Press Release

20 May 2020

Annual results: Strong operational performance; resilient business

The Directors of Great Portland Estates plc announce the unaudited results for the Group for the year ended 31 March 2020.

Toby Courtauld, Chief Executive, said:

"I am pleased to report on a strong operational performance for the year, with GPE today in the enviable position of being both well placed to withstand the impacts from the COVID crisis and able to look to our future with confidence.

Whilst much of the year to March 2020 was characterised by political and economic uncertainty, nothing could have prepared us for the social and economic consequences of the COVID pandemic and I am proud of the response from each and every member of the GPE team. We are engaging extensively with our occupiers, offering assistance on a case by case basis and have established a new community fund, seeded by GPE's people to bring some relief to those in London hardest hit by the crisis.

As we examine the implications for our business, it is clear that we must plan for a recession with an increase in unemployment, leading to reduced occupational demand for space, implying falling rental and capital values. Key to our market's performance will be both the depth of the downturn and the shape of the recovery. Given this uncertainty, we are pausing the provision of guidance on rental value movements until the picture becomes clearer. Whatever the outcome, whilst some working practices might change, our human desire to congregate and create underpins our belief that London's magnetic appeal as a global business capital will persist for the long term. This belief is reinforced by our current leasing discussions, illustrating occupiers' ongoing appetite to secure high quality, sustainable space.

Guided by our strong purpose and unifying values, we have positioned GPE for any market eventuality; our low leverage is both defensive and gives us significant capacity for growth; our portfolio is virtually fully let, off low rents and has material upside potential from our extensive development pipeline; and our talented team with its deep market knowledge, combined with our financial strength, gives us the ability to choose our path to deliver on all our ambitions."

Highlights[1] for the year include:

Valuation[2] stable, supported by committed developments and office rental value growth

- Portfolio valuation down 0.3%[3] (developments: up 11.9%), with offices up 1.0%, retail down 3.5%
- Rental value growth of 1.4%[3] (+3.5% offices, -4.3% retail) v guidance of -2.0% to +1.5%
- Total property return of 3.7%, with capital return of 0.3% v MSCI Central London (quarterly index) of -0.8%

Resilient financial performance; final dividend of 7.9 pence, with total dividend up 3.3%

- IFRS and EPRA[4] NAV per share of 868 pence, up 1.8% over twelve months; net assets of £2,203.1 million
- EPRA[4] earnings of £57.0 million, up 6.1% on 2019. Total accounting return[5] of 3.2% (2019: 2.3%)
- EPRA[4] EPS of 22.0 pence, up 13.4%. Cash EPS of 17.9 pence, up 4.7%
- IFRS profit after tax of £51.8 million (2019: £49.5 million)
- Total dividend per share of 12.6 pence, up 3.3% on 2019, including final dividend of 7.9 pence (2019: 7.9 pence)

COVID-19 update; working collaboratively with our stakeholders

- Extensive engagement with our occupiers, addressing requests for help on a case by case basis
- 71.0% of March quarter rents collected (62.9% within seven working days), two-thirds of balance relates to occupiers from RHL[7] sectors; seven occupier delinquencies since April 2019 (1.3% of rent roll); £25.8 million held in rent deposits/bank guarantees
- All our properties remain open and operating to Government guidelines
- New Community Fund launched today seeded with more than £280,000 from reduced fees/bonus payments to Board Directors, contributions by Executive Committee and Group matching – see separate announcement
- No GPE employees furloughed and no current plans to access any UK Government COVID-19 funding

Exceptionally strong financial position; low LTV of 14.2% and total liquidity of £411 million

- Property LTV of 14.2%, net gearing of 16.2% and interest cover not measurable
- Substantial headroom above Group debt covenants (March values could fall 70% before breach)
- Weighted average interest rate of 2.2%, weighted average debt maturity of 5.8 years
- Cash of £111 million and undrawn committed facilities of £300 million; committed development and refurbishment capex to come of £66 million

Strong leasing, 8.8% ahead of ERV, vacancy rate low at 2.0%, £12.3 million under offer

- £14.4 million p.a. let, 279,900 sq ft, market lettings 8.8% above March 2019 ERV
- Flex space now c.11% of office portfolio (219,600 sq ft), expect robust demand post lockdown
- 29 rent reviews totalling £13.2 million p.a., 19.7% ahead of passing rent, 1.5% ahead of ERV at review date
- Vacancy rate 2.0%; average office rent £53.40 per sq ft; reversionary potential of 11.7% (£11.8 million)
- Rent roll up 3.0%[3] to £100.8 million, with total potential future growth of 50% to £151.4 million[6]
- 13 lettings under offer totalling £12.3 million p.a. of rent, including three office pre-lettings

Good progress on three committed schemes, 48% pre-let or under offer

- Three committed schemes (414,600 sq ft) progressing well, all near Crossrail and BREAAM Excellent, 14.7% forecast profit on cost, 48% pre-let or under offer, two completions expected in next six months despite delays due to COVID-19
- Three near-term uncommitted pipeline schemes (821,600 sq ft) with expected capital expenditure and ERV of c.£600 million and c.£55 million p.a.
- In total, ten pipeline schemes (1.4 million sq ft), all income producing, 2.6 years average lease length, 20.6% reversionary (existing use)
- Total programme covering 56% of existing portfolio

£64.5 million sale, 11.8% above book value; new PropTech VC investment

- 24/25 Britton Street, EC1 sold for £64.5 million, 11.8% above March 2019 book value reflecting net initial yield of 4.07% and capital value of £1,255 per sq ft, crystallising 15.7% p.a. IRR[8]
- Commitment of up to £5 million to invest in Pi Labs European PropTech venture capital ('VC') fund

Sustainability touches everything we do; innovating to meet occupier needs; open and progressive culture

- New sustainability statement of intent "The Time Is Now" launched today, including commitment to become net zero carbon business by 2030 – see separate announcement
- New innovative £450 million ESG-linked revolving credit facility ('RCF') with headline margin of only 90bp
- New app "sesame" successfully launched across portfolio, enhancing the level of service to our occupiers
- New Inclusion & Diversity strategy launched, with National Equality Standard accreditation achieved

[1] All values include share of joint ventures unless otherwise stated [2] Valuation includes 'Material Valuation Uncertainty Clause' disclosure [3] On a like-for-like basis [4] In accordance with EPRA guidance [5] We prepare our financial statements using IFRS, however we also use a number of alternative performance measures in assessing and managing the performance of the business. These include like-for-like figures to aid in the comparability of the underlying business and proportionately consolidated measures, which represent the Group's gross share of joint ventures rather than the net equity accounted presentation included in the IFRS financial statements. These metrics have been disclosed as management review and monitor performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector, see note 9 to the financial statements. [6] Excludes development pipeline potential [7] Retail, Hospitality & Leisure [8] Since refurbishment in 2011

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There will be a live conference call at 9.00am today, which will include a Q&A session with the GPE management team, on the following numbers:

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We have also released a results video presentation by Toby Courtauld and Nick Sanderson which is available, along with accompanying presentation materials and appendices, at:

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

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

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

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

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

Statement from the Chief Executive

Our resilient business – evolving and innovating

This financial year has been dominated by UK political uncertainty and ended with the onset of COVID-19, where the full extent of the humanitarian, societal and economic impacts are still too early to judge. However, against this backdrop, we have again shown the resilience of our business with another strong operational performance: we have delivered many leasing successes, positive progress at our development schemes and disciplined capital management, all underpinned by our financial strength, deep stakeholder relationships and open, progressive culture. We have also continued to evolve and innovate, embracing opportunity as we further broadened our flex product and service offer, enhancing the occupier experience and installing technology solutions across our portfolio.

Robust financial results – exceptional balance sheet strength

In this context, we are pleased to report robust results, with IFRS and EPRA NAV per share rising by 1.8% in the year. When combined with an increase in ordinary dividends of 3.3% to 12.6 pence per share, our total accounting return was 3.2%. We delivered a diluted IFRS EPS of 20.0 pence, or an increase of 13.4% to 22.0 pence on an EPRA basis, and had net assets of £2,203.1 million at 31 March 2020.

We have maintained our market leading debt metrics and capital discipline, with our loan to value ratio at only 14.2%, providing substantial headroom above our Group debt covenants. This follows the profitable sale of 24/25 Britton Street, EC1 for £64.5 million and the successful completion in the year of our £200 million share buyback, meaning that we have now returned more than £615 million of surplus equity to shareholders since 2017. Our liquidity position is also strong with £411 million of available firepower and our next Group level debt maturity is not until 2024, with our debt profile further enhanced in the year through the issue of a new, innovative £450 million ESG-linked, unsecured revolving credit facility.

Opportunity rich portfolio – 100% central London

Across our portfolio, the like-for-like property valuation movement was down 0.3%, with our committed developments up 11.9%. Unsurprisingly our offices delivered a stronger relative valuation performance, up 1.0%, compared to retail which fell 3.5%. Continued healthy demand for Grade A office space in a supply constrained market resulted in office ERV growth of 3.5% in the year and, with investment market activity muted for most of the year until the decisive outcome to the General Election, yields trended flat.

Notwithstanding the current situation, we believe the long-term prospects for London remain positive given its status as one of only a handful of truly global cities, with a commercial property market that has enduring appeal for occupiers and investors alike. Our positioning is also good with 56% of the portfolio in our development programme, with a further 37% in buildings where we can add additional value through active portfolio management. Moreover, with our vacancy rate of only 2.0%, a low average office rent of £53.40 per sq ft, reversionary potential of 11.7% and a further £23.9 million of rent available at our committed schemes, there is scope for continued organic growth as and when market conditions normalise. Meanwhile, our strong financial position will enable us to add to our portfolio should we unearth attractively priced opportunities that result from this period of uncertainty.

Embracing opportunity – meeting evolving occupier aspirations

Our experience shows that office occupiers are more focused than ever on the benefits of a high quality working environment in attracting and retaining talent, with increasing focus on outstanding sustainability and wellbeing credentials. As a result, the relationship between real estate owners and occupiers is evolving, with our occupiers now wanting increased levels of flexibility and service along with the provision of smart, tech-enabled buildings.

Our constant commitment to creating exceptional workspace has enabled us to deliver another strong leasing year, securing £14.4 million of annual rent, 8.8% above our valuer's ERV. We have also expanded our flexible space offering, which now represents 11% of our office space. Our team has also crystallised significant rental reversion across the investment portfolio, with 29 rent reviews settled securing £13.2 million at an average increase of 19.7% above the previous rent and beating ERV by 1.5%. Moreover, we have achieved high levels of occupier satisfaction, with our net promoter score of +25.3 almost double the UK property sector average.

These successes were supported during the year by the realignment of the operating structure of our Occupier & Property Services team and the roll out of our new app “sesame” across the portfolio. Meanwhile, our ambitions to embrace technology across our business were demonstrated by our investment in Pi Labs European PropTech VC fund during the year. Moreover, with sustainability considerations now featuring in everything that we do as they become an economic as well as moral imperative, we committed to the ground breaking Climate Change Commitment launched by the Better Buildings Partnership and stated our intention to become a net zero carbon business by 2030, as set out in our new sustainability Statement of Intent. We also performed strongly again across leading sustainability indices, including achieving a five star rating in GRESB for the fourth consecutive year.

Committed to excellence – good development progress, although completion delays expected given COVID-19
Our three on-site development schemes are all near Crossrail stations and will provide 414,600 sq ft of Grade A, office and retail space, along with exciting new public realm. With construction progressing well before a brief pause during the initial weeks of the COVID-19 lockdown and a subsequent resumption of activities at slower rates, in part due to social distancing and delays in accessing raw materials, expected completion dates have inevitably been delayed somewhat. However, the schemes are expected to deliver a profit on cost of 14.7% and we are on track to achieve BREEAM Excellent sustainability ratings. Taken together, the schemes are 48% pre-let or under offer.

Our Hanover Square scheme is the largest with 221,100 sq ft of new office, retail and residential space, where we have already pre-let 52%, with the first retail unit now handed over to the occupier. A further 14.6% is under offer, with the scheme now expected to complete by October 2020. At The Hickman, E1, completion is anticipated this summer and occupier interest in the new 74,400 sq ft office building is encouraging, with 46% currently under offer. We are also pleased to have over half of the office space under offer at 1 Newman & 70/88 Oxford Street (previously Oxford House), our 119,100 sq ft new build office and retail development at the east end of Oxford Street, opposite the new Tottenham Court Road Crossrail station and expect to close our first pre-let imminently.

