

Press Release



20 May 2010

Preliminary announcement of results

The Directors of Great Portland Estates plc (“GPE” or “Group”), announce the results for the Group for the year ended 31 March 2010.

Highlights of the year:

- Positive valuation trends –

Movement for Period to 31 March 2010	3 Months	12 Months
Portfolio value (like-for-like)	6.7%	15.0%
Adjusted net assets per share	12.7%	15.5%
Total property return		
- GPE portfolio	8.7%	18.4%
- IPD central London quarterly index	8.4%	19.4%

- Adjusted¹ net assets per share up 15.5% to 283 pence
- Net assets of £876.7 million at 31 March 2010 (31 March 2009: £538.6 million prior to Rights Issue)
- Adjusted¹ profit before tax of £28.8 million up 31.5% on 2009
- Adjusted¹ earnings per share of 10.1 pence up 11% on 2009
- After revaluation surplus, reported profit before tax of £156.6 million (2009: loss of £436.2 million)
- Total dividend paid of £25 million (2009: £21.7 million)
- Acquisitions made in the year up in value by 23.9% in five month average hold period
- Substantial cash and undrawn facilities totalling £477 million. Gearing low at 26.5%

- Acquisitions and associated capital commitments of £269 million made since Summer 2009
- Two new property acquisitions, one in joint venture with Starwood Capital, worth a total of £129 million
- Near-term development pipeline of 9 projects with a potential total area of 1.6 million sq ft
- Two projects on site totalling 128,000 sq ft scheduled for completion by autumn 2012

- New leases, reviews and renewals signed securing £12.8 million of annual income covering 494,000 sq ft
- Tenant retention rate at 71% (up from 57% for the year to 30 September 2009)
- Void levels² down to 3.4% at 31 March 2010, 2.7% as of today, versus 7.8% at 31 March 2009

¹ EPRA adjustments. Comparative figures have been restated for rights issue – see note 7

² Includes share of joint ventures

Toby Courtauld, Chief Executive, said:

“London’s property investment recovery gathered pace over the past six months, supported by the significant volume of capital competing for a limited number of assets. For the recent rise in capital values to be sustainable, further growth in rental values is important and, helpfully, conditions are improving at the prime end of the London office leasing market. We are also seeing encouraging signs of life across the broader leasing market and, absent an economic setback, we expect office rents to rise selectively during the second half of 2010.”

Great Portland Estates is in good shape. We have navigated our way through the depths of the global financial crisis and emerged in an enviably strong market position. In particular, we reduced our development exposure ahead of the storm, degeared the balance sheet through sales and raised capital to exploit weak market conditions, all of which is now committed in new opportunities.

Today, with a supportive medium-term market outlook, we have started to deliver one of London’s most exciting development programmes and, with one of the lowest gearing levels of all listed property companies, we have ample financial firepower both to finance our development aspirations and make the most of acquisition opportunities as we find them.

These attributes, along with our high quality assets and motivated team, all support our expectation of future outperformance from Great Portland Estates.”

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The results presentation will be broadcast live at 9.30am today on <http://www.gpe.co.uk/investors/presentations>
An interview with Toby Courtauld, Chief Executive and Timon Drakesmith, Finance Director is available in video, audio and text on <http://www.gpe.co.uk/investors/presentations> and <http://www.cantos.com>

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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-thinking 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 presentation 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.

Chairman's statement

Great Portland Estates has had an excellent year despite the volatile market conditions. We focused on our strategic priorities, delivered a strong financial performance and the Group is well positioned for a sustained recovery in the real estate sector.

The financial results reflect the quality of the property portfolio and the efforts of our employees – adjusted net assets per share up 15.5%, EPRA earnings per share up 11% with low debt levels to allow for future investment. Total dividends amount to 8 pence per share or a combined payout of £25 million, in line with guidance given in May 2009. Total shareholder return for the year of 81.9% was well ahead of our FTSE350 Real Estate benchmark of 59.8%.

Over the last 12 months, central London's investment and occupational property markets look like they have turned the corner. After substantial falls, real estate capital values bottomed out in summer 2009. We took advantage of this situation by raising £166 million in a Rights Issue in May 2009, almost all of which was invested in acquisitions at low prices by December 2009. Many of these investments, like Marcol House, W1 and 90 Queen Street, EC4 have already borne fruit and have generated returns ahead of the rest of our portfolio.

Since the beginning of 2010, tenant demand seems to have stabilised and, absent a double-dip recession, we anticipate that rental value growth will broaden from the prime end to much of the rest of the market during the second half of this calendar year. With an expected drought in the supply of high quality office space over the next few years, we have several major projects primed for commencement over the next 12 months.

At an operational level our teams have again shown their focus and expertise by leasing more space and generating higher rental income than the previous year. Tenant retention rates have been high too which has helped to reduce our portfolio void space to below 4%.

We were delighted to have received external recognition of our success when we were named Property Developer of the Year in April 2010 by Property Week and our annual report won the PricewaterhouseCoopers BPT Award for "Excellence in Reporting" last autumn. In July 2009, we welcomed Jonathan Nicholls as a Non-Executive Director and Chair of the Audit Committee to replace Kathleen O'Donovan who retired after providing six years of tremendous support. In September 2009, Robert Noel resigned as Property Director having made a significant contribution to the Group's progress since 2002 and we wish him well in his new role. Following his departure, Timon Drakesmith and Neil Thompson's roles have increased with Neil Thompson taking on the role of Portfolio Director and we have supplemented the team through recruitment into the Investment and Development teams

In conclusion, your company has thrived in a very challenging environment and is well placed to provide attractive returns in the coming years.

Our market

Our market is accompanied by graphics (see Appendix 1)

Economic backdrop

There are increasing signs that the UK economy is slowly recovering from a very difficult 2009. Growth was resumed in the two quarters to March 2010 after six consecutive quarters of significant declines, whilst Purchasing Managers' surveys and employment levels have stabilised after several years of economic contraction. London's economy is, typically, more volatile than the rest of the UK and seems to have enjoyed a more rapid rebound from its nadir. Looking forward, major uncertainties surround UK government fiscal policy and its likely approach to rectifying the very substantial public sector borrowing deficit.

Taking their lead from these more positive trends in late 2009, the equity and bond markets responded and posted strong gains for the 2009 calendar year. This favourable dynamic supported commercial property prices and from a low in the summer of 2009 London real estate values have bounced back sharply. A sustained uplift in capital asset pricing depends on further recovery of the underlying economy, stimulating the demand for commercial premises, and the maintenance of low interest rates. Official UK, US and European short-term interest rates are still at historic lows and the timing of their return to a conventional level will have a major influence on investor purchasing decisions.

Occupational markets

This time last year, we argued that London's occupational markets would recover during the second half of 2010. This prediction, in the absence of a double-dip recession, appears to have been broadly accurate. Demand levels have recovered, leading to stronger take-up, reducing vacancy rates and, latterly, rental growth in selected buildings.

West End

Occupational markets remained weak in the first half of our financial year but began to recover during the second half with the take-up of new office space totalling 2.5 million sq ft up 120% on last year. The volume of office space in the market to let peaked in the first quarter and fell throughout the second half, driving West End office vacancy rates down from 6.7% at March 2009 to 6.4% at March 2010. CB Richard Ellis have reported that across the West End prime headline and net effective (adjusted for rent free periods and other incentives) rental values have fallen by 2.9% and 1.4% respectively over the year to 31 March 2010, although in the quarter to 31 March 2010, headline rental values rose by 6.3%.

Viewings by potential tenants are up year on year, and we anticipate that improving economic conditions, and limited new supply coming on stream should help rental values grow throughout the balance of 2010.

The West End retail market (comprising 32% of our West End portfolio by value) has been more resilient than the office sector in 2009 as retail sales in central London have performed well. In the year to 31 March 2010, average monthly retail sales in London were 9.9% higher than the previous year versus a 4.4% increase for the rest of the UK. London continues to attract large numbers of foreign business visitors and tourists, helping to drive sales for our retail and restaurant tenants.

City and Southwark

In stark contrast to the first half, tenant demand for City offices was strong during the second half of last year, particularly from large space users with take-up some 126% higher in the year to 31 March 2010 than the previous year. As a result, vacancy rates, at 9.0% in March 2010, were down for the third consecutive quarter and rental growth has returned for well located, high quality space.

As the financial and business services community recovers further and the supply of available space diminishes, we expect rental growth to broaden and strengthen as this year progresses.

Investment markets

Conditions in London's commercial property investment market have steadily improved since 31 March 2009 as investor interest in real estate has grown, encouraged by low interest rates, early signs of recovery in occupational markets, weak sterling and high levels of liquidity supported by the wider availability of debt finance. Almost all types of potential buyers are now active in central London markets – UK institutions, private investors, international organisations, property companies, private equity funds and sovereign wealth funds. As a result, in the year to 31 March 2010, central London investment market turnover, at £7.5 billion, was 33% up year on year.

Some commentators question whether recent price rises are sustainable given continued economic uncertainty and the increase in supply of assets to buy (encouraged in part by prices increasing). Undoubtedly, there will be some examples of excessive optimism, but with London's rental markets recovering and the market as a whole priced at around fair value, we expect selected further increases although at a lesser rate than recent quarters. With our specialist market knowledge, we remain confident in our ability to unearth new and interesting acquisition opportunities.

Lead indicators – 2009 in review and 2010 outlook

For many years we have used a variety of lead indicators to help shape our view of the direction of our main markets. In spring 2009 we identified some early signs of a potential improvement in central London property capital values. This prompted us to raise new capital from shareholders in order to take advantage of these conditions. We committed 97% of this new capital within 6 months into a series of interesting opportunities.

