan had a fair value of £82.2 million (2017: £83.3 million). All interest-bearing loans are in sterling. At 30 September 2018, the joint ventures had £nil undrawn facilities (2017: £nil).

The investment properties include £5.2 million (2017: £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 £529.1 million. At 30 September 2018, the Group's share of joint venture capital commitments was £101.7 million (2017: £37.4 million).

Transactions during the period between the Group and its joint ventures, who are related parties, are set out below:

31 March 2018 £m		30 September 2018 £m	30 September 2017 £m
90.1	Movement on joint venture balances during the period	**(28.3)**	(20.3)
(140.1)	Balances receivable at the period end from joint ventures	**(168.4)**	(250.5)
21.1	Distributions	**6.5**	8.4
5.2	Fee income	**2.5**	1.1

The joint venture balances bear interest as follows: the GHS Limited Partnership at 5.3% p.a. on balances at inception and 4.0% on any subsequent balances and the Great Ropemaker Partnership at 4.0% p.a.

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.

11 Investment in joint ventures (continued)

Summarised balance sheets

31 March 2018 At share £m		**The GHS Limited Partnership £m**	**The Great Ropemaker Partnership £m**	**The Great Victoria Partnerships £m**	**Other £m**	**30 September 2018 Total £m**	**30 September 2018 At share £m**	30 September 2017 At share £m
510.0	Investment property	**312.6**	**534.6**	**221.3**	**–**	**1,068.5**	**534.3**	600.1
1.3	Current assets	**1.0**	**0.3**	**1.7**	**–**	**3.0**	**1.5**	0.6
12.0	Cash and cash equivalents	**89.7**	**9.4**	**3.4**	**0.2**	**102.7**	**51.4**	12.2
(140.1)	Balances (from)/to partners	**(154.0)**	**(193.6)**	**10.9**	**–**	**(336.7)**	**(168.4)**	(250.5)
(84.7)	Interest bearing loans and borrowings	**–**	**(89.7)**	**(79.7)**	**–**	**(169.4)**	**(84.7)**	(84.6)
(0.3)	Derivatives	**–**	**(0.6)**	**–**	**–**	**(0.6)**	**(0.3)**	(0.8)
(9.4)	Current liabilities	**(7.0)**	**(13.0)**	**(4.9)**	**(0.2)**	**(25.1)**	**(12.6)**	(14.3)
(5.2)	Finance leases	**–**	**(10.3)**	**–**	**–**	**(10.3)**	**(5.2)**	(5.2)
283.6	Net assets	**242.3**	**237.1**	**152.7**	**–**	**632.1**	**316.0**	257.5

Summarised income statements

31 March 2018 At share £m		**The GHS Limited Partnership £m**	**The Great Ropemaker Partnership £m**	**The Great Victoria Partnerships £m**	**Other £m**	**30 September 2018 Total £m**	**30 September 2018 At share £m**	30 September 2017 At share £m
17.4	Net rental income	**–**	**7.7**	**6.1**	**–**	**13.8**	**6.9**	8.6
(0.1)	Property and administration costs	**(0.6)**	**(1.3)**	**(0.5)**	**–**	**(2.4)**	**(1.2)**	(1.8)
(10.8)	Net finance costs	**–**	**(5.0)**	**(1.5)**	**–**	**(6.5)**	**(3.2)**	(5.8)
1.0	Movement in fair value of derivatives	**–**	**0.1**	**–**	**–**	**0.1**	**–**	0.5
7.5	Share of profit of joint ventures	**(0.6)**	**1.5**	**4.1**	**–**	**5.0**	**2.5**	1.5
24.8	Revaluation of investment property	**5.9**	**13.2**	**(10.0)**	**–**	**9.1**	**4.3**	9.6
8.9	Profit on sale of investment property	**–**	**–**	**–**	**–**	**–**	**–**	0.1
41.2	Share of results of joint ventures	**5.3**	**14.7**	**(5.9)**	**–**	**14.1**	**6.8**	11.2

12 Trade and other receivables

31 March 2018 £m		**30 September 2018 £m**	30 September 2017 £m
3.8	Trade receivables	**6.1**	3.9
(0.4)	Allowance for doubtful debts	**(0.6)**	(0.2)
3.4		**5.5**	3.7
1.3	Prepayments and accrued income	**2.4**	1.0
1.5	Work in progress on development management contracts	**1.4**	20.9
6.9	Other trade receivables	**6.9**	3.7
2.0	Deferred consideration on property sales	**–**	61.7
15.1		**16.2**	91.0

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the 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.