Looking ahead, we have a substantial and flexible pipeline of ten uncommitted schemes totalling 1.4 million sq ft across four London boroughs, including three near-term schemes of 821,600 sq ft where we are currently working with both the local authorities and communities to secure planning to create great new spaces, helping London to thrive.

Open and fair – supporting our occupiers, suppliers, partners and communities
The unprecedented situation arising from COVID-19 has highlighted the ongoing importance of our collaborative stakeholder relationships, including with our joint venture partners. We are maintaining our payment terms with our suppliers to support their cash flow given the challenging economic backdrop and are working with our occupiers, particularly in the retail, hospitality and leisure sectors, through agreeing on a case by case basis, the payment of monthly rents or deferring rental payments. Unsurprisingly, this resulted in our March rent collection rates being significantly behind historical levels and we expect this to persist into the June quarter date. We have worked closely with our suppliers and occupiers, with health and safety always a key consideration, to keep our development sites open and our occupied buildings operational with social distancing requirements in place. We have also extended the scope of our community activities by launching a new Community Fund seeded by GPE directors and employees to bring some relief to those in London hardest hit by the COVID-19 crisis.

Our talented team – achieving more together
Last but not least, all of our activities and successes in the year could not have been delivered without the fabulous efforts of our talented team and I would like to say a personal thank you to all my colleagues at GPE.

Over the year, the strength of our values and the magnetic appeal of our culture was highlighted with our most recent employee engagement survey showing 94% of our people would “recommend GPE as a great place to work” and we were delighted to make several internal senior management team promotions during the year, as we develop our talent from within. We also successfully launched our Inclusion & Diversity strategy at an event attended by all employees, with valuable participation from our Non-Executive Directors, and we are pleased to have now achieved the National Equality Standard accreditation.

Outlook
GPE is today in the enviable position of being both well placed to withstand the impacts from the COVID crisis and able to look to our future with confidence.

Whilst much of the year to March 2020 was characterised by political and economic uncertainty, nothing could have prepared us for the social and economic consequences of the COVID pandemic and I am proud of the response from each and every member of the GPE team. We are engaging extensively with our occupiers, offering assistance on a case by case basis and have established a new Community Fund, seeded by GPE's people to bring some relief to those in London hardest hit by the crisis.

As we examine the implications for our business, it is clear that we must plan for a recession with an increase in unemployment, leading to reduced occupational demand for space, implying falling rental and capital values. Key to our market's performance will be both the depth of the downturn and the shape of the recovery. Given this uncertainty, we are pausing the provision of guidance on rental value movements until the picture becomes clearer. Whatever the outcome, whilst some working practices might change, our human desire to congregate and create underpins our belief that London's magnetic appeal as a global business capital will persist for the long term. This belief is reinforced by our current leasing discussions, illustrating occupiers' ongoing appetite to secure high quality, sustainable space.

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Our market

Our market is accompanied by graphics (see Appendix 1)

The macroeconomic backdrop
Global growth in 2019 was at the weakest level since the global financial crisis of 2008. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. Closer to home, the UK's exit from the EU dominated the agenda and impacted business confidence. The decisive election outcome late last year provided greater clarity, but more recently this has been overshadowed by the spread and economic consequences of COVID-19.

The last twelve months have been marked by a combination of muted global growth and heightened levels of political and macro–economic uncertainty. Whilst the general election result in late 2019 in part alleviated the opaque political outlook, the recent economic shutdown as a result of COVID-19 is likely to disrupt global growth for some time to come. Furthermore, our future trading relations with the EU and the rest of the world still remain unresolved.

Global recession driven by global pandemic
Global equity markets had a strong 2019 with many indices reaching record highs. Whilst equity markets were positive, the underlying global economic backdrop remained relatively weak. Manufacturing activity was low, at levels not seen since the global financial crisis, trade disputes had impacted levels of global trade and business confidence and regional geopolitical tensions remained. The subsequent arrival of the COVID-19 pandemic has inflicted a tragic human cost and has resulted in a necessary global shutdown that is severely affecting economic activity. As a result, Oxford Economics predict that the global economy will contract sharply, by 2.8% in 2020, a downturn more severe than the 2008/09 financial crisis. This reduction is the result of an estimated 7% first half fall, partly offset by a rebound by the end of the year. However, the risks and uncertainties around current forecasts are large and highly dependent on the easing of existing shutdowns over the coming months.

UK recession set to follow
In the UK, equity markets during 2019 were volatile with movements clearly correlated to the UK Government's progress in navigating the UK's exit from the EU. Overall UK GDP grew by a modest 1.4% during the year. As with the rest of the world, the start of 2020 was marked by the impact of COVID-19 and forecast domestic growth has now been replaced by an expected steep recession. Oxford Economics forecast annual GDP to fall by 5.1% in 2020, bouncing back to 6.0% growth in 2021.

Business confidence at record lows
Business and consumer confidence was fragile in 2019, as Brexit uncertainty dominated the national debate. The brief period of relief earlier this year, following December's decisive election result, was quickly ended by the arrival of COVID-19. PwC estimate that the current lockdown has resulted in 24% of UK businesses having to cease or pause trading. Whilst the Government response has been swift, confidence has hit record lows with Purchasing Manager Indices signalling the fastest ever recorded decline in business activity.

This negative sentiment is also reflected by the UK CFO community in Deloitte's most recent survey. It reported that 83% of CFOs are less optimistic than they were three months ago.

Furthermore, with the expectation that demand is unlikely to return until 2021, CFOs are more focused on defensive strategies, including reducing costs, increasing cash flow and reducing leverage, than at any time since 2010.

Looking forward, the current crisis is likely to have a significant impact on the UK economy. Whilst the pandemic itself is expected to be overcome in the near future, the impact on business activity, unemployment and the public finances are expected to be much longer lived. However, given its unprecedented nature, it is too early to tell the likely impact COVID-19 will have on London's property markets.

Despite this challenging context, we remain well placed. Our low financial leverage will enable us to both weather market volatility and take advantage of any dislocation should it arise. But whatever the outcome, beyond the current disruption, we remain confident in the ability of London to attract businesses, capital and talent from around the world, with London expected to remain one of only a handful of truly global cities.

Moreover, it is possible that COVID-19 further accelerates some of the key existing trends in the London market. This may include the structural shift of retail sales to the internet, but also accelerate some trends that GPE has already been capitalising on, such as office occupiers seeking both increased flexibility and service provision, with a preference for Grade A space with strong sustainability and wellbeing credentials. In addition, with underlying interest rates having now fallen to unprecedented lows, the relative investment pricing attractions of London offices may persist, particularly when compared to pricing in other major global cities.

Our occupational markets

Our occupational markets have remained highly active, despite a year marked by political and economic turbulence. More recently, supportive fundamentals have been disrupted by COVID-19, with take-up slowing in 2020.

The prospect of an ongoing uncertain outlook, often combined with a structural need to move due to lease expiries, has encouraged businesses to look beyond short-term macro uncertainties to secure the right home for the long-term success of their business. To date, this resilient demand, combined with a shortage of high quality space, has ensured that the best space has continued to let well, supporting prime rents. Whilst the fundamentals in our markets have been supportive to date, looking forward it is too early to assess what the impact of the COVID-19 pandemic will be.

For the year ended 31 March 2020, central London take-up was 12.7 million sq ft, 7.1% lower than the preceding 12 months and 3.4% below the ten year annual average of 13.1 million sq ft. Take-up was once again from a diverse range of industries with professional and business services (27%), creative industries (18%) and banking and finance (15%) the dominant sectors in Q1 2020.

Supply of new space remains limited; 60% of all space under construction already pre-let
Whilst demand for high quality space currently remains robust, the supply of new buildings across central London remains limited, with development completions for the year to 31 March 2020 of 1.3 million sq ft, down from 4.1 million sq ft in the preceding 12 months. Moreover, in the core of the West End, where the majority of our portfolio is located, development completions totalled only 45,300 sq ft over the year. The combination of an increasingly challenging planning regime, continued macro-economic uncertainty and limited availability of speculative development debt finance has helped restrict the delivery of new space. Looking ahead, as shown in the chart, CBRE expect 35.8 million sq ft of new office space to be delivered in central London over the five years to December 2024. Given the bulk of this space is yet to start on site, we expect that the current slowdown in construction activity as a result of COVID-19 is likely to exacerbate this shortage further as schemes are delayed.

This lack of development activity has limited new supply in our key markets, and with healthy occupier demand particularly at the prime end, this has kept availability relatively tight. Availability was 14.0 million sq ft at 31 March 2020, with new space only 28% of the total, up marginally from 13.7 million sq ft this time last year. Vacancy was low at 4.5% at 31 March 2020, up from 4.3% a year earlier. A lack of high quality space has led occupiers to be increasingly motivated to secure new space in advance of buildings completing. Pre-lets represented 25% of all take up in the year to 31 March 2020 and 60% of future development completions are already pre-leased. Furthermore, occupiers are looking much further ahead to secure a home depending on the size of their requirement. Today, occupiers are often seeking to secure space two years ahead of time for requirements of 100,000 sq ft and for very large spaces of up to 500,000 sq ft much longer.

West End occupational markets
Over the year to 31 March 2020, West End office take-up was 4.0 million sq ft, broadly in line with the preceding year. However, at the prime end, the take up of new and pre-let space was 0.9 million sq ft, down 16.5% on the previous year and the lowest since 2013. Tight levels of supply of high quality space is particularly acute in the West End, with new space only 16.6% of total availability. Vacancy rates also remain low with Grade A space vacancy estimated by CBRE to be only 1.8% of total vacant space. Accordingly, CBRE reported that prime office rental values in the West End rose to £110.0 per sq ft, up from £107.50 a year earlier. Rent free periods on average remained flat at around 23 months on a ten-year term.

Wider UK retailing has suffered from a combination of lower retail sales and a structural shift, as increasing volumes of sales move online. However, prior to the arrival of COVID-19, central London retail demonstrated resilience and had suffered to a lesser extent. However, with stores now closed, the challenges facing retailers in London have grown. This was reflected in our own portfolio where retail rental values softened across London's key shopping streets, down overall by 4.3% during the year.

City, Midtown and Southwark occupational markets

Over the year to 31 March 2020, City office take-up was 5.9 million sq ft, up 2.6% on the preceding year, with availability of 6.0 million sq ft (up 3.6%) and broadly in line with the ten year average of 5.9 million sq ft. Although higher than in the West End, vacancy rates remain low with Grade A vacancy estimated by CBRE to be only 3.5%. CBRE has also reported that prime City rental values increased by 2.8% to £73.00 per sq ft.

Midtown and Southwark office take up was 1.7 million sq ft, down 49.1% on the preceding year as activity was limited by a shortage of high quality stock. Availability at 31 March 2020 stood at 1.8 million sq ft, down 20.3% during the year, and lower than the ten-year average of 2.3 million sq ft. CBRE reported prime office rents in Southwark and Midtown increased to £70.00 per sq ft (up from £65.00 per sq ft) and £82.50 (up from £80.00 per sq ft) respectively.

Our investment markets

Transactions in London slowed as political instability in 2019 provided an uncertain outlook for the investment market. This was briefly lifted by a decisive election result, albeit activity in 2020 is likely to be shaped by the global impact of COVID-19.

Investment markets in 2019 were marked by the uncertainty created by the UK's ongoing negotiations to exit the EU and general election in December. Despite a flurry of transactions in the last few weeks of the year, following the decisive election result, investment activity totalled £11.3 billion, down 35.7% from £17.6 billion in 2018. Whilst overall volumes were down, the themes within the investment demand were unchanged. Demand continued to be strong for prime, well-let and well-located assets. We also continued to see strong demand for sites with near-term development opportunities as investors sought to increase their returns beyond those provided by low yielding, longer let assets. Investment markets were more domestically focused in 2019 with many overseas investors pausing for greater clarity, accounting for 53% of transactions down from 76% a year earlier.

Volumes for first quarter of 2020 impacted by COVID-19

The arrival of COVID-19 has slowed investment activity considerably, as many buyers await greater clarity on its economic impact before committing to a purchase. In the meantime, whilst some buyers are seeking discounted pricing, vendors are unwilling to reduce prices as, to date, levels of financial stress are low. Moreover, buyers are facing logistical challenges as the ongoing lockdown has restricted travel and hampered the ability of more willing buyers to conduct effective due diligence. Office investment deals in the first quarter of 2020 were £1.4 billion, down 38% on the equivalent quarter of 2019 and down 55% on the ten year average for a first quarter, with most successful deals commencing prior to the lockdown. We anticipate that turnover will continue to be muted until the economic and social backdrop returns to a more normalised environment.