The IPD central London capital value index bottomed in June 2009 and has increased ever since. We believe that central London property values are more likely to rise than fall over the next year, although consistent quarterly growth is dependant on firm evidence of higher rental values. Last financial year we predicted a stabilisation and improvement in market rental values in the second half of 2010. We have seen occupational demand increase as described above, and we expect that GPE rental values will grow throughout 2010/11 from their low point in December 2009. Over the last three decades there has been a strong correlation between UK GDP growth and rental value uplifts so, with the economy improving, we anticipate rents should follow, helped by an impending shortage of newly developed space to let.

This outlook is supported by the direction of our lead indicators over the course of the last 12 months. As set out in Appendix 1, most of the indicators have improved, especially those relating to capital values.

Our business

Our business is accompanied by graphics (see Appendix 2)

Investment management

Our analysis of the central London property investment market led us to focus on acquisition opportunities using the Group's financial resources which were bolstered by last summer's Rights Issue. Around £161 million or 97% of the capital raised in our Rights Issue has been committed in five transactions and these assets have all shown healthy increases in value since acquisition. Whilst our investment pipeline is good, we expect it to improve further in the second half of 2010 as the industry wide deleveraging process gathers pace. Although London's investment markets are very competitive, we believe the combination of our local knowledge, deep relationships and structuring skills will help us to originate and execute further attractive acquisitions. Making acquisitions via joint ventures has been highly successful for us over many years and the balance of our holdings is illustrated in Appendix 2.

In August 2009, we commenced selective investment into our core markets when the Great Capital Partnership ("GCP") acquired new 125 year leasehold interests from The Crown Estate at Foxglove House, 166/168 Piccadilly; Dudley House, 169 Piccadilly; Egyptian House, 170/173 Piccadilly; Empire House, 174/175 Piccadilly; Piccadilly Arcade and 52/53 Jermyn Street; and 54/56 Jermyn Street, all in London W1, in exchange for its existing leases and £12.0 million (our share £6.0 million) in cash. The previous leases were for an average term of 69 years and GCP paid an average annual ground rent of 15% of rental value to The Crown Estate. Under the new leases the annual ground rent payable is reduced to 10%. Together, the five buildings form a single block fronting Piccadilly and Jermyn Street and currently comprise 132,400 sq ft. Importantly, the new headleases provide the ability for GCP to carry out a comprehensive redevelopment in due course.

In late September we exchanged contracts to purchase 90 Queen Street, EC4 for £45.8 million. This prime office and retail building was built in 1996 and comprises 68,400 sq ft of lettable space. The office accommodation is the UK headquarters of Intesa Sanpaolo SPA and is occupied under a lease until 2017 with a tenant option to break in 2013. The retail units are occupied by Lloyds Banking Group, Pret A Manger and Hugo Boss. The rental income of £3.9 million per annum will add approximately one pence per share to Group earnings and equates to a net initial yield, having taken into account all acquisition costs, of 8.2%. At a capital value per sq ft for the office component of £565, we believe we acquired land and a high quality building at beneath replacement cost, without the development risk, giving us an attractive income return and a variety of asset management opportunities.

In November, we announced the acquisition of two West End development properties and the formation of a profit share and debt structuring arrangement acquiring Marcol House, 289/295 Regent Street and 23/24 Newman Street, W1 from Istithmar World PJSC for £10.0 million. Marcol House is a Grade II listed, office and retail development site with planning consent for 102,500 sq ft, located on the corner of Regent Street and Margaret Street, W1, 150 yards to the north of Oxford Circus. Newman Street is an existing office building of 25,200 sq ft with planning consent to provide the residential requirements for the Marcol House site.

Simultaneously with the acquisition, GPE agreed with the debt provider to the assets, Eurohypo, a restructuring of the previous debt facility on Marcol House in exchange for a profit share arrangement in the developments. Under this arrangement, GPE will develop the two properties, which on acquisition was estimated to cost a total of £78.1 million.

In December, The Great Ropemaker Partnership (“GRP”) acquired the long leasehold interest of 103/113 Regent Street, W1 for £27.0 million (our share £13.5 million) reflecting a net initial yield of 7.2%. The property extends to 52,800 sq ft and is let in its entirety to Austin Reed until 2027 paying £2.45 million per annum (£2.1 million after deduction of headrent). Also in December, GCP acquired the long leasehold interest of Kingsland House, 122/124 Regent Street, W1 for £8.0 million (our share £4.0 million) reflecting a net initial yield of 5.0% with three vacant office suites. The property extends to 8,800 sq ft, produces rental income of £0.5 million per annum (£0.4 million after the deduction of headrent) and is multi-let to 7 tenants with expiries between 2010 and 2027. Both buildings are owned on long leases from The Crown Estate.

In line with our disciplined strategy of recycling capital out of mature assets, over the course of the year we made selected disposals including the sales of Bond Street House, W1, Spirella House, W1, 79/83 Great Portland Street, W1 and 29/35 Great Portland Street, W1 for a total of £62.3 million. Overall, the aggregate proceeds from these sales was 5.1% in excess of their combined book value at 31 March 2009. In all three cases, we had enhanced the value of the properties through refurbishment, headlease regearing or asset management activities and judged that we could put our capital to better use elsewhere. We also disposed of 50% of our interest in the Bishopsgate, EC3 properties, which is described in the development section below.

In December, Crossrail acquired 18/19 Hanover Square, W1 via a compulsory purchase order (“CPO”) under the Crossrail Act 2008 to enable the development of the Bond Street Crossrail station. The cash received by GPE from the CPO was £35.9 million and we are in the process of an extensive valuation claim to recover further funds.

In May 2010, we agreed to create a new 50:50 joint venture with Starwood Capital Group, The Great Star Partnership (“GSP”) to own City Tower, 40 Basinghall Street, EC2, valued at £35 million, and have simultaneously acquired a neighbouring building, City Place House, 55 Basinghall Street, EC2 for £94 million which we intend to add to GSP.

Our joint ventures

It has been a year of significant expansion with a number of major transactions across our six joint ventures as described above. The major events of the year were the acquisition with Eurohypo of Marcol House, 289/295 Regent Street and 23/24 Newman Street, W1 in November 2009 and the creation of The 100 Bishopsgate Partnership in March 2010, which is described in the development section below.

The JVs have delivered good relative portfolio performance at Group level for the second half and, through them, we have brought in a number of assets with exciting repositioning, refurbishment and redevelopment potential. Our JV partners are all well regarded, long term, major owners of UK real estate and who rely on our specialism in the central London markets.

Our JVs are increasingly material to the Group, making up 53.9% of properties under management, 37.9% of net assets and 37.5% of rent roll at 31 March 2010 (at 31 March 2009; 45.7%, 32.2% and 28.9% respectively).

We believe that the JVs will continue to provide a competitive advantage to the Group as their portfolios provide us with a source of rental growth opportunity in combination with partners who are supportive in terms of capital, reputation and relationships.

Asset management

Good property companies are defined by the quality and success of their asset management activities and we have had another strong year. We have continued to prioritise both high occupancy (through tenant retention and a focused leasing effort) and strong cash flow generation with good results:

- 144 new leases were completed (2009: 89 leases) generating annual rent of £13.3 million (our share £11.2 million; 2009: £9.9 million) or 16.5% of rent roll;
- 71% of all tenancies by area, with lease breaks or expiries in the year to 31 March 2010, were retained or relet, up from 57% for the year to 30 September 2009;
- a further 25 lettings were under offer at 31 March 2010, accounting for £1.6 million p.a. in rent (our share £1.2 million);
- 10 rent reviews of £2.4 million (our share £1.6 million; 2009: £3.6 million) were settled during the year, some 1% ahead of ERV at the rent review date; and
- total space covered by new lettings, reviews and renewals during the year was 494,000 sq ft (2009: 473,000 sq ft).

These asset management successes drove the investment portfolio void rate at 31 March 2010 down to 3.4% versus 7.8% at last year end. Leasing activity was strong throughout the second half with 60% of these recent lettings in line with the valuer's September 2009 estimates, whilst the balance were well below the September 2009 ERV because they incorporated landlord's breaks to allow possible redevelopment during the next three years.

In the year to 31 March 2010, 169 leases covering around 428,000 sq ft of space with a rental value of £11.3 million were subject to lease expiry or tenant break. Tenants were retained for 71% of this space by area and by the end of March 2010 we had leased or put under offer a further 16% leaving only 7% to transact after stripping out the 6% where we need vacant possession to enable development.

Development

In November 2009, we highlighted that we felt the time was right to increase our development exposure once more to take advantage of improving occupational demand and constrained supply. We have recently started work at two sites, Marcol House, 289/295 Regent Street and 23/24 Newman Street, W1, have a further seven projects which can start by June 2011 and are examining ways to accelerate selected schemes. The Group's exciting total programme potentially stretches to 2.8 million sq ft across central London, timed to benefit from the recovery in occupational markets. Taken together, these opportunities cover 53% of the Group's properties by area and, when finished, will see their net lettable area increase by 80%.

We divide the total development programme into two segments depending on the start date. The near-term group of nine schemes can all be on site by the end of 2011. The pipeline projects will be started after 2011.

Construction and leasing

At our 112,800 sq ft Wells & More, Mortimer Street, W1 building we leased the final part floor in November meaning the office element of the building is fully let. We have recently agreed to lease two of the three retail units and discussions are ongoing with several potential tenants in respect of the last remaining unit. The 46,800 sq ft Woolyard, Bermondsey Street, SE1 scheme is now over 75% let or under offer and we have encouraging levels of interest for the balance.

Recent project starts

Strip out works at Marcol House, 289/295 Regent Street, W1 started in March 2010 and following demolition and rebuilding, we are aiming for practical completion in 2012. The residential scheme at 23/24 Newman Street, W1 has also started this year.