13 Trade and other payables

31 March 2018 £m		**30 September 2018 £m**	30 September 2017 £m
22.8	Rents received in advance	**21.9**	24.5
2.4	Deposits received on forward sale of residential units	**1.9**	66.5
306.0	Obligation to redeem B shares	**–**	–
32.1	Non-trade payables and accrued expenses	**41.7**	30.7
363.3		**65.5**	121.7

14 Interest-bearing loans and borrowings

31 March 2018 £m		30 September 2018 £m	30 September 2017 £m
	Non-current liabilities at amortised cost		
	Secured		
22.0	£142.9 million 5.625% debenture stock 2029	**22.0**	143.9
	Unsecured		
–	£450 million revolving credit facility	**–**	60.4
174.2	£175 million 2.15% private placement notes 2024	**174.3**	174.1
–	£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**	–
	Current liabilities at fair value **Unsecured**		
150.9	£150.0 million 1.00% convertible bonds 2018	**–**	153.2
347.1		**295.9**	531.6

In June 2018, the Group issued £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 £12.6 million, which was paid in October, with the £0.5 million discount on maturity recognised as a fair value movement in the income statement for the period.

At 30 September 2018, the Group had a floating rate £450.0 million revolving credit facility. The facility was unsecured, attracted a floating rate based on a ratchet of between 105–165 basis points above LIBOR, based on gearing, and expired in 2021. In October 2018, the Group replaced the facility with a new £450 million unsecured revolving credit facility at a headline margin of 92.5 basis points over LIBOR. The facility has an initial five-year term, which may be extended to a maximum of seven years at GPE's request, subject to bank consent. At 30 September 2018, the Group had £451.0 million (2017: £389.0 million) of undrawn committed credit facilities.

At 30 September 2018, properties with a carrying value of £96.8 million (2017: £384.5 million) were secured under the Group's debenture stock.

Fair value of financial liabilities/(assets)

31 March 2018 Book value £m	31 March 2018 Fair value £m	**Fair value hierarchy**	**30 September 2018 Book value £m**	**30 September 2018 Fair value £m**	30 September 2017 Book value £m	30 September 2017 Fair value £m
		Level 1				
150.9	150.9	£150.0 million 1.00% convertible bond 2018	**–**	**–**	153.2	153.2
		Other items not carried at fair value				
22.0	27.0	£142.9 million 5.625% debenture stock 2029	**22.0**	**26.6**	143.9	173.8
174.2	172.0	Private placement notes	**273.9**	**271.4**	174.1	171.7
–	–	Bank loans and overdrafts	**–**	**–**	60.4	60.4
347.1	349.9		**295.9**	**298.0**	531.6	559.1

The fair values of the Group's listed convertible bonds have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 13 Fair Value Measurement. The fair 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. 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.

15 Share capital

Year to 31 March 2018 Number	Year to 31 March 2018 £m		**Six months to 30 September 2018 Number**	**Six months to 30 September 2018 £m**	Six months to 30 September 2017 Number	Six months to 30 September 2017 £m
		Allotted, called up and fully paid				
343,926,149	43.0	At the beginning of the period	**281,663,675**	**43.0**	343,926,149	43.0
22	–	Issue of shares	**–**	**–**	–	–
(17,196,308)	–	19 for 20 share consolidation	**–**	**–**	(17,196,297)	–
(45,066,188)	–	25 for 29 share consolidation	**–**	**–**	–	–
281,663,675	43.0	At the end of the period	**281,663,675**	**43.0**	326,729,852	43.0

At 30 September 2018, the Company had 281,663,675 ordinary shares with a nominal value of $15\frac{5}{19}$ pence each.

16 Obligations under finance leases

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

	Minimum lease payments 30 September 2018 £m	**Interest 2018 £m**	**Present value of minimum lease payments 30 September 2018 £m**	Minimum lease payments 30 September 2017 £m	Interest 2017 £m	Present value of minimum lease payments 30 September 2017 £m
Less than one year	**1.9**	**(1.9)**	**–**	1.8	(1.8)	–
Between two and five years	**9.5**	**(9.4)**	**0.1**	9.5	(9.4)	0.1
More than five years	**194.9**	**(154.2)**	**40.7**	198.7	(158.1)	40.6
	206.3	**(165.5)**	**40.8**	210.0	(169.3)	40.7

17 Investment in own shares

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
3.8	At the beginning of the period	**2.4**	3.8
(2.0)	Employee Long-Term Incentive Plan and Share Matching Plan charge	**(0.6)**	(0.8)
0.6	Transfer to retained earnings	**0.6**	0.6
2.4	At the end of the period	**2.4**	3.6

The investment in the Company's own shares is held at cost and comprises 1,109,303 shares (31 March 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 period, 68,834 shares (2017: 347,572 shares) were awarded to directors and senior employees in respect of the 2015 LTIP award. The fair value of shares awarded and outstanding at 30 September 2018 was £5.1 million (2017: £4.3 million).

