

RETURN OF CAPITAL

Discipline in action

The financial discipline that we apply to the management of our property portfolio also applies to the wider Group finances. We have a track record of accretively raising and returning capital to shareholders at appropriate times in the cycle to ensure we maximise the efficiency of our balance sheet. In April 2018, we returned £306 million to shareholders, representing the proceeds from our recent sales of 240 Blackfriars Road, SE1 and 30 Broadwick Street, W1.

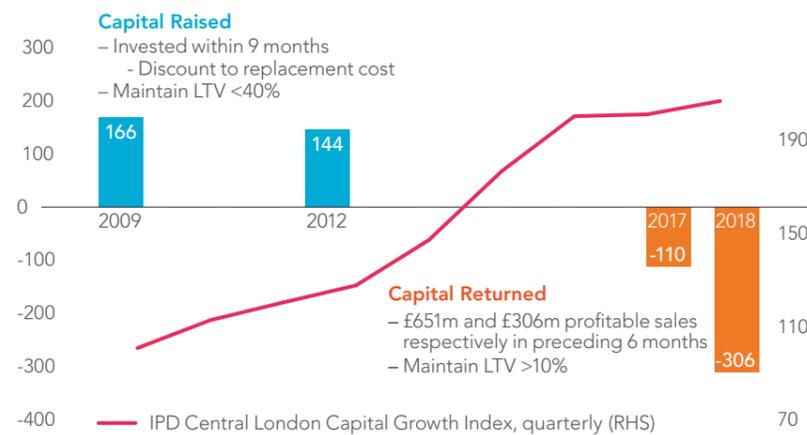
We like to operate with low levels of financial leverage and aim to maintain a loan to property value (LTV) ratio of between 10% and 40% depending on where we are in the cycle. Today, given the opaque macro-economic outlook, we are happy to operate at the lower end of this range.

We understand the value of our shareholders' equity. We typically raise equity to buy assets when we see significant value in the property market but do not want to unduly increase our financial risk. Equally, we return equity when we consider that we have a surplus that we are unable to accretively deploy.

In December 2017, we exploited the continued strength in the investment market to sell 240 Blackfriars Road, SE1 and 30 Broadwick Street, W1 generating net proceeds of £306 million. The sales reduced LTV to around 7% and, with limited attractive opportunities to reinvest in the market, we returned the proceeds to shareholders via a B share scheme.

Together with the £110 million special dividend paid in May 2017, we have now returned £416 million to shareholders this cycle, in addition to ordinary dividends. At the same time, LTV remains low at 12% today giving us ample capacity for further investment both within our extensive 1.7 million sq ft development programme and in new opportunities as we unearth them.

This cycle: £310 million raised and £416 million returned¹



¹ Excludes ordinary dividends.

Our track record

Early in the cycle, we raised capital to buy properties at cyclically low values. More recently, with business plans complete and pricing at elevated levels, properties have been sold, crystallising substantial returns with surplus equity returned to shareholders.



30 Broadwick Street, W1
Sold for £185.9 million,
representing a net initial yield
of 4.0% and headline capital
value of £1,971 per sq ft.

What we say...

"We greatly appreciate the support from our shareholders who twice gave us capital early in the cycle, when we raised equity to buy. The development surpluses we generated on the acquisitions have been substantial and this year we returned £416 million to shareholders."

Martin Leighton, Director of Corporate Finance