Over the year, prime yields remained stable in both the West End and the City at 3.75% and 4.00% respectively. Whilst the expected post-election yield compression is now unlikely, London offices continue to be attractively priced when compared to other major cities. Moreover, relative to both government and corporate bonds, London real estate continues to offer relative value in a global environment where sustainable yield is scarce. At the end of 2019, CBRE estimated that there was £32.75bn of equity targeting London, and this was trending upwards in early 2020, largely driven by European investors. Given the uncertain backdrop, many international investors are now inevitably cautious and are monitoring the market, particularly with the ongoing travel restrictions. However, CBRE see no evidence that the strong fundamentals of the market will not continue and drive more interest from pent-up demand in the medium-term if and when normality returns.

London retail investment volumes reduced in 2019 to £1.2 billion, down from £1.7 billion in 2018, remaining well below the five year average. The structural changes facing the retail sector deepened during the year, resulting in buyers being more selective. More recently, the impact of COVID-19 has closed stores across

the globe adding further to retailer financial distress. Whilst investment volumes have been light, CBRE reported that prime yields rose during the year to 2.5% and 3.25% on Bond Street and Oxford Street respectively.

Notwithstanding the present disruption, over the medium term we expect that London's relative value, combined with its transparent legal system, its position as a global hub and perceived safe haven status will continue to attract capital from around the globe.

Near term outlook for rents and yields
The unprecedented nature of the current COVID-19 situation means that, at this stage, it is too early to judge the market outlook with any certainty or provide rental value guidance for the new financial year. However, we do expect to see some yield expansion for both office and retail properties, although London's yields today still remain attractive relative to other global cities and underlying interest rates.

Our portfolio valuation

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

Portfolio values broadly stable; down 0.3% in year
The valuation of our portfolio, including our share of joint ventures, fell marginally over the 12 months by £8.8 million, or 0.3%, on a like-for-like basis, to £2,624.1 million at 31 March 2020.

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

- retail rental value declines – in the past 12 months rental values across our retail portfolio were down 4.3% on a like-for-like basis, with our office portfolio rental values increasing by 3.5%, largely driven by our leasing performance;
- development gains – the valuation of our committed development properties increased by 11.9% on a like-for-like basis to £590.3 million during the year as demand for high quality space continued to outstrip supply supporting values and two of our three schemes approached completion;
- active portfolio management – during another strong year, 75 new leases, rent reviews and renewals were completed, with new lettings 8.8% ahead of ERV, securing £24.9 million (our share) of annual income, supporting the valuation over the year;
- higher investment yields – the valuation was marginally reduced by yield movements which increased by 6 basis points (2019: 1 basis point increase) during the year. At 31 March 2020, the portfolio true equivalent yield was 4.6%.

Including rent from pre-lets and leases currently in rent-free periods, the adjusted initial yield of the investment portfolio at 31 March 2020 was 4.0%, 20 basis points lower since the start of the financial year.

Whilst the overall valuation was marginally down by 0.3% during the year, elements of the portfolio showed greater variation. Our office properties rose by 1.0% compared to a 3.5% fall in retail values, as weaker retailer sentiment reduced ERVs and softened yields. Furthermore, short leasehold properties (<100 years), which represent 17% of the portfolio, reduced in value by 10.2% compared to an increase of 1.9% in the rest of the portfolio, as investor demand for shorter leasehold assets reduced.

Our joint venture properties increased in value by 7.8% over the year, driven by our committed development at Hanover Square, W1, which increased in value by 28.5% following further pre-letting activity, while the wholly-owned portfolio fell by 2.9% on a like-for-like basis.

Material valuation uncertainty
The rapid spread of COVID-19 has disrupted activity in our real estate markets, creating heightened valuation uncertainty for CBRE, the Group's valuers. As a result, CBRE has included a clause within the valuation report which highlights a 'material valuation uncertainty'. This clause serves as a precaution and does not invalidate the valuation, and does not mean that the valuation cannot be relied upon. Rather, it is intended to highlight that due to current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

Our relative performance
The Group delivered a total property return (TPR) for the year of 3.7%, compared to the central London MSCI quarterly index of 2.5%, and a capital return of 0.3%, versus -0.8% for MSCI. This outperformance

results from the strong performance of our committed developments in the year, in particular at Hanover Square and The Hickman, where we are delivering prime, Grade A space into a supply constrained market.

Our investment activities

Our investment activities is accompanied by graphics (see Appendix 3)

During the year we saw strong demand for long-let, well-located prime assets as well as for sites with near-term development potential. Accordingly, value has been scarce and we made no acquisitions during the year. However, we took advantage of these market conditions to profitably recycle out of one commercial property.

Given the continued strength of the investment market, attractive opportunities to buy were limited and we were once again a net seller, taking advantage of these supportive market conditions to sell 24/25 Britton Street, EC1. In total, together with some small residential sales, we generated £73.3 million in gross proceeds at a 10.0% premium to the 31 March 2019 book values.

Last year, we entered into a structured sale agreement for our small Whitechapel Courtyard sites at the rear of our Hickman development. We expect the sale to conclude prior to completion of the main development in Q3 2020.

Residential sales of £9.2 million
During the year we completed £9.2 million of residential sales, including the last remaining unit at Rathbone Square, W1 for £5.6 million, in line with the March 2019 book value. GPE has no remaining interest in the asset.

New PropTech VC investment
PropTech is having a growing impact on the markets in which we operate both as technology becomes increasingly embedded in buildings and as the services that surround our buildings become digitised. Therefore, whilst we saw limited opportunities in the investment market, we made a commitment in January 2020 of up to £5 million to invest in Pi Labs European PropTech venture capital fund. Launched in 2014, Pi Labs is Europe's longest standing PropTech VC and this third fund has a primary focus to invest in early stage PropTech start-ups across Europe and the UK that use technology solutions to enhance any stage of the real estate value chain.

Investment in the fund will provide us with an insight into emerging technologies and provide the ability to trial them in the portfolio. Key areas of focus for the fund include sustainability, the future of work, the future of retail, commercial real estate technologies, construction technology and smart cities.

How we are positioned
We have been a net seller for the past seven financial years, taking advantage of supportive investment markets to recycle out of mature assets where our business plans were complete. However, we are constantly reviewing acquisition opportunities, and we currently have £0.9 billion of potential acquisitions under review.

Whilst the number of assets under review remains high, opportunities providing attractive value continued to be scarce. Those with a near-term development opportunity, the sort of assets that we typically look to buy, saw strong demand and pricing was robust. None of the assets we reviewed traded within 10% of our view of fair value.

In the near term, we expect COVID-19 to greatly reduce the number of assets for sale. So far, levels of financial distress appear to be low and therefore vendors do not need to bring assets to an increasingly uncertain market. Looking further ahead, it is too early to ascertain what impact the pandemic and economic shutdown will have on the investment market. We will remain disciplined. Any potential purchase needs to outperform the assets we already own, and with our existing portfolio stacked with opportunity, the hurdle is high. However, we continue to closely monitor the market and we have both the financial firepower and the team to exploit any market weakness should it arise.

Our development activities

We have made significant progress with our three committed schemes, which are now 48% pre-let or under offer. We continue to prepare our pipeline of future opportunities, with three schemes now in our near-term pipeline. Our total development programme represents 56% of the entire portfolio providing us with an extensive platform of future opportunities to add value.

We currently have three committed schemes on site, set to deliver 414,600 sq ft of high quality space, all near Crossrail stations and all targeting BREEAM 'Excellent', which are expected to generate a profit on cost of 14.7%. With two schemes due to finish this year, capital expenditure to come at these schemes totals £59.9 million and, at 31 March 2020, the committed development properties were valued at £590.3 million (our share).

Our ability to deliver sustainable development returns requires a deep pipeline of opportunities, which, when conditions allow, will become the development schemes of tomorrow. Today, our pipeline of future schemes is as rich as ever, with the team busy preparing a further ten schemes set to deliver more than 1.4 million sq ft across the coming decade.

Committed schemes 48% pre-let or under offer; two completions expected this year
Hanover Square, W1, our 221,100 sq ft mixed use development in Mayfair, will deliver 167,100 sq ft of offices, 41,800 sq ft of retail and restaurant space and 12,200 sq ft of residential apartments. Construction has progressed well in the year although the recent lockdown associated with the COVID-19 pandemic has understandably required social distancing on site and will delay completion, marginally increasing costs to complete. Based on current working patterns, we expect the scheme to complete in sections over the coming months with full practical completion now expected in October 2020.

Following strong office pre-letting to KKR and Glencore, interest in the remaining 55,700 sq ft of office space continues to be strong, especially for the stand-alone office building on New Bond Street, W1 where we currently have 32,900 sq ft of office space under offer.

During the year, we pre-let a 5,000 sq ft retail unit on the corner of New Bond Street and Brook Street to Canali, 11.5% ahead of the March 2019 ERV and we handed the unit over to them in April 2020. We expect the letting prospects for the remaining five retail units to be more challenging given the current impact of COVID-19 on retail activity. However, we remain optimistic on their leasing prospects. The units are located on one of the world's premier retail streets, with attractive relative pricing and a unit sizing that is appropriate to their target market.

Hanover Square is now 52% pre-let with £7.2 million of rent secured and when completed it is expected to deliver a profit on cost of 20.9%. The development is owned in the GHS Partnership, our 50:50 joint venture with the Hong Kong Monetary Authority.

At Oxford House, now branded 1 Newman Street & 70/88 Oxford Street, W1, we have made good progress and the structure of the building is complete to level seven. 1 Newman Street & 70/88 Oxford Street will deliver 81,200 sq ft of new offices and 37,900 sq ft of retail space at the rapidly improving eastern end of Oxford Street, directly opposite the entrance to the Tottenham Court Road Crossrail station. We have commenced the marketing of the retail units although, again, we expect leasing progress to be slow given the impact of COVID19 along with delays to the opening of Crossrail. Occupier interest for the office space however has been strong, given the quality of the building and the continued lack of new-build office supply in the core of the West End. As a result, we have the top three floors (40,000 sq ft) under offer with the pre-let expected to exchange imminently. Completion is now anticipated to be in Q3 2021 as a consequence of the lockdown, with an expected profit on cost (excluding the benefit of the pre-let) of 8.0%.

At The Hickman, E1, we are expecting to complete the development in August 2020. Our activities have transformed the existing building into 74,400 sq ft of Grade A office and retail space. The Hickman will be our most intelligent building to date. We are pioneering our integrated building App, sesame, which will provide us and our occupiers with real-time data on occupancy, energy consumption, air quality, lighting and temperature, providing a better understanding of how the building is operating and being utilised.

Occupier interest in the seven storey building has been strong. To date, we have the top four floors (28,700 sq ft) under offer on a 10 year term at an average rent of £60.00 per sq ft, marginally ahead of the March 2020 ERV.

We expect to fit-out the second floor and lease the space on a Flex basis and provide co-working space on the lower ground, ground and first floors. By layering our flex space between the co-working and the core traditional spaces on the upper floors, we are creating a truly flexible building. We are aiming to provide the ability for occupiers of the co-working space, typically on the shortest commitments, to potentially graduate further up the building as their businesses mature. But equally, and of more immediate value, the core occupiers who take longer commitments can do so knowing that they can expand down into the co-working space as required. This, and the additional amenity, is designed to make the core space more attractive – proven by the fact that space we have under offer is at a premium to ERV. We are targeting a profit on cost of 16.8%.

Together, our three committed developments require £59.9 million of capital expenditure to complete, along with a further £6.2 million at our current refurbishments. Given the wider disruption as a result of COVID-19, we remain close to our contractors to ensure our sites are operating safely within current government guidelines. As these guidelines evolve, our forecast completion dates may change, however our earliest long-stop date under our existing pre-let agreements is not until June 2022. We also continue to closely monitor the financial position of our contractors whilst maintaining their cash flow through our usual bi-monthly payment terms.

Overall, our three schemes, which are all targeting a BREEAM 'Excellent' rating, are 48% pre-let or under offer and are expected to deliver a profit on cost of 14.7%, a yield on cost of 4.8% and an ungeared IRR of 9.2%.

Three near-term schemes
Beyond our three committed schemes, we have a substantial and flexible pipeline of ten uncommitted schemes, including three schemes in our near-term pipeline.