18 Notes to the group statement of cash flow

Adjustment for non-cash items

Year to 31 March 2018 £m		**Six months to 30 September 2018 £m**	Six months to 30 September 2017 £m
(35.5)	Surplus from investment property	**(17.7)**	(16.9)
2.0	Employee Long-Term Incentive and Share Matching Plan charge	**0.6**	0.8
(5.1)	Spreading of tenant lease incentives	**1.0**	(3.1)
(41.2)	Share of results from joint ventures	**(6.8)**	(11.2)
0.9	Depreciation	**0.4**	0.4
–	Other non-cash items	**(0.3)**	0.4
(78.9)	Adjustments for non-cash items	**(22.8)**	(29.6)

19 Operating leases

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

31 March 2018 £m		**30 September 2018 £m**	30 September 2017 £m
	The Group as a lessor		
81.7	Less than one year	**73.6**	81.8
223.7	Between one and five years	**196.8**	247.5
166.8	More than five years	**103.4**	194.7
472.2		**373.8**	524.0

The Group leases its investment properties under operating leases. The weighted average length of lease at 30 September 2018 was 4.6 years (2017: 5.5 years). All investment properties, except those under development or being prepared for development, generated rental income and no contingent rents were recognised in the period (2017: £nil).

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

31 March 2018 £m		**30 September 2018 £m**	30 September 2017 £m
	The Group as a lessee		
1.0	Less than one year	**1.0**	1.0
4.1	Between one and five years	**4.1**	4.1
2.0	More than five years	**1.5**	2.5
7.1		**6.6**	7.6

20 Dividends

The declared interim dividend of 4.3 pence per share (2017: 4.0 pence per share) was approved by the Board on 15 November 2018 and is payable on 2 January 2019 to shareholders on the register on 23 November 2018. The dividend is not recognised as a liability in the Half Year Results.

21 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 buy-back programmes.

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

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

22 Prior year adjustment

The Group statement of cash flows for the period ended 30 September 2017 has been re-presented to classify funds to joint ventures of £15.1 million as investing rather than financing activities. There is no impact on the income statement or net assets as a result of this re-presentation.

Directors’ responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’;
(b) the half-yearly report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the half-yearly report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By the order of the Board

Toby Courtauld
Chief Executive
15 November 2018

Nick Sanderson
Finance Director
15 November 2018

Independent review report to Great Portland Estates plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the condensed group income statement, the condensed group statement of comprehensive income, the condensed group balance sheet, the condensed group statement of cash flows, the condensed group statement of changes in equity and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, UK
15 November 2018

Directors and shareholders' information

Directors

Martin Scicluna
Chairman, Non-Executive
Toby Courtauld
Chief Executive
Nick Sanderson
Finance Director

Wendy Becker
Non-Executive Director
Nick Hampton
Non-Executive Director
Richard Mully
Non-Executive Director
Charles Philips
Non-Executive Director
Alison Rose
Non-Executive Director

Shareholders' information

Financial calendar	**2018**
Ex-dividend date for interim dividend	22 November
Registration qualifying date for interim dividend	23 November
	2019
Interim dividend payable	2 January
Announcement of full year results	22 May*
Circulation of Annual Report and Accounts 2019	1 June*
Annual General Meeting	4 July*
Final dividend payable	8 July*

*Provisional.

Shareholder enquiries
All enquiries relating to holdings of shares, bonds or debentures in Great Portland Estates, including notification of change of address, queries regarding dividend/interest payments or the loss of a certificate, should be addressed to the Company's Registrars:

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300
E-mail: shareholder.services@linkgroup.co.uk
(Calls cost 12 pence per minute plus network extras; lines are open 9.00am – 5.30pm Monday to Friday).

If you are calling from overseas, please dial +44 371 664 0300.

Website: www.gpe.co.uk
The Company's corporate website holds, amongst other information, a copy of our latest annual report and accounts, a list of properties held by the Group and press announcements released over the last twelve months.

Company Secretary
Desna Martin
Registered office:
33 Cavendish Square
London W1G 0PW
Tel: 020 7647 3000
Fax: 020 7016 5500
Registered Number: 596137

Dividend payments
As a REIT, dividend payments must be split between PIDs and non-PIDs. Information in respect of the tax consequences for shareholders of receiving dividends can be found on the Company's website at www.gpe.co.uk/investors/shareholder-information/reits

Share dealing service
An online and telephone dealing service is available for UK shareholders through Link Share Deal. For further information on this service, or to buy and sell shares, please contact:

Online dealing – www.linksharedeal.com

Telephone dealing – 0371 664 0445

(Calls are charged at the standard geographical rate and will vary by provider; lines are open 8.00am – 4.30pm Monday to Friday).