Project preparation

In March 2010, we announced the sale of a 50% interest in The 100 Bishopsgate Partnership to Brookfield Properties Corporation (“BPO”) for £43.0 million in cash. This JV holds all of GPE’s Bishopsgate properties which form the 100 Bishopsgate development site in the heart of the City of London. Planning Consent for the two acre EC3 site was achieved by GPE in May 2008 for a 40 storey building providing 765,800 sq ft of offices, ancillary retail and a new public library, together with a second building of 49,600 sq ft containing offices and a new Livery Hall for The Worshipful Company of Leathersellers.

The 100 Bishopsgate Partnership intends to prepare the scheme for a potential start date in 2011/12 subject to a variety of partner approvals. BPO will act as Development Manager to the Partnership and has also entered a pre-construction services agreement to act as the main contractor for the development. GPE will continue to act as both Property and Asset Manager.

At Hanover Square, W1 discussions on our masterplan proposals continue with Crossrail and having received a favourable response from a number of stakeholders to our design proposals, we anticipate submitting a planning application later in 2010. Meanwhile, detailed design work is ongoing to prepare schemes at Wigmore Street, W1, Walmar House, Regent Street, W1 and Fetter Lane, EC4 for commencement over the next two years.

Valuation

Valuation is accompanied by graphics (see Appendix 3)

The valuation of the Group’s properties as at 31 March 2010, including our share of gross assets in joint venture, was £1,247.7 million, up 15.0% or £164.5 million on a like-for-like basis net of capital expenditure since 31 March 2009. Acquisitions increased the year end portfolio value by £164.6 million. Wholly-owned properties were valued at £772.9 million and the Group had six joint ventures which owned properties valued at £474.8 million (our share) at 31 March 2010.

The second half saw a like-for-like valuation increase of 16.3%, with growth of 6.7% being seen in the final quarter. This valuation rise was mainly due to the contraction of investment yields across all markets since the early summer and compares to a 4.4% valuation fall in the first quarter. Although rental values continued to decline during 2009, they have grown since the start of 2010 and the favourable movement in yields has further boosted this valuation impact.

The key drivers of the Group’s valuation movement for the year were:

- **Favourable yield shift** – Equivalent yields contracted by 126 basis points over the year (2009: 114 basis points expansion) from 6.7% to 5.4% on a like-for-like basis. In the second half the equivalent yield fell by 88 basis points as the improvement in investor sentiment accelerated;
- **Rental value changes** – Since the start of the financial year rental values have fallen by 6.2%. Office rental values have declined by 7.9%, however, retail rental values fell by only 0.3%. The final quarter saw an uplift in Group rental values of 3.1%, particularly driven by the office portfolio; and
- **Intensive asset management** – During the year, 154 new leases, rent reviews and renewals were completed securing £12.8 million (our share) of annual income and reducing voids. This activity helped support valuation momentum over the year.

Including rent from pre-lets and leases currently in rent free periods, the initial yield of the investment portfolio at 31 March 2010 was 5.3%, 80 basis points lower than a year earlier. The near-term reversionary yield of the portfolio at 31 March 2010 was 5.7% down from 7.0% at 31 March 2009.

Our North of Oxford Street portfolio produced a strong performance over the year, increasing in value by 20.3% on a like-for-like basis. City and Southwark assets saw a 3.8% uplift in values and the Rest of West End properties grew by 8.5%. Development properties grew by 24.4% over the year to £24.0 million, but much of our pipeline is still income producing and, therefore, is included in the investment portfolio. Our joint venture properties rose in value by 11.2% compared to a 16.9% rise for the wholly-owned portfolio over the year.

Pleasingly, acquisitions made during the year (excluding the sale of the 100 Bishopsgate site and the effective repurchase of a 50% share) increased in value by 23.9% in the five months' average hold period, handsomely outperforming the remainder of the portfolio.

The Group delivered a Total Property Return ("TPR") for the year of 18.4%, compared to the central London IPD benchmark of 19.4%. The performance was significantly impacted by the CPO of 18/19 Hanover Square, W1 in November 2009 at a value well beneath our and CBRE's view of a fair market price. This transaction reduced the Group's TPR by 2.2%.

Our financial position

Our financial position is accompanied by graphics (see Appendix 4, 5 and 6)

Financial results

The Group's financial results have benefited from an improvement in the property market environment since summer 2009 and the positive effect of various acquisitions made in the second half of the year. Adjusted profits and earnings were up year on year mainly due to higher rental income and reduced interest expense.

Net asset value

The opening value of adjusted net assets per share at 31 March 2009 has been restated to take into account the effects of the £166.4 million Rights Issue which completed in June 2009. This produces a pro forma net asset value of 245 pence at 31 March 2009 from which there has been a rise of 15.5% in the year to 283 pence, largely because of upward movement in the value of the property portfolio. At 31 March 2010, the Group's net assets were £876.7 million, up from £568.6 million at 31 March 2009 as a consequence of valuation gains and the Rights Issue.

The main factors behind the 38 pence per share change in adjusted net assets per share ("NAV") from the pro forma 31 March 2009 value were:

- the rise of 34 pence per share arising from the revaluation of the property portfolio. Of this amount, new acquisitions boosted year end NAV by around 8 pence;
- the rise of 16 pence per share arising from the revaluation of the Group's joint ventures;
- the compulsory purchase by Transport for London of 18/19 Hanover Square, W1 at beneath book value reduced NAV by 6 pence per share;
- adjusted earnings for the year of 10 pence per share enhanced NAV;
- other items including the termination of interest rate derivatives in May, the purchase of shares in our LTIP trust and pension movements reduced net assets by a further 8 pence per share; and
- the payment of dividends caused a reduction in net assets by 8 pence per share.

Triple net assets per share (NNNAV) was 291 pence per share at 31 March 2010 compared to 251 pence per share at 31 March 2009 up 15.9%). At year end the difference between adjusted net assets per share and NNNAV was the positive mark to market of debt of 8 pence mainly arising from the low interest rate of the Group's 2029 debenture. There was no net movement in deferred tax provisions during the period.

Income statement and earnings per share

Adjusted profit before tax ("PBT") at £28.8 million was 31.5% higher than last year. The key reasons behind this rise were increased net rental income and lower interest charges.

Rental income from wholly-owned properties and joint venture fees for the year were £45.7 million and £3.0 million respectively, generating a combined income of £48.7 million, up 3.4% on last year. Including our share of joint venture rental income, total Group revenue was £68.5 million, down 1% on the year.

Rental income was marginally higher than last year due to recent acquisitions and the effect of rent reviews, lease renewals and new lettings. Management fees from the Group's joint ventures were down 36.2% on last year, as a result of reduced transactional and development activity at The Great Wigmore Partnership ("GWP"), The Great Victoria Partnership (No2) ("GVP2") and GCP.

Property costs for the wholly-owned properties fell to £4.0 million (2009: £4.8 million) as a consequence of a year on year decline in marketing and leasing expenses. Administration costs were £0.2 million down on last year at £12.6 million as lower fixed overhead expenses and cash bonuses more than offset higher provisions for share incentive schemes. Development management profits of £0.1 million compared to £4.0 million of profit from the Tooley Street project last year. Adjusted profits from joint ventures (excluding valuation movements and gains/losses on property sales) were £8.2 million, down from £9.2 million on last year, mainly due to the disposals of 208/222 Regent Street, W1 and 180 Great Portland Street, W1 in 2008 and Spirella House, W1 in 2009 which reduced rental income this year versus last year. Underlying net finance costs were 44.2% lower at £11.6 million due to the repayment of debt at the Group level following the Rights Issue, property disposals and the termination of interest rate derivatives. We have recorded a one-off accounting charge of £11.6 million in the income statement in respect of the costs of terminating the derivatives following guidance within IAS 39 (see note 5 to the financial statements). The IAS 39 accounting charge does not affect adjusted profits or adjusted earnings per share.

Adjusted earnings per share were 10.1 pence, 11.0% higher than last year mainly driven by increased adjusted PBT, described above. EPS has been calculated using the weighted average number of shares of 281.9 million and the 2009 comparative has been adjusted by the bonus factor from the Rights Issue to allow a direct comparison.

Revaluation gains and solid underlying profits caused the Group to report an accounting profit after tax of £156.4 million (2009: £436.1 million loss). Basic EPS for the year was 55.5 pence, compared to a restated loss of 180.0 pence for 2009.

Results of joint ventures

Non-recourse net debt in the joint ventures has fallen from £135.4 million at 31 March 2009 to £126.6 million at 31 March 2010 due to property sales and operational cash flow.

The Group's net investment in joint ventures was £332.4 million, substantially greater than the comparative at 31 March 2009 of £183.2 million, due to the creation of the Marcol House joint venture, The 100 Bishopsgate Partnership, acquisitions in GRP and GCP and valuation rises. Our share of joint venture net rental income was £19.8 million, down on £22.1 million for last year, as a result of property disposals described above. The underlying joint venture profits are stated after charging £3.0 million of GPE management fees (2009: £4.7 million).

Financial resources and capital management

Cash generated from operations was £7.4 million, down on last year due to higher underlying profits and unfavourable movements in working capital. Group consolidated net debt was £232.6 million at 31 March 2010 down from £371.0 million a year earlier as a consequence of the Rights Issue and operational cash flow. The Group invested £103.4 million in acquisitions, before development expenditure on Marcol House, 289/295 Regent Street W1 and 23/24 Newman Street, W1. Disposals of properties including the creation of The 100 Bishopsgate Partnership generated £140.5 million in net proceeds. Group gearing fell significantly to 26.5% at 31 March 2010 from 65.2% at 31 March 2009 as lower debt levels combined with the portfolio valuation rise. Looking forward we anticipate that the Group's gearing ratio will rise over the next 3–5 years as we invest in the development pipeline and make new acquisitions. We expect the gearing ratio to be around 50–70% as this programme of investment completes.