At 50 Finsbury Square, EC2, we have submitted a planning application for a major refurbishment and have completed the surrender agreement with Bloomberg L.P. ahead of securing vacant possession. The 129,100 sq ft major refurbishment will see the office floor plates extended within the existing frame of the building, a large reception with a concierge as well as an improved amenity offer. We now expect to commence construction in early 2021.

Close by at City Place House, EC2, located 200m from the Moorgate Crossrail station, we are working on plans to maximise the potential of the site by significantly increasing the size of the building to 320,000 sq ft, up from 176,600 sq ft today. Initial discussions with the City of London have been encouraging and the project has a proposed start date in 2022. We expect to submit a planning application in Q3 2020.

At New City Court, SE1 in the London Bridge Quarter, we have submitted a planning application to materially increase the size of the existing 98,000 sq ft building to 372,500 sq ft and we expect a determination later this year.

Subject to planning, these three schemes could together deliver 821,600 sq ft of Grade A space, and have an expected capital expenditure of c.£600 million and an expected ERV of c.£55 million. Encouragingly, we have already had pre-let discussions for space across these three schemes with a number of potential occupiers, despite having yet to secure planning permission.

Designing climate change resilient and adaptable spaces
Our development activities form a significant part of our carbon footprint and it is clear that sustainability, wellbeing and community relationships continue to move up the agenda of our key stakeholders. Accordingly, the sustainability of our developments forms a key part of our Statement of Intent on climate change 'The Time is Now'. As part of this commitment, we have pledged to decarbonise our business by 2030 including, from 2030, all new buildings we create will be net zero carbon.

Our Sustainable Development Brief helps ensure that our schemes anticipate future sustainability requirements and are resilient to climate risk. Furthermore, our Design Review Panel, chaired by our Director of Workplace and Innovation, meets weekly and challenges our professional teams to ensure that we create

space that fulfils our occupiers' needs. In particular, this means ensuring our developments meet the highest standards of sustainable design, embrace technology and provide a variety of adaptable and flexible working environments.

Our leasing activities

We have had another year of strong operational activity, reporting healthy leasing ahead of ERV and continuing the successful roll-out of our flexible space offering. We completed 46 new lettings, securing £14.4 million of rent, outperforming March 2019 ERV's by 8.8%. We also settled 29 rent reviews securing £13.2 million of rent.

Despite the economic and political turbulence our occupational markets have continued to perform well. Demand for our brand of high quality, sustainable space remained robust, supporting our successful leasing activity. During the year, we delivered market lettings 8.8% ahead of ERV and overall rental value growth of 1.4%. We have also continued to capture reversion across the portfolio, and coupled with the leasing activity, this has helped drive like-for-like Group rent roll up by 3.0%.

The key highlights of another busy year included:

- 46 new leases and renewals completed during the year (2019: 78 leases) generating annual rent of £14.4 million (our share: £12.7 million; 2019: £19.3 million), with market lettings 8.8% ahead of ERV;
- 10 Flex space and co-working lettings (97,800 sq ft), securing rent at a premium of 42% to net effective ERV, and currently appraising a further 152,200 sq ft;
- 29 rent reviews securing £13.2 million of rent (our share: £12.2 million; 2019: £10.5 million) were settled at an increase of 19.7% over the previous rent and capturing significant reversion;
- £3.9 million of reversion captured in the year to 31 March 2020 (2019: £2.7 million);
- total space covered by new lettings, reviews and renewals was 439,200 sq ft (2019: 600,400 sq ft);
- following the successful leasing period, the Group's vacancy rate has decreased to 2.0% (31 March 2019: 4.8%) and Group rent roll has increased by 3.0% to £100.8 million, on a like-for-like basis; and
- our average office rent remains low at £53.40 per sq ft.

A highly active year
Whilst we have been successful with further pre-lettings at our committed developments (see development activities section), we have been highly active across our investment portfolio including the expansion of our flexible spaces.

During the year, we significantly extended our commitment to our flexible offerings. After the success of our co-working arrangement with Runway East at New City Court, SE1, we expanded our co-working arrangement with a new flexible office partnership arrangement with Knotel for 82,300 sq ft at City Place House, EC2. Knotel is a flexible workspace provider and will operate the space until the building's redevelopment and together we will share the revenue generated from the businesses in occupation.

Our partnership arrangements to date have focussed on income protection ahead of redevelopment. However, looking forward we are appraising longer-term arrangements, designed to enhance the income by utilising co-working partnerships to enliven the building arrival experience, provide expansion space for the other occupiers and act as a portfolio incubator for smaller businesses.

In addition, as our Flex product evolves, we have committed 16,300 sq ft to our new Flex+ space at Dufours Place, W1. This new Flex+ space further enhances our current Flex product and provides occupiers with added service provision as well as communal facilities such as a courtyard and ground floor café. Over the past twelve months, our flexible office space has increased from 87,600 sq ft to 219,600 sq ft, or 11% of our office portfolio, and we are also currently appraising a further 152,200 sq ft of flexible space across the portfolio.

In the investment portfolio, our completed development at 160 Old Street, EC1 is fully let following the letting of the two remaining office floors and the final two retail units. Together these totalled 15,200 sq ft of space for a combined rent of £1.1 million, 10.4% above March 2019 ERV.

At 50 Finsbury Square, EC2, we agreed a lease surrender with our largest occupier Bloomberg L.P. ahead of their forthcoming lease expiry in June 2020. Bloomberg L.P. paid £11.5 million, including dilapidations and a surrender premium. We will obtain full vacant possession in late 2020 to allow for a major refurbishment of the building.

During the year, we continued to see our office portfolio outperform our retail portfolio with our office properties' rental values increasing by 3.5% compared to a 4.3% fall in retail rental values, as weaker retailer sentiment continued.

We have 13 lettings under offer accounting for £12.3 million p.a. of rent (our share: £10.0 million), together 2.5% ahead of 31 March 2020 ERV.

Capturing reversion through rent reviews

Of the reversion that could be captured this financial year, a large proportion was available through rent review. As a result, it was essential that we successfully settled these reviews. We had another busy year, settling 29 rent reviews (159,300 sq ft), capturing £3.9 million of reversion, 19.7% ahead of the previous passing rent and at a 1.5% premium to ERV.

Significant rent review transactions included:

- at Carrington House, 126/130 Regent Street, W1, we settled a rent review with Russell & Bromley Limited, increasing the annual rent to £1.0 million, an increase of 103% on the previous passing rent and 30% above ERV at the review date;
- at 95/96 New Bond Street, W1, we settled a rent review with Victorinox Retail (UK) Limited (£550 per sq ft Zone A), increasing the annual rent by £0.4 million to £1.25 million, an increase of 42% on the previous rent; and
- at Wells & More, 45 Mortimer Street, W1, we settled eight rent reviews with New Look, capturing reversion of £0.5 million, and increasing the combined annual rent to £4.3 million, an increase of 14% on the previous passing rent.

Supporting our occupiers through COVID-19

Our occupiers are important stakeholders in our business and we have implemented measures to help support them through these unprecedented times. We recognise that the retail, leisure and hospitality sectors, 34% of our portfolio by rent roll (including office occupiers), have been hardest hit by the economic impact of restrictions on movement. This was reflected in the rent we collected within seven days falling to 62.9% for the March quarter (December: 99%). Accordingly, we have been in discussions with our occupiers who are facing cash flow difficulties to accommodate requests for rental concessions, including monthly payment terms, rent deferrals and in some cases rental holidays. Where possible, we have also drawn on existing occupier rental deposits.

We will be reviewing these concessions at regular intervals and welcome the significant support the Government has provided to assist businesses in these sectors during this extremely difficult period.

How we are positioned

Whilst the dynamics of the occupational office market prior to the pandemic were healthy, particularly for high quality space, the outlook is now more uncertain. Prospects for the forthcoming year are likely to be dominated by how long the current lockdown and associated disruption lasts and how quickly economic life can return to normal. We expect that well-financed, larger occupiers with lease expiries in their existing space will look through any near-term disruption to secure a long-term home for their business. However, more widely, we anticipate that financial disruption will reduce take-up levels, particularly for expansion space, and increase availability.

Notwithstanding the current crisis, we are well positioned: our leasing record remains strong, our committed development programme is focused on high quality, well located schemes that have enduring demand, our average rents remain low and 92% of our portfolio is within walking distance of a Crossrail station.

Our financial results

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

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

EPRA NAV growth driven by retained earnings and share buyback
At 31 March 2020, the Group's net assets were £2,203.1 million, down from £2,309.7 million at 31 March 2019 predominantly due to the £126.7 million returned to shareholders via a share buyback. EPRA net assets per share (NAV) at 31 March 2020 was 868 pence per share, an increase of 1.8% over the year, largely due to the marginal decline in value of the Group's properties being more than offset by the Group's earnings and the positive impact of the share buyback on a per share basis. When combined with ordinary dividends paid of 12.6 pence per share, this delivered a total accounting return of 3.2%.

The main drivers of the 15 pence per share increase in EPRA NAV from 31 March 2019 were:

- the decrease of 4 pence per share arising from the revaluation of the property portfolio, primarily driven by the reduced valuation of our investment properties more than outweighing development surpluses;
- profit on property disposals of 2 pence per share increased NAV;
- EPRA earnings for the year of 22 pence per share enhanced NAV;
- ordinary dividends paid of 13 pence per share reduced NAV;
- the completion of the share buyback programme enhanced NAV by 9 pence per share; and
- other items reduced NAV by 1 pence per share.

EPRA NNNAV was 871 pence at 31 March 2020 compared to 850 pence at 31 March 2019 (up 2.5%).

Higher earnings due to higher JV rents and lower property costs
The revaluation deficit of the Group's investment properties, along with a small accounting profit on disposals, led to the Group's reported IFRS profit after tax of £51.8 million (2019: £49.5 million). EPRA earnings were £57.0 million, 6.1% higher than last year predominantly due to higher rental income and lower finance costs in our joint ventures as a result of the full year impact of development completions and lower group property costs due to reduced vacancy in the portfolio.

Rental income from wholly-owned properties and joint venture fees for the year were £79.9 million and £2.1 million respectively, generating a combined income of £82.0 million, down £2.1 million or 2.5% on last year. With rental income broadly stable, this reduced income was predominantly due to lower income from joint venture fees due to lower levels of transactional activity. Adjusting for acquisitions, disposals and transfers to and from the development programme, like-for-like rental income (including joint ventures) increased 7.4% on the prior year.

EPRA earnings from joint ventures was £11.3 million, up from £6.7 million last year, largely due to reduced finance costs as a result of the repayment of the £90.0 million (our share: £45.0 million) bank loan in the Great Ropemaker Partnership (GRP) and strong leasing activity including at our recently completed development at 160 Old Street, EC1.

Property expenses reduced by £3.8 million to £8.1 million, principally due to reduced costs associated with our leasing initiatives and lower portfolio vacancy. Administration costs were £29.0 million, an increase of £3.9 million on last year, primarily as a result of an increase in provisions for performance related pay given the Group's relative share price and property level performance.

Gross interest paid on our debt facilities was £10.3 million, £0.7 million lower than the prior year. The reduction in interest paid was predominantly due to reduced costs associated with our RCF and redemption of the Group's convertible bond in the prior year more than offsetting the full year impact of drawing on the Group's £100 million 2.8% private placement notes. Capitalised interest increased by £1.0 million to £5.8 million, as the cumulative cost of our committed developments increased as we neared completion. As a result, the Group had an underlying net finance income (including interest receivable) of £0.8 million (2019: £0.2 million).

Basic IFRS EPS for the year was 20.0 pence, compared to 17.9 pence for 2019. Diluted IFRS EPS for the year was 20.0 pence compared to 17.1 pence for 2019. Diluted EPRA EPS was 22.0 pence (2019: 19.4 pence), an increase of 13.4% and cash EPS was 17.9 pence (2019: 17.1 pence).

Results of joint ventures
The Group's net investment in joint ventures increased to £647.0 million at 31 March 2020, up from £511.9 million in the previous year. The increase is largely due to an increase in partner loans to repay the bank loan in GRP and contributions to fund ongoing development expenditure, in particular for the development of Hanover Square, W1. Our share of joint venture net rental income was £17.9 million, up 14.0% from last year, as a result of increased rent from our letting activities and a reduction in interest payable. Our share of non-recourse net debt in the joint ventures was lower at £23.9 million at 31 March 2020 (2019: £67.4 million), predominantly due to the repayment of the GRP bank loan.