Glossary

Building Research Establishment Environmental Assessment Methodology (BREEAM)

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

Cash EPS

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

Core West End

Areas of London with W1 and SW1 postcodes.

Development profit on cost

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

Development profit on cost %

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

Earnings per Share (EPS)

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

EPRA metrics

Standard calculation methods for adjusted EPS and NAV 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 Company's valuers at each balance sheet date.

Fair value – investment property

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

IPD

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

IPD central London

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

Like-for-like portfolio

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 debt

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

Net gearing

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

Net initial yield

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

Non-PIDs

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

PMI

Purchasing Managers Index.

Glossary (continued)

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.

Return on shareholders' equity

The growth in the EPRA diluted net assets per share plus dividends per share for the period expressed as a percentage of the EPRA net assets per share at the beginning of the period.

Reversionary or under-rented

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

Total Accounting Return (TAR)

The growth in EPRA NAV per share plus ordinary dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

Total Property Return (TPR)

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

TMT

Technology, Media and Telecoms sector.

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 and deferred tax 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

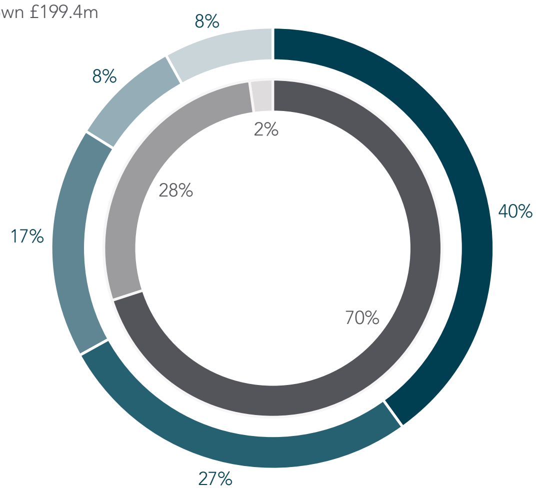
Portfolio characteristics[1]

Locations

- ● North of Oxford Street £1,042.1m
- ● Rest of West End £699.9m
- ● City £443.4m
- ● Southwark £210.9m
- ● Midtown £199.4m

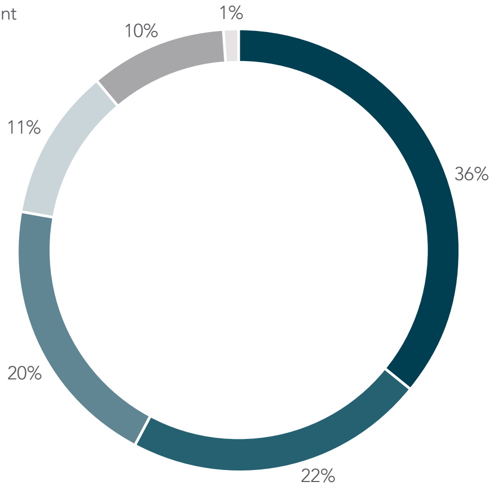
Business mix

- ● Office £1,818.7m
- ● Retail £730.6m
- ● Residential £46.4m



GPE tenant mix[1]

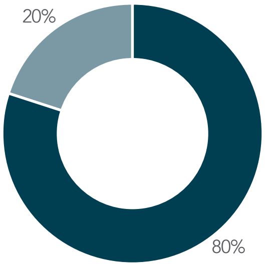
- ● Retailers and leisure
- ● Technology, media and telecoms
- ● Professional services
- ● Banking and finance
- ● Corporates
- ● Government



Joint venture business – contribution to the Group

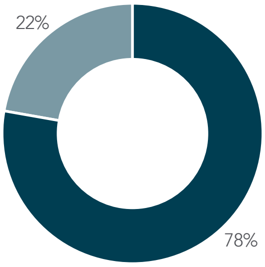
Property assets

- ● Wholly-owned £2,066.6m
- ● Joint ventures £529.1m



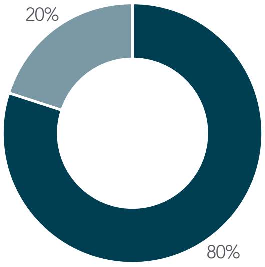
Net debt

- ● Wholly-owned £116.3m
- ● Joint ventures £33.3m



Net assets

- ● Wholly-owned £1,897.0m
- ● Joint ventures £484.4m



[1] GPE share at 30 September 2018.