Including the non-recourse debt in the joint ventures, total net debt was £359.2 million (31 March 2009: £506.4 million) equivalent to a loan to value ratio of 28.8% (31 March 2009: 44.9%) which remains at a very low level. The Group, including joint ventures is operating with substantial headroom over its bank and debenture covenants.

At 31 March 2010, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £477.0 million. The earliest debt maturity the Group faces is an undrawn £50 million bilateral facility which expires in November 2010, with the main Group revolving credit facilities maturing in 2012. The Board has approved an outline refinancing plan which is designed to replace these facilities over the next 18 months. The Group's weighted average interest rate, including joint venture debt for the period, was 4.9%, a decrease of 92 basis points compared to the year to 31 March 2009. This was mainly due to low short-term floating rates. At 31 March 2010, 61.3% of the Group's total debt (including non-recourse joint ventures) was at fixed or capped rates (31 March 2009: 86%). Interest cover for the year improved to 3.4x (2009: 2.1x).

Cash collection and tenant delinquencies

The quarterly cash collection profile was broadly similar throughout the year to March 2010. We secured 93% of rent within seven working days following the March 2010 quarter day, which was slightly worse than March 2009 as the number of tenants on monthly payment terms increased to 4.4% of our rent roll. Four of our tenants went into administration around the March 2010 quarter day, the largest being a shoe retailer with a unit on Oxford Street, creating arrears at the year end of around 0.47% of rent roll (March 2009: four tenants, 0.01% of rent roll).

Taxation

The tax provision on the income statement for the year is only £0.2 million (2009: £0.1 million credit) as a result of the tax free nature of much of the Group's income and other allowances being available to set against non-REIT profits. The low level of taxable profits for the year meant the Group's underlying effective tax rate was around 1% (2009: minus 1%). The Group complied with all relevant REIT tests for the year to 31 March 2010.

Dividend

The Board has declared two interim dividends totalling 8.0 pence per share (2009: 9.0 pence on a pro forma basis) which were paid in January and April 2010. Of these interim dividends, 3.8 pence per share is a REIT Property Income Distribution ("PID") in respect of the Group's tax exempt property rental business. Further information on the tax treatment of dividends can be found on the Group's website at www.gpe.co.uk/investors/reits/

Outlook

London's property investment recovery gathered pace over the past six months, supported by the significant volume of capital competing for a limited number of assets. For the recent rise in capital values to be sustainable, further growth in rental values is important and, helpfully, conditions are improving at the prime end of the London office leasing market. We are also seeing encouraging signs of life across the broader leasing market and, absent an economic setback, we expect office rents to rise selectively during the second half of 2010.

Great Portland Estates is in good shape. We have navigated our way through the depths of the global financial crisis and emerged in an enviably strong market position. In particular, we reduced our development exposure ahead of the storm, degeared the balance sheet through sales and raised capital to exploit weak market conditions, all of which is now committed in new opportunities.

Today, with a supportive medium-term market outlook, we have started to deliver one of London's most exciting development programmes and, with one of the lowest gearing levels of all listed property companies, we have ample financial firepower both to finance our development aspirations and make the most of acquisition opportunities as we find them.

These attributes, along with our high quality assets and motivated team, all support our expectation of future outperformance from Great Portland Estates.

Group income statement
For the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Rental income	2	45.7	42.4
Joint venture fee income	10	3.0	4.7
Rental and joint venture fee income		48.7	47.1
Service charge income		6.0	5.2
Service charge expenses		(7.2)	(6.5)
		(1.2)	(1.3)
Other property expenses		(2.8)	(3.5)
Net rental and related income		44.7	42.3
Administration expenses	3	(12.6)	(12.8)
Development management revenue		0.1	7.0
Development management costs		–	(3.0)
		0.1	4.0
Operating profit before surplus/(deficit) on investment property and results of joint ventures		32.2	33.5
Surplus/(deficit) from investment property	8	89.8	(315.5)
Share of results of joint ventures	10	59.0	(131.5)
Operating profit/(loss)		181.0	(413.5)
Finance income	4	0.4	0.3
Finance costs	5	(13.2)	(22.9)
Loss on cancellation of derivatives	5	(11.6)	(0.1)
Profit/(loss) before tax		156.6	(436.2)
Tax	6	(0.2)	0.1
Profit/(loss) for the year		156.4	(436.1)
Basic and diluted profit/(loss) per share	7	55.5p	(180.0)p*
Adjusted earnings per share	7	10.1p	9.1p*

All results are derived from continuing operations.

Total operating profit before surplus/(deficit) on investment property

		2010 £m	2009 £m
Operating profit before surplus/(deficit) on investment property and results of joint ventures		32.2	33.5
Share of profit from joint ventures	10	7.7	8.2
Total operating profit before surplus/(deficit) on investment property		39.9	41.7

*Restated for Rights Issue see note 7.

Group balance sheet

At 31 March 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investment property	8	774.9	780.4
Development property, plant and equipment	9	1.2	24.4
Investment in joint ventures	10	332.4	183.2
Pension asset	21	–	0.6
		1,108.5	988.6
Current assets			
Trade and other receivables	11	32.8	5.5
Corporation tax receivable		0.8	0.8
Cash and cash equivalents		45.7	7.3
		79.3	13.6
Total assets		1,187.8	1,002.2
Current liabilities			
Trade and other payables	12	30.6	28.3
		30.6	28.3
Non-current liabilities			
Interest-bearing loans and borrowings	13	278.3	396.8
Obligations under finance leases	15	2.0	8.5
Pension liability	21	0.2	–
		280.5	405.3
Total liabilities		311.1	433.6
Net assets		876.7	568.6
Equity			
Share capital	16	39.1	22.6
Share premium account		218.1	68.2
Hedging reserve		(4.6)	(16.4)
Capital redemption reserve		16.4	16.4
Retained earnings		608.0	478.0
Investment in own shares	17	(0.3)	(0.2)
Total equity		876.7	568.6
Net assets per share	7	280p	234p*
Adjusted net assets per share	7	283p	245p*

* Restated for the Rights Issue see note 7.

Group statement of cash flows
For the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Operating activities			
Operating profit/(loss)		181.0	(413.5)
Adjustments for non-cash items	18	(150.3)	443.7
(Increase)/decrease in receivables		(26.2)	17.0
Increase in payables		2.9	1.3
Cash generated from operations		7.4	48.5
Interest received		0.4	0.3
Interest paid		(12.5)	(23.8)
Tax paid		–	(0.3)
Cash flows from operating activities		(4.7)	24.7
Investing activities			
Purchase of interests in joint ventures		(44.0)	–
Distributions from joint ventures		40.7	36.0
Purchase and development of property		(55.2)	(29.7)
Purchase of fixed assets		–	(0.1)
Sale of properties		168.7	11.3
Cash flow from investing activities		110.2	17.5
Financing activities			
Issue of share capital – net proceeds from Rights Issue		166.4	–
Borrowings repaid		(100.0)	(47.0)
Termination of derivatives		(18.2)	–
Purchase of derivatives		(2.3)	–
Funds (to)/from joint ventures		(86.1)	32.6
Purchase of own shares		(3.5)	–
Purchase of minority interest		–	(0.1)
Equity dividends paid		(23.4)	(21.1)
Cash flows utilised in financing activities		(67.1)	(35.6)
Net increase in cash and cash equivalents		38.4	6.6
Cash and cash equivalents at 1 April		7.3	0.7
Cash and cash equivalents at balance sheet date		45.7	7.3

Group statement of comprehensive income
For the year ended 31 March 2010

	2010 £m	2009 £m
Revaluation of development properties	–	(1.3)
Fair value movement on derivatives in effective hedging relationships	0.2	(12.6)
Fair value movement on derivatives in joint venture in effective hedging relationships	0.1	(7.3)
Loss on termination of derivatives	11.6	–
Actuarial deficit on defined benefit scheme	(1.0)	(1.8)
Deferred tax on actuarial deficit on defined benefit scheme	0.2	–
Net profit/(loss) recognised directly in equity	11.1	(23.0)
Profit/(loss) for the year	156.4	(436.1)
Total comprehensive income and expense for the year	167.5	(459.1)

Group statement of changes in equity

For the year ended 31 March 2010

	Share capital £m	Share premium £m	Hedging reserve £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2009	22.6	68.2	(16.4)	16.4	478.0	(0.2)	568.6
Profit for the year	–	–	–	–	156.4	–	156.4
Loss on termination of derivatives	–	–	11.6	–	–	–	11.6
Actuarial deficit on defined benefit scheme	–	–	–	–	(1.0)	–	(1.0)
Deferred tax on actuarial deficit on defined benefit scheme	–	–	–	–	0.2	–	0.2
Fair value movement of derivatives in effective hedging relationships	–	–	0.2	–	–	–	0.2
Fair value movement on derivatives in joint ventures in effective hedging relationships	–	–	–	–	0.1	–	0.1
Purchase of shares for employee share plans	–	–	–	–	–	(3.5)	(3.5)
Employee Long-Term Incentive Plan and Share Matching Plan Charge	–	–	–	–	–	1.5	1.5
Issue of shares – rights issue	16.5	149.9*	–	–	–	–	166.4
Dividends to shareholders	–	–	–	–	(23.8)	–	(23.8)
Transfer to retained earnings	–	–	–	–	(1.9)	1.9	–
Total equity at 31 March 2010	39.1	218.1	(4.6)	16.4	608.0	(0.3)	876.7

* Net of issue costs.