Strong financial position; LTV low at 14.2%
The Group's consolidated net debt increased to £349.4 million at 31 March 2020, compared to £156.6 million at 31 March 2019. The increase was due to the completion of the Group's share buyback programme totalling £126.7 million in the year and development capital expenditure of £116.4 million more than offsetting receipts from the Group's property sales. As a result, the Group's gearing increased to 16.2% at 31 March 2020 from 6.8% at 31 March 2019.

Including non-recourse debt in joint ventures, total net debt was £373.3 million (2019: £224.0 million), equivalent to a low loan-to-property value of 14.2% (2019: 8.7%). At 31 March 2020, the proportion of the Group's total net debt represented by our share of joint venture debt was 6.4%, compared to 30.1% last year. At 31 March 2020, the Group, including its joint ventures, had cash (£111 million) and undrawn committed credit facilities (£300 million) totalling £411 million.

The Group's weighted average cost of debt for the year, including fees and joint venture debt, was 3.0%, marginally lower than the prior year. The weighted average interest rate (excluding fees) was 2.2% at the year end, down from 2.7% as a result of drawing on our low cost RCF and refinancing the GRP bank loan.

At 31 March 2020, 69% of the Group's total debt (including non-recourse joint venture debt) was at fixed or hedged rates (2019: 100%). The Group is operating with substantial headroom over its debt covenants. At 31 March 2020, given our low levels of leverage, property values would have to fall by around 70% before covenant breach.

Rent collection for the March quarter impacted by COVID-19
Whilst the financial year to 31 March 2020 has not been materially impacted by COVID-19, we saw significantly lower collection rates for the first quarterly rental charge of the year to 31 March 2021. 62.9% of quarterly rents (quarterly rents represent 91% our total rent roll) were secured within seven working days of the 25 March quarter day (Dec 2019: 99.3%, Mar 2019: 99.2%). This has now risen to 71.0% and of the balance outstanding, more than two thirds is due from sectors hardest hit by the economic impact of restrictions on movement being retail, leisure and hospitality occupiers. Accordingly, we have been in discussions with our occupiers who are facing cash flow difficulties to accommodate requests for rental concessions, including monthly payment terms, rent deferrals and in some cases rental holidays.

Looking ahead, it is likely that the June quarter day collection rate will be lower than March, given the deteriorating economic backdrop combined with the current Government moratorium on lease forfeiture. The position could worsen further in the event that the Government unilaterally extends further new protections for occupiers beyond those already afforded to them under their negotiated lease contracts with their landlords.

At 25 March, we had 9% of our rent roll on monthly payment terms (Dec 2019: 8%, Mar 2019: 6%). Given the ongoing support that we are providing to some of our occupiers in managing their cash flow, we expect an increase in the proportion of occupiers moving to monthly payment terms in the near term. Since 1 April 2019, seven of our occupiers went into administration, representing only 1.3% of our rent roll. At 31 March 2020, we held rent deposits and bank guarantees totalling £25.8 million, including £7.4 million for our retail, leisure and hospitality occupiers (of which £3.8 million (equivalent to 12 months rent) relates to New Look, our largest retail occupier).

Within our own business, none of our employees have been furloughed and the Group has no current plans to access any UK Government COVID-19 funding.

Taxation
The tax credit in the income statement for the year is £0.2 million (2019: £6.6 million tax charge). The effective tax rate on EPRA earnings is 0% (2019: 0%). The majority of the Group's income is tax free as a result of its REIT status, and other allowances were available to set against non-REIT profits. The Group complied with all relevant REIT tests for the year to 31 March 2020.

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

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

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

Additionally, during August 2019, HMRC published new guidance which states that it considers that the REIT exemption also does not extend to profits arising from the sale of investment properties which are undergoing a major redevelopment at the time of sale. The Group will continue to consider the potential effect of this guidance on any recent and future sales by the Group.

The Group is otherwise subject to corporation tax. Despite being a REIT, we are subject to a number of other taxes and certain sector specific charges in the same way as non-REIT companies. During the year, we incurred £5.0 million in respect of stamp taxes, section 106 contributions, community infrastructure levies, empty rates in respect of vacant space, head office rates, employer's national insurance and irrecoverable VAT.

On-market share buyback programme
During the year, we completed our £200 million on-market share buyback programme. We repurchased and cancelled 17.5 million shares (£125.9 million) at an average price of £7.19 per share (or £7.24 per share, £126.7 million including costs).

Ordinary dividend growth
The Group operates a low and progressive ordinary dividend policy. The Board has declared a final dividend of 7.9 pence per share (2019: 7.9 pence) which will be paid, subject to shareholder approval, on 28 July 2020 to shareholders on the register on 29 May 2020. All of this final dividend will be a REIT PID in respect of the Group's tax exempt property rental business. Together with the interim dividend of 4.7 pence, the total dividend for the year is 12.6 pence per share, an increase of 3.3% on the prior 12 months.

Unaudited group income statement

For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Total revenue	2	**102.4**	112.4
Net rental income	3	**79.9**	80.3
Joint venture management fee income	12	**2.1**	3.8
Rental and joint venture fee income		**82.0**	84.1
Property expenses	4	**(8.1)**	(11.9)
Net rental and related income		**73.9**	72.2
Administration expenses	5	**(29.0)**	(25.1)
Development management revenue		**–**	–
Development management costs		**(0.2)**	(0.3)
Development management losses		**(0.2)**	(0.3)
Trading property revenue		**6.4**	14.4
Trading property cost of sales		**(5.6)**	(23.9)
Profit/(loss) on sale of trading property	11	**0.8**	(9.5)
Operating profit before (deficit)/surplus on property and results of joint ventures		**45.5**	37.3
(Deficit)/surplus from investment property	10	**(52.6)**	7.3
Share of results of joint ventures	12	**57.9**	10.0
Operating profit		**50.8**	54.6
Finance income	6	**7.3**	8.3
Finance costs	7	**(6.5)**	(8.1)
Fair value movement on convertible bond		**–**	1.3
Profit before tax		**51.6**	56.1
Tax	8	**0.2**	(6.6)
Profit for the year		**51.8**	49.5
Basic earnings per share	9	**20.0p**	17.9p
Diluted earnings per share	9	**20.0p**	17.1p
Basic EPRA earnings per share	9	**22.0p**	19.5p
Diluted EPRA earnings per share	9	**22.0p**	19.4p

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

Unaudited group statement of comprehensive income

For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Profit for the year		**51.8**	49.5
Items that will not be reclassified subsequently to profit and loss			
Actuarial loss on defined benefit scheme	26	**(0.4)**	(0.9)
Deferred tax on actuarial loss on defined benefit scheme		**–**	0.2
Total comprehensive income and expense for the year		**51.4**	48.8

Unaudited group balance sheet

At 31 March 2020

	Notes	**2020 £m**	2019 £m
Non-current assets			
Investment property	10	**1,987.1**	2,025.0
Investment in joint ventures	12	**647.0**	511.9
Property, plant and equipment	13	**7.5**	4.0
Other investments	14	**0.2**	–
		2,641.8	2,540.9
Current assets			
Trading property	11	**–**	5.6
Trade and other receivables	15	**16.1**	10.9
Corporation tax	8	**0.5**	–
Cash and cash equivalents		**94.9**	139.4
		111.5	155.9
Total assets		**2,753.3**	2,696.8
Current liabilities			
Trade and other payables	16	**(60.0)**	(47.1)
Corporation tax	8	**–**	(3.3)
		(60.0)	(50.4)
Non-current liabilities			
Interest-bearing loans and borrowings	17	**(444.3)**	(296.0)
Obligations under head leases	19	**(40.7)**	(40.7)
Obligations under occupational leases	20	**(4.8)**	–
Pension liabilities	26	**(0.4)**	–
Deferred tax	8	**–**	–
		(490.2)	(336.7)
Total liabilities		**(550.2)**	(387.1)
Net assets		**2,203.1**	2,309.7
Equity			
Share capital	21	**38.7**	41.4
Share premium account		**46.0**	46.0
Capital redemption reserve	21	**326.7**	324.0
Retained earnings		**1,792.3**	1,900.0
Investment in own shares	22	**(0.6)**	(1.7)
Total equity		**2,203.1**	2,309.7
Basic net assets per share	9	**868p**	851p
EPRA NAV	9	**868p**	853p

Approved by the Board on 20 May 2020 and signed on its behalf by:

Toby Courtauld
Chief Executive

Nick Sanderson
Finance and Operations Director

Unaudited group statement of cash flows

For the year ended 31 March 2020

	Notes	**2020 £m**	2019 £m
Operating activities			
Operating profit		**50.8**	54.6
Adjustments for non-cash items	23	**(2.4)**	(13.7)
Decrease in trading property		**4.9**	13.4
(Increase)/decrease in receivables		**(6.4)**	2.2
Increase/(decrease) in payables		**4.8**	(13.5)
Cash generated from operations		**51.7**	43.0
Interest paid		**(10.1)**	(12.3)
Interest received		**0.6**	1.3
Tax paid		**(3.6)**	(5.0)
Cash flows from operating activities		**38.6**	27.0
Investing activities			
Distributions from joint ventures		**4.6**	10.1
Funds to joint ventures		**(56.9)**	(35.6)
Purchase of other investments		**(0.2)**	–
Purchase and development of property		**(64.6)**	(47.6)
Purchase of plant and equipment		**(0.1)**	(0.1)
Sale of properties		**66.9**	342.1
Investment in joint ventures		**(18.0)**	(45.6)
Cash flows from investing activities		**(68.3)**	223.3
Financing activities			
Revolving credit facility drawn	17	**149.1**	–
Repayment of convertible bond	17	**–**	(149.6)
Issue of private placement notes	17	**–**	99.7
Purchase of own shares	21	**(127.8)**	(73.7)
Capital returned via a B share scheme		**–**	(306.0)
Payment of lease obligations		**(2.8)**	–
Dividends paid	24	**(33.3)**	(32.7)
Cash flows from financing activities		**(14.8)**	(462.3)
Net decrease in cash and cash equivalents		**(44.5)**	(212.0)
Cash and cash equivalents at 1 April		**139.4**	351.4
Cash and cash equivalents at 31 March		**94.9**	139.4

Unaudited group statement of changes in equity

For the year ended 31 March 2020

	Notes	**Share capital £m**	**Share premium account £m**	**Capital redemption reserve £m**	**Retained earnings £m**	**Investment in own shares £m**	**Total equity £m**
Total equity at 1 April 2019		**41.4**	**46.0**	**324.0**	**1,900.0**	**(1.7)**	**2,309.7**
Adoption of IFRS 16		**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**
Total equity at 1 April 2019 restated		**41.4**	**46.0**	**324.0**	**1,899.3**	**(1.7)**	**2,309.0**
Profit for the year		**–**	**–**	**–**	**51.8**	**–**	**51.8**
Actuarial loss on defined benefit scheme		**–**	**–**	**–**	**(0.4)**	**–**	**(0.4)**
Total comprehensive income for the year		**–**	**–**	**–**	**51.4**	**–**	**51.4**
Employee Long-Term Incentive Plan charge	22	**–**	**–**	**–**	**–**	**2.6**	**2.6**
Dividends to shareholders	24	**–**	**–**	**–**	**(33.2)**	**–**	**(33.2)**
Share buyback	21	**(2.7)**	**–**	**2.7**	**(126.7)**	**–**	**(126.7)**
Transfer to retained earnings	22	**–**	**–**	**–**	**1.5**	**(1.5)**	**–**
Total equity at 31 March 2020		**38.7**	**46.0**	**326.7**	**1,792.3**	**(0.6)**	**2,203.1**

Unaudited group statement of changes in equity

For the year ended 31 March 2019

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Investment in own shares £m	Total equity £m
Total equity at 1 April 2018		43.0	46.0	322.4	1,957.9	(2.4)	2,366.9
Profit for the year		–	–	–	49.5	–	49.5
Actuarial loss on defined benefit scheme		–	–	–	(0.9)	–	(0.9)
Deferred tax on actuarial loss on defined benefit scheme		–	–	–	0.2	–	0.2
Total comprehensive income for the year		–	–	–	48.8	–	48.8
Employee Long-Term Incentive Plan charge	22	–	–	–	–	1.3	1.3
Dividends to shareholders	24	–	–	–	(32.5)	–	(32.5)
Share buyback	21	(1.6)	–	1.6	(74.8)	–	(74.8)
Transfer to retained earnings	22	–	–	–	0.6	(0.6)	–
Total equity at 31 March 2019		41.4	46.0	324.0	1,900.0	(1.7)	2,309.7

Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation

The results for the year ended 31 March 2020 are unaudited. The financial information contained in this announcement has been prepared on the basis of the accounting policies expected to be used in preparing the financial statements for the year ended 31 March 2020, which are the same as those set out in the financial statements for the year ended 31 March 2019 with the exception of the adoption of IFRS 16 "Leases" from 1 April 2019. This report should be read in conjunction with the consolidated financial statements and related notes for the year ended 31 March 2019 included in Great Portland Estates plc Annual Report.