Appendix 1

Selected lead indicators

Drivers of rents	March 2018 Outlook	September 2018 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	🔴	🔴

Appendix 1

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	23.5	0.8	24.3	–	–	–	24.3
		Retail	7.0	0.2	7.2	6.5	(0.1)	6.4	13.6
	Rest of West End	Office	11.6	0.3	11.9	–	–	–	11.9
		Retail	9.4	2.1	11.5	2.1	0.1	2.2	13.7
	Total West End		**51.5**	**3.4**	**54.9**	**8.6**	**–**	**8.6**	**63.5**
	City, Midtown and Southwark	Office	26.4	5.2	31.6	10.2	1.2	11.4	43.0
		Retail	2.6	–	2.6	–	–	–	2.6
	Total City, Midtown and Southwark		**29.0**	**5.2**	**34.2**	**10.2**	**1.2**	**11.4**	**45.6**
Total let portfolio			**80.5**	**8.6**	**89.1**	**18.8**	**1.2**	**20.0**	**109.1**
Voids					6.5			0.9	7.4
Premises under refurbishment					24.4			13.1	37.5
Total portfolio					**120.0**			**34.0**	**154.0**

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	53.0	5.6	5.1	–	–	–
		Retail	60.7	6.0	–	30.8	4.5	–
	Rest of West End	Office	6.8	3.0	13.7	–	–	–
		Retail	30.6	5.3	1.5	100.0	8.5	–
	Total West End		**39.6**	**5.0**	**5.3**	**47.9**	**5.5**	**–**
	City, Midtown and Southwark	Office	21.4	3.0	5.2	60.6	7.5	5.7
		Retail	66.7	13.0	9.5	–	–	100.0
	Total City, Midtown and Southwark		**25.4**	**3.9**	**5.7**	**60.6**	**7.5**	**6.8**
Total portfolio			**34.5**	**4.6**	**5.4**	**54.8**	**6.6**	**2.5**

Rental values and yields

			Wholly-owned		Joint ventures		Wholly-owned		Joint ventures	
			Average rent £psf	Average ERV £psf	Average rent £psf	Average ERV £psf	Initial yield %	True equivalent yield %	Initial yield %	True equivalent yield %
London	North of Oxford Street	Office	68	73	–	–	3.5	4.4	–	–
		Retail	57	84	140	138	3.6	4.1	5.3	4.0
	Rest of West End	Office	73	74	–	107	3.7	4.6	–	–
		Retail	97	119	75	128	3.8	4.0	4.0	3.8
	Total West End		**71**	**76**	**115**	**117**	**3.6**	**4.3**	**5.0**	**4.0**
	City, Midtown and Southwark	Office	45	54	44	50	4.3	5.1	2.7	4.8
		Retail	79	81	–	44	3.8	4.6	–	4.9
	Total City, Midtown and Southwark		**47**	**54**	**44**	**50**	**4.3**	**5.1**	**2.6**	**4.8**
Total portfolio			**60**	**66**	**61**	**78**	**3.8**	**4.6**	**3.6**	**4.5**

Appendix 1

Market risk

Risk	Impact	How we monitor and manage risk
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.
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.
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, with the frequency of updates increased following the referendum result. The Group aims to maintain low financial leverage throughout the property cycle. The Group has a diverse occupier base with around 11% 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). Lobbying of property industry matters is undertaken by active participation of the Executive Committee members and Senior Management through relevant industry bodies. Reviews undertaken of potential for advance delivery of materials.

Investment management

Risk	Impact	How we monitor and manage risk
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.
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. The Group has a diverse occupier base with its ten largest occupiers representing only 28.0% of rent roll. 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.

Appendix 1

Portfolio management

Risk	Impact	How we monitor and manage risk
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 survey undertaken and new Head of Occupier Services role created to strengthen our service delivery.
Failure to react to evolving workplace needs including occupiers seeking increased flexibility and enhanced building design, 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. Reviews undertaken of further opportunities for flex space offering across the portfolio.