Group statement of changes in equity

For the year ended 31 March 2009

	Share capital £m	Share premium £m	Hedging reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Minority interest £m	Total equity £m
Total equity at 1 April 2008	22.6	68.2	(3.8)	16.4	1.3	944.9	(0.3)	0.1	1,049.4
Loss for the year	–	–	–	–	–	(436.1)	–	–	(436.1)
Net valuation deficit taken to equity	–	–	–	–	(1.3)	–	–	–	(1.3)
Fair value movement on derivatives in effective hedging relationships	–	–	(12.6)	–	–	–	–	–	(12.6)
Fair value movement on derivatives in joint ventures in effective hedging relationships	–	–	–	–	–	(7.3)	–	–	(7.3)
Actuarial deficit on defined benefit scheme	–	–	–	–	–	(1.8)	–	–	(1.8)
Purchase of minority interest	–	–	–	–	–	–	–	(0.1)	(0.1)
Employee Long-Term Incentive Plan and Share Matching Plan charge	–	–	–	–	–	–	0.1	–	0.1
Dividends to shareholders	–	–	–	–	–	(21.7)	–	–	(21.7)
Total equity at 31 March 2009	22.6	68.2	(16.4)	16.4	–	478.0	(0.2)	–	568.6

Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

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

The directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review the Group has considered the Group's cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases. On the basis of this review, and after making due 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 Annual Report and Accounts.

In the process of applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions that may affect the financial statements. The directors believe that the judgements made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated. Critical accounting judgements include the adoption of the external portfolio valuation, the adoption of a single reporting segment and the level of control the Group has in respect of its Joint Ventures. The accounting policies for these areas of judgement are set out below.

During 2010, the following accounting standards and guidance were adopted by the Group:

- IAS 40 (revised) Investment Properties. Properties purchased for the purpose of redevelopment were previously accounted for under IAS 16 Property, Plant and Equipment, but with effect from 1 January 2009 they are accounted for under IAS 40 Investment Property. Therefore revaluation surpluses and deficits on development properties will now be recognised in the income statement rather than in equity. This standard is not required to be implemented retrospectively therefore this change has no impact on previously reported figures.
- IAS 1 (revised) Presentation of Financial Statements requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included as a primary statement, showing changes in each component of equity for each period presented. Following the Rights Issue the comparative earnings per share and net assets per share have been restated as set out in note 7, this restatement has no impact on the Group's reported balance sheet and therefore the balance sheet at 31 March 2008 has not been presented.

Additionally, the following pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only.

- IAS 23 (revised) Borrowing Costs;
- IAS 39 (amended) Eligible Hedged Items;
- IAS 39 (amended) and IFRS 7 (amended) Reclassification of Financial Assets;
- IFRS 2 (amended) Share-based Payment;
- IFRS 7 (amended) Improving Disclosures about Financial Instruments;
- IFRS 8 Operating Segments;
- IFRIC 11: IFRS 2 Group and Treasury Share Transactions;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 17 Distributions of Non-cash Assets to Owners; and
- IFRIC 18 Transfer of Assets from Customers.

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

- IFRS 3 (revised) Business Combinations;
- Amendments to IAS 27 Consolidated and Separate Financial Statements;
- IAS 28 Investment in Associates; and
- IAS 32 Classification of rights issues

The majority of the amendments made as part of the IASB's annual improvement programme affect accounting periods on or after 1 January 2010. It is not expected that these pronouncements will have a significant impact on the Group's financial statements.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2010. Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group directs the financial and operating policies of an entity to benefit from its activities.

Rent receivable

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

Tenant leases

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

Lease incentives

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

Other property expenses

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

Administration expenses

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

Share-based payment

The cost of granting share-based payments to employees and directors is recognised within administration expenses in the income statement. The Group has used the Stochastic model to value the grants which is dependent upon factors including the share price, expected volatility and vesting period and the resulting fair value is amortised through the income statement over the vesting period.

The charge is reversed if it is likely that any non-market based criteria will not be met.

Investment property

Investment properties are professionally valued each year, on a market value basis, and any surpluses or deficits arising are taken to the income statement. Disposals of properties are recognised where contracts have been unconditionally exchanged during the accounting period and the significant risks and rewards of ownership of the property have been transferred to the purchaser.

Depreciation

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

Fixtures and fittings – over three to five years.

Leasehold improvements – over the term of the lease.

Investment property under development

Investment properties under development are professionally valued each year on a market value basis and any surpluses or deficits arising are taken to the income statement. All directly attributable costs of bringing a property to a condition suitable for letting, including costs incurred prior to gaining planning permission, are capitalised into the cost of the property. Once development is concluded, the property is transferred to investment property.

Joint ventures

Joint ventures are accounted for under the equity method where the Group has joint control of the entity: the Group balance sheet contains the Group's share of the net assets of its joint ventures. Funding accounts owed to or from the Group by joint ventures are included within investments. The Group's share of joint venture profits and losses are included in the Group income statement in a single line. All of the Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements.

Deferred tax

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Pension benefits

The Group contributes to a defined benefit pension plan which is funded with assets held separately from those of the Group. The full value of the net assets or liabilities of the pension fund is brought on to the balance sheet at each balance sheet date. Actuarial gains and losses are taken to reserves; all other movements are taken to the income statement.

Capitalisation of interest

Interest associated with direct expenditure on investment properties under development is capitalised. Direct expenditure includes the purchase cost of a site if it has been purchased with the specific intention to redevelop, but does not include the original book cost of a site previously held as an investment property. Interest is capitalised from the start of the development work until the date of practical completion. The rate used is the Group's pre-tax weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings.

Financial instruments:

i Derivatives The Group's derivatives are measured at fair value in the balance sheet. To the extent that a derivative provides an effective cash flow hedge against the Group's underlying exposure the movements in the fair value of the hedge are taken to equity. To the extent that the derivative does not effectively hedge the underlying exposure the movement in the fair value of the hedge is taken to the income statement.

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

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

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

Head leases

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

Segmental analysis

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

Development management agreements

Where the outcome of a development management agreement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the balance sheet date. Management exercise judgement when estimating the percentage complete, this is normally measured as the proportion that contract costs incurred for work performed bear to the estimated total contract costs. Variations in work, claims and incentive payments are included to the extent that they have been agreed with the client.

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

2 Rental Income	2010	2009
	£m	£m
Gross rental income	42.9	39.1
Amortisation of capitalised lease incentives	2.9	3.4
Ground rents payable	(0.1)	(0.1)
	45.7	42.4
3 Administration expenses	2010	2009
	£m	£m
Employee costs	10.3	9.5
Other	2.3	3.3
	12.6	12.8

Included within employee costs is an accounting charge for the LTIP and SMP schemes of £1.5 million (2009: £0.1 million).

Employee costs, including those of directors, comprise the following:

	2010 £m	2009 £m
Wages and salaries	8.7	8.2
Social security costs	1.3	0.8
Other pension costs	0.8	0.9
	10.8	9.9
Less: recovered through service charge	(0.5)	(0.4)
	10.3	9.5

Employee information

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

	2010 Number	2009 Number
Head office and property management	69	77

Auditor's remuneration

	2010 £m	2009 £m
Audit of Company and subsidiary accounts	0.2	0.2
Amounts for regulatory filings (Rights Issue)*	0.3	–
	0.5	0.2

* Amounts for regulatory filings in respect of the Rights Issue have been deducted from the share premium account.

4 Finance income	2010 £m	2009 £m
Interest on short-term deposits	–	0.1
Other	0.4	0.2
	0.4	0.3

5 Finance costs	2010 £m	2009 £m
Interest on bank overdrafts and bank loans	3.8	15.3
Interest on debentures	8.1	8.0
Interest on obligations under finance leases	0.3	0.6
Gross finance costs	12.2	23.9
Less: capitalised interest at an average rate of 4.3% (2009: 6.0%)	(0.2)	(2.8)
	12.0	21.1
Fair value movement on derivatives in ineffective hedging relationships	1.2	1.8
	13.2	22.9

Due to lower projected Group borrowings, as a result of the Rights Issue and asset disposals during the year, the Group terminated its interest rate swaps and collars to take advantage of the lower interest rate environment. On the termination of these derivatives, amounts previously charged to reserves are required to be recycled through the income statement where the facilities to which they relate are not expected to be utilised. During the period the Group recycled £11.6 million of losses from the hedging reserve to the income statement. The remaining hedging reserve of £4.6 million relates to facilities which are expected to be utilised and will be amortised to the income statement over the outstanding term of the derivatives had they not been terminated.

6 Tax	2010	2009
	£m	£m
Current tax		
UK corporation tax	–	–
Tax over provided in previous years	–	(0.1)
Total current tax	–	(0.1)
Deferred tax	0.2	–
Tax charge/(credit) for the year	0.2	(0.1)

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

	2010	2009
	£m	£m
Profit/(loss) before tax	156.6	(436.2)
Tax charge/(credit) on profit/(loss) at standard rate of 28% (2009: 28%)	43.8	(122.1)
REIT tax-exempt rental profits and gains	(0.3)	(2.5)
Non-taxable revaluation (surplus)/deficit	(44.6)	124.5
Other	1.3	–
Tax charge/(credit) for the year	0.2	(0.1)

During the year a tax credit of £0.2 million in respect of the defined benefit scheme (2009: a credit of £nil million) was allocated directly to equity. The Group's net deferred tax at 31 March 2010 is £nil (2009: £nil). A deferred tax asset of £8.2 million, mainly relating to tax losses carried forward at 31 March 2010 and deferred tax arising in respect of the fair value of derivatives, was not recognised because it is uncertain whether future taxable profits will arise against which these losses can be offset.