Whilst the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 March 2020 or 2019, but the 2019 information is derived from those 2019 financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and certain financial instruments which are held at fair value. The consolidated financial statements, including the results and financial position are expressed in Sterling (£), which is the functional and presentation currency of the Group.

The Directors have considered the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2020, with particular focus on the significant impact COVID-19 is having on the macro-economic conditions in which the Group is operating. This assessment is based on the next 12 months of the Group's financial forecasts, including a going concern scenario which included the following key assumptions:

- a 35% decline in the valuation of the property portfolio;
- a 12 month delay to developments; and
- an overall decline of around 35% in rental income.

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

- has significant liquidity to fund its ongoing operations;
- is operating with significant headroom above its Group debt financing covenants
    - property values would have to fall by a further 41% before breach (or 70% from 31 March 2020 values);
    - due to the measurement of its income related bank covenants, in particular the treatment of capitalised interest, for the year ended 31 March 2020, the Group did not have a net interest charge. As a result, its interest cover covenant was not measureable. Absent the benefit of capitalised interest, as assumed in the going concern assessment, earnings before interest and tax would need to fall by a further 77% before breach (or 90% from 31 March 2020 levels); and
- has no debt maturities.

Based on these considerations, together with extensive stress testing, available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing the accounts for the year ended 31 March 2020.

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

No significant judgements have been made.

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

Key source of estimation uncertainty: property portfolio valuation
The valuation to assess the fair value of the Group's investment properties is prepared by its external valuer. The valuation is based upon a number of assumptions including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. An adjustment to any of these assumptions could lead to a material change in the property valuation. For 31 March 2020, the rapid spread of COVID-19 has disrupted activity in real estate markets creating heightened valuation uncertainty for the Group's valuers. As a result, the valuation report includes a clause which highlights a 'material valuation uncertainty'. This clause serves as a precaution and does not invalidate the valuation and does not mean that the valuation cannot be relied upon. Rather, it is intended to highlight that due to current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

For the current year and prior year the directors adopted the valuation without adjustment, further information is provided in the accounting policy for investment property and note 10.

New accounting standards
During the year ended 31 March 2020, the following accounting standards and guidance were adopted by the Group:

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

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

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

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

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

This is the Group's first set of financial statements where IFRS 16 Leases has been applied. There have been no retrospective adjustments made to the prior year figures. The impact on the results on adoption of this standard is set out below:

- IFRS 16 replaces IAS 17 Leases and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The accounting for lessors does not significantly change. The Group's only significant lease commitments relates to its head office.
- The Group has applied IFRS 16 using the modified retrospective approach and has not restated comparative information. The transition date of initial application of IFRS 16 for the Group is 1 April 2019. The Group recognised a right of use asset of £4.9 million in property, plant and equipment (note 13) and a lease liability of £5.6 million (note 20) at the transition date. The impact at transition date on the opening retained earnings is £0.7 million.
- The impact on the consolidated income statement for the period ended 31 March 2020 is a £0.1 million decrease in administration expenses and a £0.1 million increase in finance costs. In the Group statement of cash flows the depreciation of the right of use assets of £0.8 million is included in operating profit and the repayment of the lease liability of £0.9 million is included in financing activities improving operational cash flows.
- In the prior year, operating lease commitments were disclosed under IAS 17 with undiscounted non-cancellable future lease payments of £6.1 million at 31 March 2019. After discounting using an incremental borrowing rate of 3.2%, the future lease payments the future lease payments under IFRS 16, the liability reduced to £5.6 million.

The Group's accounting policies under IFRS 16 are as follows:

Leases – the Group as a lessor
Rent receivable is recognised in the income statement on a straight-line basis over the term of the lease. In the event that a lease incentive is granted to a lessee, such incentives are recognised as an asset, with the aggregate cost of the incentive recognised as a reduction in rental income on a straight-line basis over the term of the lease.

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

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

Basis of consolidation
The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 March 2020. Subsidiary undertakings are those entities controlled by the Group. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

All of the Group's revenue is generated from investment and trading properties located in central London. The properties are managed as a single portfolio by a portfolio management team whose responsibilities are not segregated by location or type, but are managed on an asset-by-asset basis. The majority of the Group's assets are mixed-use, therefore the office, retail and any residential space is managed together. Within the property portfolio, the Group has a number of properties under development. The directors view the Group's development activities as an integral part of the life cycle of each of its assets rather than a separate business or division. The nature of developing property means that whilst a property is under development it generates no revenue and has no operating results. Once a development has completed, it returns to the investment property portfolio, or if it is a trading property, it is sold. The directors have considered the nature of the business, how the business is managed and how they review performance and, in their judgement, the Group has only one reportable segment. The components of the valuation, as provided by the external valuer, are set out in note 10.

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

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

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

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

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

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

Trading property
Trading property is being developed for sale or being held for sale after development is complete, and is carried at the lower of cost and net realisable value. Revenue is recognised on completion of disposal. Cost includes direct expenditure and capitalised interest. Cost of sales, including costs associated with off-plan residential sales, are expensed to the income statement as incurred.

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

Fixtures and fittings – over three to five years.

Leasehold improvements – over the term of the lease.

Joint ventures
Joint ventures are accounted for under the equity method where, in the directors' judgement, the Group has joint control of the entity. The Group's level of control in its joint ventures is driven both by the individual agreements which set out how control is shared by the partners and how that control is exercised in practice. The Group balance sheet contains the Group's share of the net assets of its joint ventures. Balances with partners owed to or from the Group by joint ventures are included within investments. The Group's share of joint venture profits and losses are included in the Group income statement in a single line. All of the Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements. There have been no new joint ventures during the year and no changes to any of the agreements in place.

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

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

Capitalisation of interest
Interest associated with direct expenditure on investment and trading properties under development is capitalised. Direct expenditure includes the purchase cost of a site if it has been purchased with the specific intention to redevelop, but does not include the original book cost of a site where no intention existed. Interest is capitalised from the start of the development work until the date of practical completion. The rate used is the Group's weighted average cost of borrowings or, if appropriate, the rate on specific associated borrowings.

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

Financial instruments
i Derivatives The Group may use derivative financial instruments to hedge its exposure to foreign currency fluctuations and interest rate risks. The Group's derivatives are measured at fair value in the balance sheet. Derivatives are initially recognised at fair value at the date a derivative contract is entered into. At 31 March 2020, the Group had no derivatives.

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

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

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

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

2 Total revenue

	2020 £m	2019 £m
Gross rental income	**80.7**	82.9
Spreading of tenant lease incentives	**0.3**	(1.6)
Service charge income	**12.9**	12.9
Joint venture fee income	**2.1**	3.8
Trading property revenue	**6.4**	14.4
	102.4	112.4

3 Net rental income

	2020 £m	2019 £m
Gross rental income	**80.7**	82.9
Spreading of tenant lease incentives	**0.3**	(1.6)
Ground rents	**(1.1)**	(1.0)
	79.9	80.3

4 Property expenses

	2020 £m	2019 £m
Service charge income	**(12.9)**	(12.9)
Service charge expenses	**14.8**	15.1
Other property expenses	**6.2**	9.7
	8.1	11.9

5 Administration expenses

	2020 £m	2019 £m
Employee costs	**20.5**	17.2
Operating leases	**–**	1.0
Depreciation	**1.5**	0.8
Other head office costs	**7.0**	6.1
	29.0	25.1

Included within employee costs is an accounting charge for the LTIP scheme of £2.6 million (2019: £1.3 million). Employee costs, including those of directors, comprise the following:

	2020 £m	2019 £m
Wages and salaries (including annual bonuses)	**15.7**	14.0
Share-based payments	**2.6**	1.3
Social security costs	**2.6**	2.3
Other pension costs	**1.6**	1.6
	22.5	19.2
Less: recovered through service charges	**(1.2)**	(1.5)
Less: capitalised into development projects	**(0.8)**	(0.5)
	20.5	17.2

Key management compensation

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

	2020 £m	2019 £m
Wages and salaries (including annual bonuses)	**4.0**	3.3
Share-based payments	**0.9**	0.4
Social security costs	**0.6**	0.5
Other pension costs	**0.4**	0.4
	5.9	4.6

The Group had loans to key management of £6,026 outstanding at 31 March 2020. The Group's key management, its pension plan and joint ventures are the Group's only related parties.

Employee information

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

	2020 Number	2019 Number
Head office and property management	**114**	110

Auditor's remuneration

	2020 £m	2019 £m
Audit of the Company's annual accounts	**151**	123
Audit of subsidiaries	**100**	102
	251	225
Audit-related assurance services, including the interim review	**77**	75
Total audit and audit-related services	**328**	300
Other services	**–**	–
	328	300

6 Finance income

	2020 £m	2019 £m
Interest on balances with joint ventures	**6.9**	7.1
Interest on cash deposits	**0.4**	1.2
	7.3	8.3

7 Finance costs

	2020 £m	2019 £m
Interest on revolving credit facilities	**2.3**	3.0
Interest on private placement notes	**6.8**	6.2
Interest on debenture stock	**1.2**	1.2
Interest on convertible bond	**–**	0.6
Interest on obligations under occupational leases	**0.1**	–
Interest on obligations under head leases	**1.9**	1.9
Gross finance costs	**12.3**	12.9
Less: capitalised interest at an average rate of 3.1% (2019: 3.2%)	**(5.8)**	(4.8)
	6.5	8.1

8 Tax

	2020 £m	2019 £m
Current tax		
UK corporation tax	**–**	8.1
Tax (over provided)/under provided in previous years	**(0.2)**	0.1
Total current tax	**(0.2)**	8.2
Deferred tax	**–**	(1.6)
Tax (credit)/charge for the year	**(0.2)**	6.6

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

	2020 £m	2019 £m
Profit before tax	**51.6**	56.1
Tax charge on profit at standard rate of 19% (2019: 19%)	**9.8**	10.7
REIT tax-exempt rental profits and gains	**(13.5)**	(9.8)
Changes in fair value of properties not subject to tax	**2.3**	(1.4)
Changes in fair value of financial instruments not subject to tax	**–**	(0.2)
Prior periods' corporation tax	**(0.2)**	0.1
Gains in respect of sales of investment properties subject to tax	**–**	6.8
Gains in respect of £150 million 1% convertible bonds 2018	**–**	2.8
Other	**1.4**	(2.4)
Tax (credit)/charge for the year	**(0.2)**	6.6

During the year, £nil million of deferred tax was credited directly to equity (2019: £0.2 million). The Group's net deferred tax asset at 31 March 2020 was £nil (2019: £nil) consisting of a deferred tax liability of £0.1 million (2019: £0.1 million) and a deferred tax asset of £0.1 million (2019: £0.1 million).

Movement in deferred tax

	At 1 April 2019 £m	**Recognised in the income statement £m**	**Recognised in equity £m**	**At 31 March 2020 £m**
Net deferred tax asset/(liability) in respect of other timing differences	–	–	**–**	**–**

A deferred tax asset of £3.7 million (2019: £2.5 million), mainly relating to revenue losses and contingent share awards was not recognised because it is uncertain whether future taxable profits will arise against which this asset can be utilised.

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

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

Additionally, during August 2019, HMRC published new guidance which states that it considers that the REIT exemption also does not extend to profits arising from the sale of investment properties which are undergoing a major redevelopment at the time of sale. The Group will continue to consider its potential effect of this guidance on any recent and future sales by the Group.