Development management

Risk	Impact	How we monitor and manage risk
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.
Poor execution of development programme through: – incorrect reading of the property cycle; – inappropriate location; – failure to gain viable planning consents; – failure to reach agreement with adjoining owners on acceptable terms; – level of speculative development; – incorrect cost 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 on page 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. Early engagement with local residents and community groups. Early engagement and strong relationships with planning authorities. Early engagement with adjoining owners. Benchmarking of costs with comparative schemes. In-house Project Management team utilise appropriate procurement methods to optimise the balance of price certainty and risk. Internal and external resourcing requirements regularly reviewed by the Executive Committee, Development Director and Head of Projects. Third party resource expertise used to support in-house teams, where appropriate. Due diligence is undertaken of the financial stability of demolition, main contractors and material sub-contractors prior to awarding of contracts. Working with agents, potential occupiers and purchasers to identify their needs and aspirations including 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. In-house Leasing/Marketing team liaise with external advisers on a regular basis and marketing timetables designed in accordance with leasing/marketing objectives. All our major developments are subject to BREEAM ratings with a target to achieve a rating of 'Very Good' on major refurbishments and 'Excellent' on new build properties. Proactive liaison with existing occupiers before and during the development process. 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.

Appendix 1

Financial risks

Risk	Impact	How we monitor and manage risk
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.
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 30 September 2018. Exchange rates fixed at the earliest opportunity on development sub-contracts.
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.

People

Risk	Impact	How we monitor and manage risk
Incorrect level and mix/retention of people to execute our business plan and maintain our collegiate inclusive culture, combined with inability to attract, develop, motivate and retain talent.	Strategic priorities not achieved.	Regular review is undertaken of the Group's resource requirements and succession planning. The Group has a remuneration system that is strongly linked to performance and a formal six-monthly appraisal system to provide regular assessment of individual performance. Benchmarking of remuneration packages of all employees is undertaken annually. Annual personal development planning and ongoing training support for all employees together with focused initiatives to nurture potential successors, including introduction of mentoring programme. Health and wellbeing programme being developed following roll out of mental health training programme. Focus on people engagement with regular two-way communication and responsive employee-focused activities e.g. flexible working. High profile, attractive development pipeline and high quality assets to manage.

Appendix 1

Regulatory

Risk	Impact	How we monitor and manage risk
Amendments to planning, tax, environmental, fire safety and other legislation impede 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 engages with local residents and community groups early in the design process to ensure that their feedback is considered as schemes evolve. Through regular meetings with local politicians, planning officers and experienced advisors, proposals are developed to comply with current and emerging policy. 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 address key areas of 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.
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 address key fire, health and safety areas including employee, contractor, members of the public and occupier safety. On all construction projects, the Group operates a pre-qualification process to ensure selection of competent consultants and contractors which includes a Health and Safety assessment. Contractors' responses to accidents and near misses are actively monitored and followed up by our Project Managers and Head of Sustainability, with reporting to the Executive Committee and Board as appropriate. Regular site and health and safety checks undertaken by our Development and Project Management teams, Executive Committee members and external third parties.

Business interruption risk

Risk	Impact	How we monitor and manage risk
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.
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. Staff awareness training on cyber risk is undertaken regularly. Cyber risk insurance in place.

Appendix 2

Portfolio performance

		Wholly owned £m	Joint ventures £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	587.3	–	587.3	22.6	0.2
	Retail	140.9	110.7	251.6	9.7	(2.7)
	Residential*	32.3	–	32.3	1.2	(1.5)
Rest of West End	Office	254.2	–	254.2	9.8	–
	Retail	248.2	36.8	285.0	11.0	4.6
	Residential	4.4	–	4.4	0.2	–
Total West End		1,267.3	147.5	1,414.8	54.5	0.5
City, Midtown and Southwark	Office	567.1	222.7	789.8	30.4	–
	Retail	29.9	2.6	32.5	1.3	1.6
	Residential	2.8	–	2.8	0.1	(0.1)
Total City, Midtown and Southwark		599.8	225.3	825.1	31.8	0.1
Investment property portfolio		**1,867.1**	**372.8**	**2,239.9**	**86.3**	**0.4**
Development property		199.5	156.3	355.8	13.7	2.1
Total properties held throughout the period		**2,066.6**	**529.1**	**2,595.7**	**100.0**	**0.6**
Acquisitions		–	–	–	–	–
Total property portfolio		**2,066.6**	**529.1**	**2,595.7**	**100.0**	**0.6**

* Including trading properties at valuation.

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		871.2	170.9	1,042.1	655.6	354.2	32.3	1,042.1	778
Rest of West End		543.6	156.3	699.9	343.4	345.2	11.3	699.9	574
Total West End		**1,414.8**	**327.2**	**1,742.0**	**999.0**	**699.4**	**43.6**	**1,742.0**	**1,352**
City, Midtown and Southwark		825.1	28.6	853.7	819.7	31.2	2.8	853.7	1,337
Total		**2,239.9**	**355.8**	**2,595.7**	**1,818.7**	**730.6**	**46.4**	**2,595.7**	**2,689**
By use:	Office	1,633.0	185.7	1,818.7					
	Retail	567.4	163.2	730.6					
	Residential	39.5	6.9	46.4					
Total		**2,239.9**	**355.8**	**2,595.7**					
Net internal area sq ft 000's		2,277	412	2,689					

* Including trading properties at valuation.