The Group converted to a REIT on 1 January 2007 and as such 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.

The Group estimates that as the majority of its future profits will not be subject to corporation tax, it will have a very low tax charge over the coming years. In order to ensure that the Group is able to both retain its status as a REIT and to avoid financial charges being imposed, a number of tests (including a minimum distribution test) must be met by both Great Portland Estates plc and by the Group as a whole on an ongoing basis. These conditions are detailed in the Corporation Tax Act 2010.

7 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the guidance issued by the European Public Real Estate Association (EPRA).

Weighted average number of ordinary shares

	2010 Number of shares	2009 Number of shares
Issued ordinary share capital at 1 April	181,023,034	181,023,034
Rights Issue	101,715,557	61,366,808
Investment in own shares	(851,512)	(226,523)
Weighted average number of ordinary shares	281,887,079	242,163,319

Basic, diluted and adjusted earnings per share

	2010 Profit/ (loss) before tax £m	2010 Tax £m	2010 Profit/ (loss) after tax £m	2010 Earnings/ (loss) per share pence	2009 Profit/ (loss) after tax £m	2009 Earnings/ (loss) per share pence
Basic and diluted	156.6	(0.2)	156.4	55.5	(436.1)	(180.0)
(Surplus)/deficit from investment property	(89.8)	–	(89.8)	(31.8)	315.6	130.3
(Surplus)/deficit from joint venture investment property	(51.3)	–	(51.3)	(18.2)	139.7	57.7
Movement in fair value of derivatives	1.2	–	1.2	0.4	1.8	0.7
Movement in fair value of derivatives in joint ventures	–	–	–	–	1.0	0.4
Loss on cancellation of derivatives	11.6	–	11.6	4.1	0.1	–
Conversion charge in joint ventures	0.5	–	0.5	0.1	–	–
Adjusted (diluted)	28.8	(0.2)	28.6	10.1	22.0	9.1

Net assets per share

	2010 Total equity £m	2010 Number of shares million	2010 Net assets per share pence	2009 Total equity £m	2009 Number of shares million	2009 Net assets per share pence
Basic and diluted	876.7	312.7	280	568.6	242.5	234
Fair value of financial liabilities (see note 14)	32.9	–	11	40.0	–	17
Diluted triple net assets	909.6	312.7	291	608.6	242.5	251
Fair value of financial liabilities	(32.9)		(11)	(40.0)		(17)
Fair value of derivatives (see note 11)	(1.1)		–	18.5		8
Fair value of derivatives in joint ventures (see note 10)	8.2		3	8.3		3
Adjusted net assets	883.8		283	595.4		245

In June 2009 the Company issued 131,653,115 new shares through a Rights Issue. To reflect the Rights Issue, the numbers of shares previously used to calculate the basic, diluted and adjusted per share data have been amended in the above earnings per share and net asset value per share calculations. An adjustment factor of 1.34 has been applied, based on the ratio of the Company's share price of 334.0 pence per share on 4 June 2009, the day before the Record Date for the Rights Issue, and the theoretical ex-rights price at that date of 249.4 pence per share.

8 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2008	774.2	213.6	987.8
Costs capitalised	9.6	(0.2)	9.4
Transfer from investment property under development	2.4	–	2.4
Net valuation deficit on investment property	(237.8)	(47.4)	(285.2)
Book value at 31 March 2009	548.4	166.0	714.4
Costs capitalised	6.7	1.0	7.7
Acquisitions	48.1	–	48.1
Disposals	(144.9)	(49.6)	(194.5)
Purchase of freehold interest	6.1	(6.1)	–
Transfer from development properties	11.0	–	11.0
Transfer from investment property under development	66.0	–	66.0
Net valuation surplus on investment property	77.5	27.5	105.0
Book value at 31 March 2010	618.9	138.8	757.7

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2008	85.5	–	85.5
Costs capitalised	16.0	–	16.0
Interest capitalised	1.7	–	1.7
Disposals	(11.9)	–	(11.9)
Transfer to investment property	(2.4)	–	(2.4)
Net valuation deficit on investment property under development	(22.9)	–	(22.9)
Book value at 31 March 2009	66.0	–	66.0
Costs capitalised	1.8	–	1.8
Interest capitalised	0.2	–	0.2
Transfer from development properties – IAS 40 (revised) – see note 1	11.8	–	11.8
Transfer to investment property	(66.0)	–	(66.0)
Net valuation surplus on investment property under development	3.4	–	3.4
Book value at 31 March 2010	17.2	–	17.2
Total investment property	636.1	138.8	774.9

The book value of investment property includes £2.0 million (2009: £8.5 million) in respect of the present value of future ground rents, the market value of the portfolio (excluding these amounts) is £772.9 million.

	2010	2009
	£m	£m
Net valuation surplus/(deficit) on investment property	108.4	(308.1)
Net valuation deficit on development property taken to the income statement	–	(6.8)
Loss on sale of investment properties	(18.6)	(0.6)
	89.8	(315.5)

The investment and development properties (note 9) and the properties held in joint venture (note 10) were valued on the basis of Market Value by CB Richard Ellis, external valuers, as at 31 March 2010 in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (“the Standards”) and has been primarily derived using comparable recent market transactions on arm’s-length terms.

At 31 March 2010 the Group had capital commitments of £nil million (2009: £1.3 million).

At 31 March 2010 properties with carrying value of £293.6 million (2009: £169.8 million) were secured under first mortgage debenture stock (see note 13).

9 Development property, plant and equipment

	Leasehold improvements £m	Fixtures and fittings £m	Development property £m	Total £m
Cost or valuation				
At 1 April 2008	2.0	0.8	22.5	25.3
Costs capitalised	–	0.1	7.3	7.4
Interest capitalised	–	–	1.1	1.1
Net valuation deficit taken to the income statement	–	–	(6.8)	(6.8)
Net valuation deficit taken to equity	–	–	(1.3)	(1.3)
At 31 March 2009	2.0	0.9	22.8	25.7
Costs capitalised	–	–	–	–
Transfer to investment property on development completion	–	–	(11.0)	(11.0)
Transfer to investment property – IAS 40 (revised) – see note 1	–	–	(11.8)	(11.8)
At 31 March 2010	2.0	0.9	–	2.9
Depreciation				
At 1 April 2009	0.7	0.6	–	1.3
Charge for the year	0.2	0.2	–	0.4
At 31 March 2010	0.9	0.8	–	1.7
Carrying amount at 31 March 2009	1.3	0.3	22.8	24.4
Carrying amount at 31 March 2010	1.1	0.1	–	1.2

The historical cost of development property at 31 March 2010 was £nil million (2009: £31.3 million). The cumulative interest capitalised in development property was £nil million (2009: £2.9 million).

10 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	Balances with partners £m	Total £m
At 1 April 2009	295.5	(112.3)	183.2
Movement on joint ventures balances	–	86.1	86.1
Acquisitions	44.7	–	44.7
Share of profit of joint ventures	7.7	–	7.7
Share of profit on disposal of joint venture properties	1.1	–	1.1
Share of revaluation surplus of joint ventures	47.4	2.8	50.2
Share of results of joint ventures	56.2	2.8	59.0
Fair value movement on derivatives taken to equity	0.1	–	0.1
Distributions	(40.7)	–	(40.7)
At 31 March 2010	355.8	(23.4)	332.4

The investments in joint ventures comprise the following:

	Country	2010	2009
The 100 Bishopsgate Partnership	United Kingdom	50%	–
GPE Marcol House Limited	United Kingdom	100%	–
Great Capital Partnership	United Kingdom	50%	50%
Great Ropemaker Partnership	United Kingdom	50%	50%
The Great Victoria Partnerships	United Kingdom	50%	50%
The Great Wigmore Partnership	United Kingdom	50%	50%

The Group entered into two new joint ventures during the year. On 10 November 2009, the Group entered into an arrangement with Eurohypo to buy and develop Marcol House, 289/295 Regent Street, W1 and 23/24 Newman Street, W1. Eurohypo has a profit share arrangement depending on the success of the development schemes and is able to exert influence over the development strategy for the respective sites. As a result of this arrangement GPE and Eurohypo are considered to have joint control over the business of the entity although GPE has a 100% equity interest. Therefore, in accordance with IAS 31 GPE Marcol House Limited has been treated as a joint venture. On 31 March 2010, the Group entered into a joint venture, The 100 Bishopsgate Partnership, with Brookfield Properties Corporation.

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

	The 100 Bishopsgate Partnership £m	GPE Marcol House Ltd £m	Great Capital Partnership £m	Great Ropemaker Partnership £m	Great Victoria Partnerships £m	Great Wigmore Partnership £m	2010 Total £m	2009 Total £m
Investment property	43.0	45.8	269.3	22.8	76.4	25.9	483.2	343.8
Current assets	0.9	1.0	12.1	0.7	1.7	0.9	17.3	7.1
Balances to/(from) Partners	–	(35.3)	82.6	(17.3)	(5.5)	(1.1)	23.4	112.3
Bank loans	–	–	(112.0)	–	(28.3)	–	(140.3)	(140.2)
Derivatives	–	–	(8.2)	–	–	–	(8.2)	(8.3)
Current liabilities	(0.9)	(1.6)	(5.6)	(0.4)	(2.2)	(0.5)	(11.2)	(9.8)
Finance leases	–	–	(8.4)	–	–	–	(8.4)	(9.4)
Net assets	43.0	9.9	229.8	5.8	42.1	25.2	355.8	295.5

Net rental income	–	0.3	14.8	0.3	3.6	0.8	19.8	22.1
Property and administration costs	–	(0.2)	(1.7)	(0.1)	(0.2)	(0.6)	(2.8)	(3.5)
Net finance costs	–	(0.6)	(6.3)	(0.4)	(1.5)	–	(8.8)	(9.4)
Tax (REIT conversion charge)	–	(0.5)	–	–	–	–	(0.5)	–
Movement in fair value of derivatives	–	–	–	–	–	–	–	(1.0)
Share of profit from joint ventures	–	(1.0)	6.8	(0.2)	1.9	0.2	7.7	8.2
Revaluation of investment property	(1.7)	10.9	21.0	3.1	10.6	3.5	47.4	(129.8)
Profit/(loss) on sale of investment property	–	–	0.9	–	–	0.2	1.1	(9.9)
Share of results of joint ventures	(1.7)	9.9	28.7	2.9	12.5	3.9	56.2	(131.5)

The joint ventures have bank loans with a total nominal value of £281.8 million. The Great Capital Partnership has a £225 million facility which is secured, attracts a floating rate of between 0.75% to 1.15% above LIBOR and expires in 2013. The Great Victoria Partnership has a £56.8 million facility which is secured, attracts a fixed rate of 5.495% and expires in 2012. All interest bearing loans are in sterling. At 31 March 2010 the joint ventures had £nil undrawn facilities (2009: £nil).