9 Alternative performance measures and EPRA metrics

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

Weighted average number of ordinary shares

	2020 Number of shares	2019 Number of shares
Issued ordinary share capital at 1 April	**271,365,894**	281,663,675
Share buyback	**(11,864,663)**	(4,608,662)
Investment in own shares	**(1,109,303)**	(1,122,294)
Weighted average number of ordinary shares at 31 March – Basic	**258,391,928**	275,932,719

Basic and diluted earnings per share

	Profit after tax 2020 £m	**Number of shares 2020 million**	**Profit per share 2020 pence**	Profit after tax 2019 £m	Number of shares 2019 million	Profit per share 2019 pence
Basic	**51.8**	**258.4**	**20.0**	49.5	275.9	17.9
Dilutive effect of convertible bond	**–**	**–**	**–**	(0.7)	8.7	(0.8)
Dilutive effect of LTIP shares	**–**	**0.8**	**–**	–	0.4	–
Diluted	**51.8**	**259.2**	**20.0**	48.8	285.0	17.1

Basic and diluted EPRA earnings per share

	Profit after tax 2020 £m	**Number of shares 2020 million**	**Earnings per share 2020 pence**	Profit after tax 2019 £m	Number of shares 2019 million	Earnings per share 2019 pence
Basic	**51.8**	**258.4**	**20.0**	49.5	275.9	17.9
Deficit/(surplus) from investment property net of tax (note 10)	**52.6**	**–**	**20.3**	(1.4)	–	(0.5)
Surplus from joint venture investment property (note 12)	**(46.6)**	**–**	**(18.0)**	(3.4)	–	(1.2)
Movement in fair value of convertible bond net of tax	**–**	**–**	**–**	1.0	–	0.4
Movement in fair value of derivatives in joint ventures (note 12)	**–**	**–**	**–**	0.1	–	–
(Profit)/loss on sale of trading property net of tax	**(0.8)**	**–**	**(0.3)**	9.5	–	3.5
Deferred tax (note 8)	**–**	**–**	**–**	(1.6)	–	(0.6)
Basic EPRA earnings	**57.0**	**258.4**	**22.0**	53.7	275.9	19.5
Dilutive effect of LTIP shares	**–**	**0.8**	**–**	–	0.4	(0.1)
Diluted EPRA earnings	**57.0**	**259.2**	**22.0**	53.7	276.3	19.4

EPRA net assets per share

	Net assets 2020 £m	Number of shares 2020 million	Net assets per share 2020 pence	Net assets 2019 £m	Number of shares 2019 million	Net assets per share 2019 pence
Basic net assets	**2,203.1**	**253.9**	**868**	2,309.7	271.4	851
Investment in own shares	**–**	**(1.1)**	**4**	–	(1.1)	4
Dilutive effect of LTIP shares	**–**	**1.0**	**(4)**	–	0.5	(2)
Diluted net assets	**2,203.1**	**253.8**	**868**	2,309.7	270.8	853
Fair value of derivatives in joint ventures (note 12)	**–**	**–**	**–**	0.4	–	–
Deferred tax (note 8)	**–**	**–**	**–**	–	–	–
EPRA NAV	**2,203.1**	**253.8**	**868**	2,310.1	270.8	853
Fair value of financial liabilities (note 17)	**9.8**	**–**	**4**	(7.2)	–	(3)
Fair value of financial liabilities in joint ventures (note 12)	**(1.4)**	**–**	**(1)**	(1.0)	–	–
Fair value of derivatives in joint ventures (note 12)	**–**	**–**	**–**	(0.4)	–	–
Deferred tax (note 8)	**–**	**–**	**–**	–	–	–
EPRA NNNAV	**2,211.5**	**253.8**	**871**	2,301.5	270.8	850

EPRA cost ratio (including share of joint ventures)

	2020 £m	2019 £m
Administration expenses	**29.0**	25.1
Property expenses	**8.1**	11.9
Joint venture management fee income	**(2.1)**	(3.8)
Joint venture property and administration costs	**1.7**	2.4
EPRA costs (including direct vacancy costs) (A)	**36.7**	35.6
Direct vacancy costs	**(3.8)**	(6.1)
Joint venture direct vacancy cost	**(0.4)**	(0.4)
EPRA costs (excluding direct vacancy costs) (B)	**32.5**	29.1
Net rental income	**79.9**	80.3
Joint venture net rental income	**17.9**	15.7
Gross rental income (C)	**97.8**	96.0
Portfolio at fair value including joint ventures (D)	**2,624.1**	2,579.0
Cost ratio (including direct vacancy costs) (A/C)	**37.5%**	37.1%
Cost ratio (excluding direct vacancy costs) (B/C)	**33.2%**	30.3%
Cost ratio (by portfolio value) (A/D)	**1.4%**	1.4%

EPRA capital expenditure is included in note 10.

Net debt and loan-to-property value

	2020 £m	2019 £m
£142.9 million 5⅝% debenture stock 2029	**22.0**	22.0
£450.0 million revolving credit facility	**148.1**	–
Private placement notes	**274.2**	274.0
Less: cash balances	**(94.9)**	(139.4)
Net debt excluding joint ventures	**349.4**	156.6
Joint venture bank loans (at share)	**39.9**	84.8
Less: joint venture cash balances (at share)	**(16.0)**	(17.4)
Net debt including joint ventures (A)	**373.3**	224.0
Group properties at market value	**1,946.4**	1,989.9
Joint venture properties at market value	**677.7**	589.1
Properties at fair value including joint ventures (B)	**2,624.1**	2,579.0
Loan-to-property value (A/B)	**14.2%**	8.7%

Total accounting return

	2020 Pence per share	2019 Pence per share
Opening EPRA NAV (A)	**853.0**	845.0
Closing EPRA NAV	**868.0**	853.0
Increase in EPRA NAV	**15.0**	8.0
Ordinary dividends paid in the year	**12.6**	11.6
Total return (B)	**27.6**	19.6
Total accounting return (B/A)	**3.2%**	2.3%

Cash earnings per share

	Profit after tax 2020 £m	**Number of shares 2020 million**	**Earnings per share 2020 pence**	Profit after tax 2019 £m	Number of shares 2019 million	Earnings per share 2019 pence
Diluted EPRA earnings	**57.0**	**259.2**	**22.0**	53.7	276.3	19.4
Capitalised interest	**(5.8)**	**–**	**(2.2)**	(4.8)	–	(1.7)
Capitalised interest in joint ventures	**(4.4)**	**–**	**(1.7)**	(3.5)	–	(1.3)
Spreading of tenant lease incentives	**(0.3)**	**–**	**(0.1)**	1.6	–	0.6
Spreading of tenant lease incentives in joint ventures	**(2.7)**	**–**	**(1.1)**	(1.0)	–	(0.4)
Employee Long-Term Incentive Plan charge	**2.6**	**–**	**1.0**	1.3	–	0.5
Cash earnings per share	**46.4**	**259.2**	**17.9**	47.3	276.3	17.1

10 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2018	1,059.6	1,083.1	2,142.7
Costs capitalised	7.0	2.2	9.2
Disposals	(336.6)	–	(336.6)
Net valuation surplus/(deficit) on investment property	3.5	(4.2)	(0.7)
Book value at 31 March 2019	733.5	1,081.1	1,814.6
Costs capitalised	**11.8**	**11.8**	**23.6**
Disposals	**(56.9)**	**–**	**(56.9)**
Net valuation deficit on investment property	**(22.4)**	**(23.3)**	**(45.7)**
Book value at 31 March 2020	**666.0**	**1,069.6**	**1,735.6**

Investment property under development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2018	162.5	–	162.5
Costs capitalised	38.8	–	38.8
Interest capitalised	4.8	–	4.8
Net revaluation surplus on investment property under development	4.3	–	4.3
Book value at 31 March 2019	210.4	–	210.4
Costs capitalised	**48.1**	**–**	**48.1**
Interest capitalised	**5.8**	**–**	**5.8**
Net valuation deficit on investment property under development	**(12.8)**	**–**	**(12.8)**
Book value at 31 March 2020	**251.5**	**–**	**251.5**
Total investment property	**917.5**	**1,069.6**	**1,987.1**

The book value of investment property includes £40.7 million (2019: £40.7 million) in respect of the present value of future ground rents. The market value of the portfolio (excluding these amounts) is £1,946.4 million. The market value of the Group's total property portfolio, including trading properties, was £1,946.4 million (2019: £1,989.9 million). The total portfolio value including joint venture properties of £677.7 million (see note 12) was £2,624.1 million. At 31 March 2020, property with a carrying value of £112.6 million (2019: £108.4 million) was secured under the first mortgage debenture stock (see note 17).

Surplus from investment property

	2019 £m	2019 £m
Net valuation (deficit)/surplus on investment property	**(58.5)**	3.6
Profit on sale of investment properties	**5.9**	3.7
	(52.6)	7.3

The Group's investment properties, including those held in joint ventures (note 12), were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2020. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK national supplement 2018 (the Red Book) and have been primarily derived using comparable recent market transactions on arm's length terms.

For the 31 March 2020 valuation, the rapid spread of COVID-19 has disrupted activity in real estate markets creating heightened valuation uncertainty for the Group's valuers. As a result, the valuation report includes a clause which highlights a 'material valuation uncertainty' which is as follows:

> "As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review".

This clause serves as a precaution and does not invalidate the valuation, and does not mean that the valuation cannot be relied upon. Rather, it is intended to highlight that due to current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

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

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

Key inputs to the valuation

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

Everything else being equal, there is a positive relationship between rental values and the property valuation, such that an increase in rental values will increase the valuation of a property and a decrease in rental

values will reduce the valuation of the property. However, the relationship between capitalisation yields and the property valuation is negative; therefore an increase in capitalisation yields will reduce the valuation of a property and a reduction will increase its valuation. A decrease in the capitalisation yield by 25 basis points would result in an increase in the fair value of the Group's investment property by £149.2 million, whilst a 25 basis point increase would reduce the fair value by £134.0 million. There are interrelationships between these inputs as they are determined by market conditions, and the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions (i.e. rental values increase and yields decrease) valuation movements can be amplified, whereas if they move in the same direction they may offset, reducing the overall net valuation movement. Additionally, investment property under development is sensitive to estimated income, cost and developer's profit assumptions included in the valuations.

At 31 March 2020, the Group had capital commitments of £57.5 million (2019: £93.6 million).

EPRA capital expenditure

	2020 £m	2019 £m
Group		
Acquisitions	**–**	–
Developments (including trading properties)	**48.1**	38.8
Investment property	**23.6**	9.2
Interest capitalised (including trading properties)	**5.8**	4.8
Joint ventures (at share)		
Developments	**34.1**	70.5
Investment property	**0.7**	5.8
Interest capitalised	**4.4**	3.5
Total	**116.7**	132.6

See note 9 for further detail on EPRA measures.

11 Trading property

	2020 £m	2019 £m
At 1 April	**5.6**	19.5
Disposals	**(5.6)**	(13.9)
At 31 March	**–**	5.6

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

12 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	Balances with partners £m	2020 Total £m	2019 Total £m
At 1 April	**329.1**	**182.8**	**511.9**	423.7
Movement on joint venture balances	**–**	**63.8**	**63.8**	42.7
Additions	**18.0**	**–**	**18.0**	45.6
Share of profit of joint ventures	**11.3**	**–**	**11.3**	6.6
Share of revaluation surplus of joint ventures	**46.6**	**–**	**46.6**	3.5
Share of loss on disposal of joint venture properties	**–**	**–**	**–**	(0.1)
Share of results of joint ventures	**57.9**	**–**	**57.9**	10.0
Distributions	**(4.6)**	**–**	**(4.6)**	(10.1)
At 31 March	**400.4**	**246.6**	**647.0**	511.9

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

	Country of registration	2020 ownership	2019 ownership
The GHS Limited Partnership	Jersey	**50%**	50%
The Great Capital Partnership (inactive)	United Kingdom	**50%**	50%
The Great Ropemaker Partnership	United Kingdom	**50%**	50%
The Great Victoria Partnerships	United Kingdom	**50%**	50%
The Great Wigmore Partnership (inactive)	United Kingdom	**50%**	50%

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

	The GHS Limited Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	Other £m	2020 Total £m	2020 At share £m	2019 At share £m
Balance sheets							
Investment property	**677.5**	**541.3**	**147.0**	**–**	**1,365.8**	**682.9**	594.3
Current assets	**1.3**	**5.1**	**0.8**	**–**	**7.2**	**3.6**	2.4
Cash	**13.2**	**8.3**	**10.4**	**–**	**31.9**	**16.0**	17.4
Balances (from)/to partners	**(208.6)**	**(295.6)**	**10.9**	**–**	**(493.3)**	**(246.6)**	(182.8)
Bank loans	**–**	**–**	**(79.8)**	**–**	**(79.8)**	**(39.9)**	(84.8)
Derivatives	**–**	**–**	**–**	**–**	**–**	**–**	(0.4)
Current liabilities	**(8.3)**	**(9.8)**	**(2.5)**	**(0.1)**	**(20.7)**	**(10.4)**	(11.8)
Finance leases	**–**	**(10.3)**	**–**	**–**	**(10.3)**	**(5.2)**	(5.2)
Net assets	**475.1**	**239.0**	**86.8**	**(0.1)**	**800.8**	**400.4**	329.1

	The GHS Limited Partnership £m	The Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	Other £m	2020 Total £m	2020 At share £m	2019 At share £m
Income statements							
Net rental income	**–**	**24.4**	**11.5**	**–**	**35.9**	**17.9**	15.7
Property and administration costs	**(0.6)**	**(2.5)**	**(0.2)**	**(0.1)**	**(3.4)**	**(1.7)**	(2.4)
Net finance costs	**0.1**	**(6.9)**	**(3.0)**	**–**	**(9.8)**	**(4.9)**	(6.6)
Movement in fair value of derivatives	**–**	**–**	**–**	**–**	**–**	**–**	(0.1)
Profit/(loss) from joint ventures	**(0.5)**	**15.0**	**8.3**	**(0.1)**	**22.7**	**11.3**	6.6
Revaluation of investment property	**150.2**	**(4.8)**	**(52.2)**	**–**	**93.2**	**46.6**	3.5
Loss on sale of investment property	**–**	**–**	**–**	**–**	**–**	**–**	(0.1)
Share of results of joint ventures	**149.7**	**10.2**	**(43.9)**	**(0.1)**	**115.9**	**57.9**	10.0

The non-recourse debt facilities of the joint ventures at 31 March 2020 are set out below:

Joint venture debt facilities	Nominal value (100%) £m	Maturity	Fixed/ floating	Interest rate
The Great Victoria Partnership	80.0	July 2022	Fixed	3.74%

At 31 March 2020, the Great Victoria Partnership loan had a fair value of £82.6 million (2019: £81.8 million). During the year, the £90.0 million bank loan facility in the Great Ropemaker Partnership was repaid in full. All interest-bearing loans are in sterling. At 31 March 2020, the joint ventures had £nil undrawn facilities (2019: £nil).