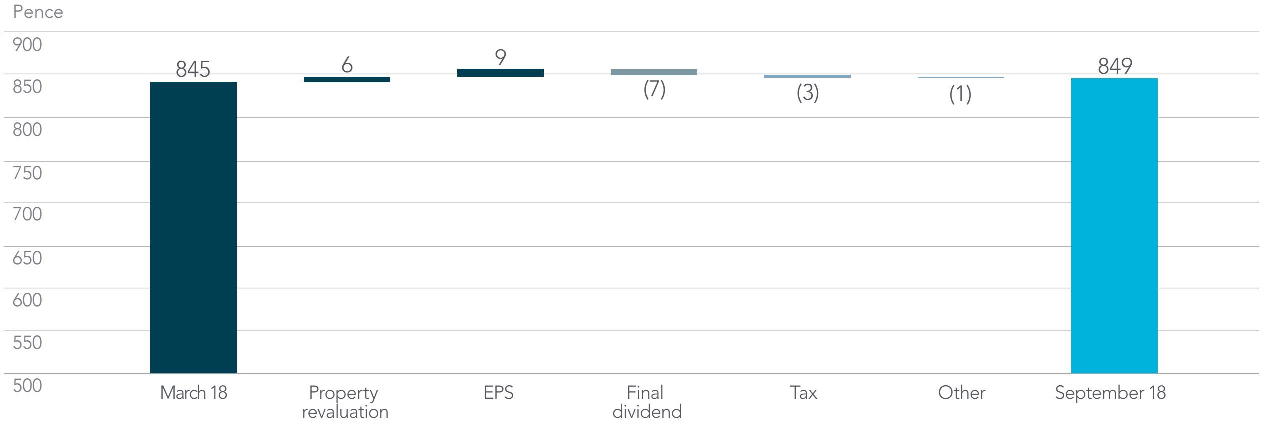
Appendix 3

Sales since 1 April 2018

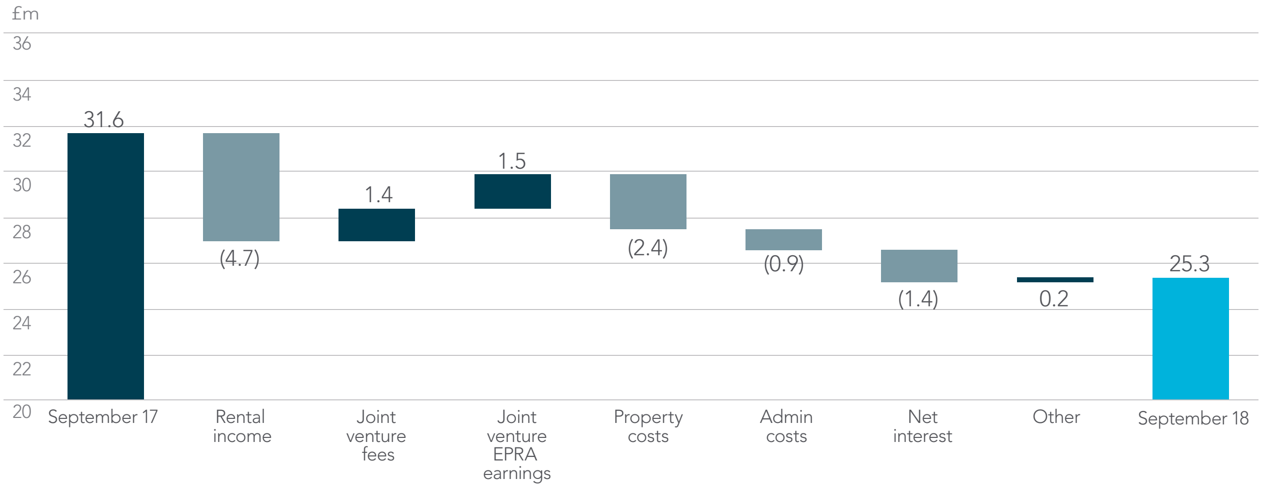
	Gross Price* £m	Premium/ (discount) to book value %	Price per sq ft
78/92 Great Portland Street, W1	48.2	2.4	1,362
160 Great Portland Street, W1	127.3	(2.1)	1,328
32/36 Great Portland Street, W1	18.9	7.3	1,465
27/35 Mortimer Street, W1	38.5	0.8	1,242
Percy House, 32/33 Gresse Street, W1	25.0	0.0	1,445
78/92 Great Portland Street, W1 (residential)	6.8	0.0	–
55 Wells Street, W1	64.6	(3.0)	1,674
Total	**329.3**	**(0.6)**	**1,429**

* After deductions for tenant incentives.