The Great Capital Partnership has four interest rate swaps and an interest rate collar with notional principal amounts of £143.8 million and £25.0 million respectively. The interest rate swaps and collar expire coterminously with the bank loan in 2013. The weighted average contracted fixed interest rate for the interest rate swaps was 5.27%, and the collar has a floor of 4.845% and a cap of 6.5%. At 31 March 2010 the negative fair value of these derivatives was £16.3 million (our share £8.2 million), (2009: £8.3 million).

Transactions during the year between the Group and its joint ventures are disclosed below:

	2010	2009
	£m	£m
Movement on funding accounts during the year	88.9	32.6
Balances outstanding at the year end from joint ventures	23.4	112.3
Distributions	40.7	36.0
Fee income	3.0	4.7

The balances outstanding at the period end to and from Partners do not bear interest, apart from the account with the Great Ropemaker Partnership on which interest is payable at 6%. The investment properties include £8.4 million (2009: £9.4 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 £474.8 million. The Group earns fee income from its joint ventures for the provision of management services. All of the above transactions are made on terms equivalent to those that prevail in arm's-length transactions.

At 31 March 2010 the Group had no capital commitments in respect of balances arising in its joint ventures (2009: £nil).

11 Trade and other receivables	2010	2009
	£m	£m
Trade receivables	3.6	2.8
Allowance for doubtful debts	(0.4)	(0.1)
	3.2	2.7
Prepayments and accrued income	15.4	1.1
Other trade receivables	13.1	1.7
Derivatives	1.1	–
	32.8	5.5

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the tenant's lease. Trade receivables are provided for based on estimated irrecoverable amounts determined by past default experience and knowledge of the individual tenant's circumstance. Prepayments and accrued income includes funds transferred in respect of the dividend paid on 1 April 2010. Other trade receivables includes balances in respect of the completion of the sale of the Bishopsgate Estate that will be settled in the first quarter of the 2010/2011 financial year.

	2010	2009
	£m	£m
Movements in allowance of doubtful debts		
Balance at the beginning of the year	(0.1)	(0.3)
Amounts provided for during the year	(0.3)	(0.1)
Amounts written off as uncollectable	–	0.3
	(0.4)	(0.1)

12 Trade and other payables	2010	2009
	£m	£m
Trade payables	10.3	12.2
Non-trade payables and accrued expenses	20.3	16.1
	30.6	28.3

	2010 £m	2009 £m
13 Interest-bearing loans and borrowings		
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5 ⁵ / ₈ % debenture stock 2029	144.3	144.3
Unsecured		
Bank loans	134.0	234.0
Non-current liabilities at fair value		
Derivatives	–	18.5
	278.3	396.8

The Group has three floating rate revolving credit facilities of £300 million, £200 million and £50 million. The £300 million facility is unsecured, attracts a floating rate of 0.525% above LIBOR and expires in 2012. The £200 million facility is unsecured, attracts a floating rate of 0.50% above LIBOR and expires in 2012. The £50 million facility is unsecured, attracts a floating rate of 0.65% above LIBOR and expires in November 2010 and is undrawn at 31 March 2010. All interest bearing loans and borrowings are in sterling. At 31 March 2010 the Group had £417 million (2009: £317 million) of undrawn committed credit facilities.

14 Financial instruments

Categories of financial instrument	Carrying amount 2010 £m	Income/ (expense) 2010 £m	Gain/(loss) to equity 2010 £m	Carrying amount 2009 £m	Income/ (expense) 2009 £m	Gain/(loss) to equity 2009 £m
Interest rate swaps, caps and collars	–	(11.6)	11.8	(18.5)	(1.9)	(12.6)
Non-current liabilities at fair value	–	(11.6)	11.8	(18.5)	(1.9)	(12.6)
Interest rate swaptions	1.1	–	–	–	–	–
Non-current assets held at fair value	1.1	–	–	–	–	–
Trade receivables	32.8	–	–	5.5	–	–
Cash and cash equivalents	45.7	–	–	7.3	0.1	–
Loans and receivables	78.5	–	–	12.8	0.1	–
Trade and other payables	(30.6)	–	–	(28.3)	–	–
Interest-bearing loans and borrowings	(278.3)	(11.9)	–	(378.3)	(23.3)	–
Finance leases	(2.0)	(0.3)	–	(8.5)	(0.6)	–
Liabilities at amortised cost	(310.9)	(12.2)	–	(415.1)	(23.9)	–
Total financial instruments	(231.3)	(23.8)	11.8	(420.8)	(25.7)	(12.6)

Financial risk management objectives

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy tenants and obtaining sufficient rental cash deposits or third party guarantees as a means of mitigating financial loss from defaults.

The concentration of credit risk is limited due to the large and diverse tenant base. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of rent deposits obtained. Details of the Group's receivables are summarised in note 11 of the financial statements.

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

Capital risk

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

Liquidity risk

The Group operates a framework for the management of the Group's short-, medium- and long-term funding requirements. Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. The Group's funding sources are diversified across a range of bank and bond markets and strict counterparty limits are operated on deposits.

The Group meets its day-to-day working capital requirements through the utilisation of its revolving credit facilities. The availability of these facilities depends on the Group complying with a number of key financial covenants; these covenants and the Group's compliance with these covenants are set out in the table below:

Key covenants	Covenant	March 2010 Actuals
Group		
Net debt/net equity	≤1.25x	0.26x
Inner borrowing	≥1.66x	5.43x
Interest cover	≥1.30x	3.55x
Joint venture – GCP		
Loan to value	≤70%	45.6%

The Group has undrawn credit facilities of £417 million and has substantial headroom above all of its key covenants. As a result the directors consider the Group to have adequate liquidity to be able to fund the ongoing operations of the business.

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

	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
At 31 March 2010						
Non-derivative financial liabilities						
£142.9 million 5 5/8% debenture stock 2029	144.3	294.3	8.0	8.0	24.2	254.1
Bank loans	134.0	137.3	1.4	1.4	134.5	–
Derivative financial instruments						
Interest rate swaptions	(1.1)	–	–	–	–	–
	277.2	431.6	9.4	9.4	158.7	254.1

	Carrying amount £m	Contractual cash flows £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
At 31 March 2009						
Non-derivative financial liabilities						
£142.9 million 5 5/8% debenture stock 2029	144.3	302.2	8.0	8.0	24.1	262.1
Bank loans	234.0	246.3	3.8	3.8	238.7	–
Derivative financial instruments						
Interest rate swaps	16.4	21.5	7.3	7.3	6.9	–
Interest rate collars	2.1	3.0	0.9	0.9	1.2	–
	396.8	573.0	20.0	20.0	270.9	262.1

Market risk

Interest rate risk arises from the Group's use of interest bearing financial instruments. It is the risk that future cash flows from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy either to eliminate interest rate risk over the cash flows on its long-term debt finance through the use of fixed rate debentures or to mitigate the risk through the use of floating to fixed interest rate swaps, caps, collars and swaptions. It is the Group's policy to maintain the proportion of floating rate interest rate exposure to between 20%–40% of forecast total interest rate cost.

Interest rate swaps

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

Interest rate swaptions

An interest rate swaption provides the Group with an option to enter into a interest rate swap on a specified future exercise date at a set price. On the exercise date the Group can either enter into the interest rate swap or let the option lapse. Such contracts act as an insurance policy against future interest rate rises.

Interest rate collars

An interest rate collar is an interest rate cap combined with an interest rate floor. In a floor arrangement if the underlying interest rate falls below a specified rate (the "floor") the Group will make a payment based upon the difference between the underlying rate and the floor. Therefore an interest rate collar gives the Group certainty that the interest rate it will pay will only fluctuate between the floor and the cap giving certainty that its interest rate exposure can only fluctuate within these restricted parameters.

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

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2010 %	2009 %	2010 £m	2009 £m	2010 £m	2009 £m
Cash flow hedges						
Interest rate swaptions						
In excess of five years	4.00%	–	100.0	–	1.1	–
Interest rate swaps						
Between two and five years	–	5.48%	–	165.0	–	(16.4)
Interest rate collars						
Between two and five years	–	4.68%–6.5%	–	25.0	–	(2.1)
			100.0	190.0	1.1	(18.5)

As at 31 March 2010 the aggregate amount of unrealised losses in respect of cash flow hedges was £4.6 million (2009: £16.4 million).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both non-derivative and derivative financial instruments at the balance sheet date and represent management's assessment of reasonably possible changes in interest rates. For the floating liabilities the analysis is prepared assuming the amount of the liability at 31 March 2010 was outstanding for the whole year.

	Impact on profit		Impact on equity	
	2010 £m	2009 £m	2010 £m	2009 £m
Increase of 50 basis points	(0.7)	(0.2)	(0.7)	(0.2)
Increase of 100 basis points	(1.3)	(0.4)	(1.3)	(0.4)
Decrease of 50 basis points	0.7	0.2	0.7	0.2
Decrease of 100 basis points	1.3	0.4	1.3	0.4

Fair value of interest-bearing loans and borrowings

	2010	2010	2009	2009
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current liabilities at amortised cost	278.3	245.4	378.3	338.3
Non-current (assets)/liabilities held at fair value (derivatives)	(1.1)	(1.1)	18.5	18.5
	277.2	244.3	396.8	356.8

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. Quoted market values have been used to determine the fair value of listed long-term borrowings, and derivatives have been valued by reference to market rates of interest. The market values of all other items have been calculated by discounting the expected future cash flows at market interest rates.

15 Finance leases

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

	2010	2010	2010	2009	2009	2009
	Minimum lease payments £m			Interest £m		
Less than one year	0.2	(0.2)	–	0.6	(0.6)	–
Between two and five years	0.7	(0.7)	–	2.3	(2.3)	–
More than five years	21.2	(19.2)	2.0	67.0	(58.5)	8.5
	22.1	(20.1)	2.0	69.9	(61.4)	8.5

16 Share capital

Number	2010 Number	2010 £m	2009 Number	2009 £m
Ordinary shares of 12½ pence each				
Authorised	600,000,000	75.0	550,100,752	68.8
Allotted, called up and fully paid				
At 1 April	181,023,034	22.6	181,023,034	22.6
Issue of ordinary shares – Rights Issue	131,653,115	16.5	–	–
At 31 March	312,676,149	39.1	181,023,034	22.6

In June 2009 the Company raised gross proceeds of £175.1 million (£166.4 million net proceeds) by issuing 131,653,115 new shares through an 8 for 11 Rights Issue. The proceeds of the Rights Issue were used to pay down bank loans and purchase new investment property.

17 Investment in own shares

	2010 £m	2009 £m
At 1 April	0.2	0.3
Employee Long-Term Incentive Plan and Share Matching Plan charge	(1.5)	(0.1)
Purchase of shares	3.5	–
Transfer to retained earnings	(1.9)	–
At 31 March	0.3	0.2

The investment in the Company's own shares is held at cost and comprises 1,022,179 shares (2009: 157,275 shares) held by the Great Portland Estates plc LTIP Employee Share Trust which will vest in certain senior employees of the Group if performance conditions are met.

During the year 499,231 shares (2009: 600,752 shares) were awarded to directors and senior employees in respect of the 2006 LTIP award. The fair value of shares awarded and outstanding at 31 March 2010 was £11.3 million (2009: £10.4 million).

18 Adjustment for non-cash movements in the cash flow statement

	2010 £m	2009 £m
(Surplus)/deficit from investment property	(89.8)	315.5
Employee Long-Term Incentive Plan and Share Matching Plan charge	1.5	0.1
Amortisation of capitalised lease incentives	(2.9)	(3.4)
Share of results from joint ventures	(59.0)	131.5
Other items	(0.1)	–
Adjustments for non-cash items	(150.3)	443.7

19 Dividends

	2010 £m	2009 £m
Ordinary dividends paid		
Interim dividend for the year ended 31 March 2010 of 3.0 pence per share	9.3	–
Final dividend for the year ended 31 March 2009 of 8.0 pence per share	14.5	–
Interim dividend for the year ended 31 March 2009 of 4.0 pence per share	–	7.3
Final dividend for the year ended 31 March 2008 of 8.0 pence per share	–	14.4
	23.8	21.7

A further interim dividend of 5 pence per share was approved by the Board on 3 March 2010 and was paid on 1 April 2010 to shareholders on the register on 12 March 2010. The dividend is not recognised as a liability at 31 March 2010. The 2009 final dividend and the 2010 interim dividend were paid in the year and are included within the Group's statement of changes in equity.

20 Operating leases

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

	2010 £m	2009 £m
The Group as a lessor		
Less than one year	36.9	45.3
Between two and five years	107.0	118.0
More than five years	91.4	130.8
	235.3	294.1

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2010 was 5.8 years (2009: 6.0 years). All investment properties except those under development generated rental income and no contingent rents were recognised in the year (2009: £nil).

21 Employee benefits

The Group contributes to a defined benefit pension plan (the "Plan"), the assets of which are held by trustees separately from the assets of the Group. The Plan has been closed to new entrants since April 2002. The most recent actuarial valuation of the Plan was conducted at 1 April 2009 by a qualified independent actuary using the projected unit method. The Plan was valued using the following main assumptions:

	2010 %	2009 %
Discount rate	5.75	6.75
Expected return on Plan assets	5.47	5.69
Expected rate of salary increases	4.75	4.50
Future pension increases	3.75	3.50

To develop the expected long-term rate of return on Plan assets, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the long-term rate of return on Plan assets for the portfolio. This resulted in the selection of an assumption of 5.47% p.a.

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

	2010 £m	2009 £m
Present value of unfunded obligations	(17.5)	(13.4)
Fair value of Plan assets	17.3	14.0
Pension (liability)/asset	(0.2)	0.6

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

	2010 £m	2009 £m
Current service cost	(0.2)	(0.2)
Interest on obligation	(0.9)	(0.9)
Expected return on Plan assets	0.8	0.9
	(0.3)	(0.2)
Actuarial deficit recognised immediately in the Group statement of recognised income and expense	(1.0)	(1.8)
Cumulative actuarial gains recognised in the Group statement of recognised income and expense	1.4	2.4

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

	2010 £m	2009 £m
Defined benefit obligation at 1 April	13.4	13.9
Service cost	0.2	0.2
Interest cost	0.9	0.9
Actuarial gain	3.6	(1.2)
Benefits paid	(0.6)	(0.4)
Defined benefit obligation at 31 March	17.5	13.4

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

	2010	2009
	£m	£m
Fair value of Plan assets at 1 April	14.1	16.1
Expected return on Plan assets	0.8	0.9
Actuarial gain/(loss)	2.6	(3.0)
Contributions	0.4	0.4
Benefits paid	(0.6)	(0.4)
Fair value of Plan assets at 31 March	17.3	14.0
Net (liability)/asset	(0.2)	0.6

The fair value of the Plan assets at the balance sheet date is analysed as follows:

	2010	2009
	£m	£m
Equities	6.9	5.6
Bonds	10.4	8.4
	17.3	14.0

The actual return on Plan assets was a surplus of £3.4 million (2009: deficit of £2.0 million).

Life expectancy assumptions on retirement:

	2010	2009
	Years	Years
Male aged 65	23	22
Female aged 65	26	25
Male aged 45	24	23
Female aged 45	28	26

The history of the Plan for the current and prior years is as follows:

	2010	2009	2008	2007
Difference between expected and actual return on the scheme assets:				
Amount £m	2.6	(3.0)	(0.8)	(0.2)
Percentage of scheme assets	15%	(21%)	(5%)	(1%)
Experience gains and losses on scheme liabilities:				
Amount £m	–	1.7	–	–
Percentage of scheme assets	–	13%	–	–
Total gains and losses:				
Amount £m	(1.0)	(1.8)	1.9	–
Percentage of scheme assets	(6%)	(13%)	13%	–

The Group expects to contribute £0.4 million to its Pension Plan in the year ended 31 March 2011.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Report of the directors includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board on 20 May 2010 and signed on its behalf by

Toby Courtauld
Chief Executive

Timon Drakesmith
Finance Director

Glossary

Adjusted earnings per share

Earnings per share adjusted to exclude non-recurring items, profits or losses on sales of investment properties, property revaluations and fair value movements on derivatives on a diluted basis.

Adjusted net assets per share

NAV adjusted to exclude deferred tax on capital allowances and the fair value of derivatives on a diluted basis.

Earnings per share (EPS)

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

EPRA adjustments

Standard calculation methods for adjusted EPS and adjusted 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.

F&BS

Finance and business services sector.

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.

Loan to value (LTV)

Total bank loans and debenture stock (including our share of joint ventures) expressed as a percentage of the market value of the property portfolio (including our share of joint ventures).

Like-for-like portfolio

Properties that have been held for the whole of the period of account.

Market value

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.

Net assets per share or net asset value (NAV)

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

Net gearing

Total borrowings less short-term deposits and cash as a percentage of adjusted equity shareholders' funds.

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.

Property Income Distributions (PIDs)

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

Portfolio internal rate of return (IRR)

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

REIT

UK Real Estate Investment Trust.

Rent roll

The annual contracted rental income.

Return On Capital Employed (ROCE)

Return On Capital Employed is measured as profit before financing costs plus revaluation surplus on development property divided by the opening gross capital.

Return on shareholders' equity

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

Reversionary or under-rented

The percentage by which ERV exceeds rents passing, together with the estimated rental value of vacant space.

Reversionary yield

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

Total property return (TPR)

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

Total shareholder return (TSR)

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

Triple net asset value (NNNAV)

NAV adjusted to include the fair value of the Group's financial liabilities on a diluted basis.

True equivalent yield

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

Voids

The element of a property which is unoccupied but available for letting, usually expressed as the ERV of the void space divided by the existing rent roll plus the ERV of the void space.

Weighted average cost of capital (WACC)

The weighted average pre-tax cost of the Group's debt and the notional cost of the Group's equity used as a benchmark to assess investment returns.

Weighted Average Unexpired Lease Term (WAULT)

The Weighted Average Unexpired Lease Term expressed in years.