EPRA NAV per share



EPRA earnings



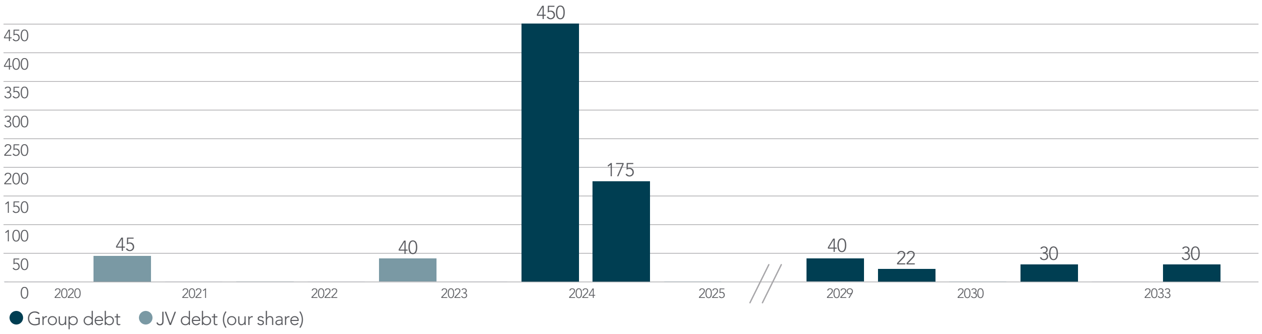
Appendix 3

Debt analysis

	Sept 2018	March 2018
Net debt excluding JVs (£m)	**116.3**	(5.2)
Net gearing	**4.9%**	0%
Total net debt including 50% JV non-recourse debt (£m)	**149.6**	67.5
Loan to property value	**5.8%**	2.4%
Total net gearing	**6.3%**	2.9%
Interest cover	**67x**	n/a
Weighted average interest rate	**2.7%**	2.1%
Weighted average cost of debt	**2.8%**	3.2%
% of debt fixed/hedged	**100%**	100%
Cash and undrawn facilities (£m)	**682**	814

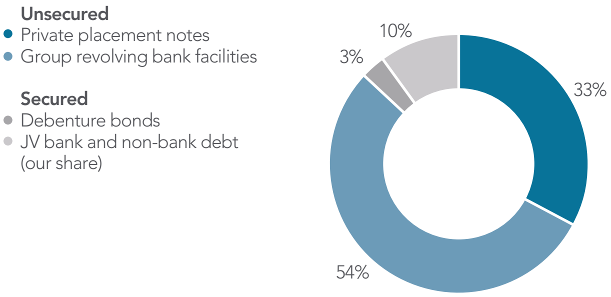
Appendix 3

Debt maturity profile[1] £m



[1] Based on committed facilities at 15 November 2018.

Diversified sources of debt funding[1]



[1] Total facilities.

EPRA performance measures

Measure	Definition of Measure	**Sept 2018**	Sept 2017
EPRA earnings	Recurring earnings from core operational activities	**£25.3m**	£31.6m
EPRA earnings per share	EPRA earnings divided by the weighted average number of shares	**9.0p**	9.6p
Diluted EPRA earnings per share	EPRA earnings divided by the diluted weighted average number of shares	**9.0p**	9.6p
EPRA costs (by portfolio value)	EPRA cost (including direct vacancy costs) divided by market value of the portfolio	**1.4%**	1.0%
		Sept 2018	March 2018
EPRA net assets	Net assets adjusted to exclude the fair value of financial instruments	**£2,383.2m**	£2,371.2m
EPRA NAV	EPRA net assets divided by the number of shares at the balance sheet date on a diluted basis	**849p**	845p
EPRA triple net assets	EPRA net assets amended to include the fair value of financial instruments and debt	**£2,379.2m**	£2,363.8m
EPRA NNNAV	EPRA triple net assets divided by the number of shares at the balance sheet date on a diluted basis	**847p**	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	**3.5%**	3.6%
EPRA "topped up" NIY	EPRA NIY adjusted to include rental income in rent-free periods (or other unexpired lease incentives)	**3.7%**	3.8%
EPRA vacancy	ERV of non-development vacant space as a percentage of ERV of the whole portfolio	**9.6%**	8.6%