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

	2020 £m	2019 £m
Movement on joint venture balances during the year	**(63.8)**	(42.7)
Balances receivable at the year end from joint ventures	**(246.6)**	(182.8)
Distributions	**4.6**	10.1
Management fee income	**2.1**	3.8

The joint venture balances are repayable on demand and bear interest as follows: the GHS Limited Partnership at 5.3% on balances at inception and 4.0% on any subsequent balances and the Great Ropemaker Partnership at 2.0%.

The investment properties include £5.2 million (2019: £5.2 million) in respect of the present value of future ground rents, net of these amounts the market value of our share of the total joint venture properties is £677.7 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 2020, the Group had £nil contingent liabilities arising in its joint ventures (2019: £nil).
At 31 March 2020, the Group had capital commitments in respect of its joint ventures of £13.4 million (2019: £45.9 million).

13 Property, plant and equipment

	Right of use asset for occupational leases £m	Leasehold improvements £m	Fixtures and fittings/other £m	Total £m
Cost				
At 1 April 2018	–	5.5	1.1	6.6
Costs capitalised	–	0.1	–	0.1
At 31 March 2019	–	5.6	1.1	6.7
Adoption of IFRS 16	**4.9**	**–**	**–**	**4.9**
Costs capitalised	**–**	**–**	**0.1**	**0.1**
At 31 March 2020	**4.9**	**5.6**	**1.2**	**11.7**
Depreciation				
At 1 April 2019	–	1.8	0.9	2.7
Charge for the year	**0.8**	**0.6**	**0.1**	**1.5**
At 31 March 2020	**0.8**	**2.4**	**1.0**	**4.2**
Carrying amount at 31 March 2019	–	3.8	0.2	4.0
Carrying amount at 31 March 2020	**4.1**	**3.2**	**0.2**	**7.5**

14 Other investments

	2020 £m	2019 £m
At 1 April	**–**	–
Acquisitions	**0.2**	–
At 31 March	**0.2**	–

In January 2020, the Group entered into a commitment of up to £5 million to invest in Pi Labs European PropTech venture capital fund. At 31 March 2020, the Group had made investments of £0.2 million. Launched in 2014, Pi Labs is Europe's longest standing PropTech VC and this third fund has a primary focus to invest in early stage PropTech start-ups across Europe and the UK that use technology solutions to enhance any stage of the real estate value chain. Key areas of focus for the fund include sustainability, the future of work, the future of retail, commercial real estate technologies, construction technology and smart cities.

15 Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**11.8**	3.6
Expected credit loss allowance	**(2.2)**	(0.7)
	9.6	2.9
Prepayments and accrued income	**1.0**	0.6
Amounts due on development management contracts	**1.4**	1.4
Other trade receivables	**4.1**	6.0
	16.1	10.9

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the occupier's lease. Trade receivables are provided for based on the expected credit loss, which uses a lifetime expected loss

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

Debtors past due but not impaired were £0.6 million (2019: £1.9 million) of which £0.6 million (2019: £1.8 million) is over 30 days.

	2020 £m	2019 £m
Movements in expected credit loss allowance		
Balance at the beginning of the year	**(0.7)**	(0.4)
Expected credit loss allowance during the year	**(0.1)**	(0.3)
Expected credit loss allowance in respect of future years	**(2.1)**	–
Amounts written-off as uncollectable	**0.7**	–
	(2.2)	(0.7)

16 Trade and other payables

	2020 £m	2019 £m
Rents received in advance	**19.4**	19.7
Deposits received on forward sale of residential units	**0.3**	1.9
Other payables and accrued expenses	**40.3**	25.5
	60.0	47.1

17 Interest-bearing loans and borrowings

	2020 £m	2019 £m
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	**22.0**	22.0
Unsecured		
£450.0 million revolving credit facility	**148.1**	–
£175.0 million 2.15% private placement notes 2024	**174.5**	174.4
£40.0 million 2.70% private placement notes 2028	**39.9**	39.8
£30.0 million 2.79% private placement notes 2030	**29.9**	29.9
£30.0 million 2.93% private placement notes 2033	**29.9**	29.9
Non-current interest bearing loans and borrowings	**444.3**	296.0

In January 2020, the Group entered into an 'Amendment and Extension' transaction on its £450 million unsecured revolving credit facility (RCF). The size of the RCF is unchanged at £450 million, but the headline margin was reduced to 90.0 basis points over LIBOR (plus or minus 2.5 basis points subject to a number of ESG linked targets) with the maturity extended to January 2025 which can potentially be extended further to January 2027, subject to bank consent.

At 31 March 2020, the Group had £301.0 million (2019: £451.0 million) of undrawn credit facilities.

18 Financial instruments

Categories of financial instrument	**Carrying amount 2020 £m**	**Amounts recognised in income statement 2020 £m**	**Gain/(loss) to equity 2020 £m**	Carrying amount 2019 £m	Amounts recognised in income statement 2019 £m	Gain/(loss) to equity 2019 £m
Other investments	**0.2**	**–**	**–**	–	–	–
Assets at fair value	**0.2**	**–**	**–**	–	–	–
Convertible bond	**–**	**–**	**–**	–	0.7	–
Current liabilities at fair value	**–**	**–**	**–**	–	0.7	–
Balances with partners	**246.6**	**6.9**	**–**	182.8	7.1	
Trade receivables	**15.6**	**(0.1)**	**–**	10.9	(0.3)	–
Cash and cash equivalents	**94.9**	**0.4**	**–**	139.4	1.2	–
Assets at amortised cost	**357.1**	**7.2**	**–**	333.1	8.0	–
Trade and other payables	**(11.2)**	**–**	**–**	(11.8)	–	–
Interest-bearing loans and borrowings	**(444.3)**	**(4.5)**	**–**	(296.0)	(5.7)	–
Obligations under occupational leases	**(4.8)**	**(0.1)**	**–**	–	–	–
Obligations under head leases	**(40.7)**	**(1.9)**	**–**	(40.7)	(1.8)	–
Liabilities at amortised cost	**(501.0)**	**(6.5)**	**–**	(348.5)	(7.5)	–
Total financial instruments	**(143.7)**	**0.7**	**–**	(15.4)	1.2	–

Financial risk management objectives

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has a policy of reviewing the financial information of prospective occupiers and only dealing with those that are creditworthy and obtaining sufficient rental cash deposits or third party guarantees as a means of mitigating financial loss from defaults.

The concentration of credit risk is limited due to the large and diverse occupier base. Accordingly, the directors believe that there is no further expected credit loss required in excess of that provided. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group’s maximum exposure to credit risk without taking account of the value of rent deposits obtained. Details of the Group’s receivables are summarised in note 15 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 operate on a going concern basis and as such it aims to maintain an appropriate mix of debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued share capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. Debt comprises long-term debenture stock, private placement notes, convertible bonds and drawings against committed revolving credit facilities from banks. The Group aims to maintain a loan-to-property value of between 10% – 40% (see note 9).

The Group operates solely in the United Kingdom, and its operating profits and net assets are Sterling denominated. As a result, the Group’s policy is to have no unhedged assets or liabilities denominated in

foreign currencies. The currency risk on overseas transactions has historically been fully hedged through foreign currency derivatives to create a synthetic sterling exposure.

Liquidity risk

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

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

Key covenants	**Covenant**	**March 2020 actuals**
Group		
Net debt/net equity	**<1.25x**	**0.162x**
Inner borrowing (unencumbered asset value/unsecured borrowings)	**>1.66x**	**4.267x**
Interest cover	**>1.35x**	**n/m**

Due to low levels of consolidated group debt, there was no net interest charge (as measured under our debt covenants) in the year, as a result interest cover was not measurable. The Group has undrawn credit facilities of £301.0 million and has substantial headroom above all of its key covenants. As a result, the directors consider the Group to have adequate liquidity to be able to fund the ongoing operations of the business.

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

At 31 March 2020	**Carrying amount £m**	**Contractual cash flows £m**	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**
Non-derivative financial liabilities						
£142.9 million 5⅝% debenture stock 2029	**22.0**	**32.7**	**1.2**	**1.2**	**3.7**	**26.6**
£450.0 million revolving credit facility	**148.1**	**162.4**	**2.5**	**2.6**	**157.3**	**–**
Private placement notes	**274.2**	**312.8**	**5.9**	**5.9**	**189.5**	**111.5**
	444.3	**507.9**	**9.6**	**9.7**	**350.5**	**138.1**

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

Interest rate risk

Interest rate risk arises from the Group's use of interest-bearing financial instruments. It is the risk that future cash flows arising from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy to reduce interest rate risk in respect of the cash flows arising from its debt finance either through the use of fixed rate debt or through the use of interest rate derivatives such as swaps, caps and floors. It is the Group's usual policy to maintain the proportion of floating interest rate exposure to between 20%–40% of

forecast total debt. However, this target is flexible, and may not be adhered to at all times depending on, for example, the Group's view of future interest rate movements. At 31 March 2020, the Group had no interest rate derivatives.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the balance sheet date, and represents management's assessment of possible changes in interest rates based on historical trends. For the floating rate liabilities, the analysis is prepared assuming the amount of the liability at 31 March 2020 was outstanding for the whole year:

	Impact on profit		**Impact on equity**	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Increase of 100 basis points	**(1.5)**	0.7	**(1.5)**	0.7
Increase of 50 basis points	**(0.8)**	0.4	**(0.8)**	0.4
Decrease of 25 basis points	**0.4**	(0.2)	**0.4**	(0.2)
Decrease of 50 basis points	**0.8**	(0.4)	**0.8**	(0.4)

Fair value of interest-bearing loans and borrowings

	Book value 2020 £m	**Fair value 2020 £m**	Book value 2019 £m	Fair value 2019 £m
Items not carried at fair value				
£142.9 million 5⅝% debenture stock 2029	**22.0**	**28.6**	22.0	27.3
Private placement notes	**274.2**	**257.8**	274.0	275.9
£450.0 million revolving credit facility	**148.1**	**148.1**	–	–
	444.3	**434.5**	296.0	303.2

The fair values of the Group's private placement notes were determined by comparing the discounted future cash flows using the contracted yields with those of the reference gilts plus the implied margins, representing Level 2 fair value measurements as defined by IFRS 13 Fair Value Measurement.

The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements.

19 Head lease obligations

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

	Minimum lease payments 2020 £m	**Impact of discounting 2020 £m**	**Present value of minimum lease payments 2020 £m**	Minimum Lease payments 2019 £m	Interest 2019 £m	Present value of minimum lease payments 2019 £m
Less than one year	**1.9**	**(1.9)**	**–**	1.9	(1.9)	–
Between two and five years	**9.5**	**(9.4)**	**0.1**	9.5	(9.4)	0.1
More than five years	**193.0**	**(152.4)**	**40.6**	194.9	(154.3)	40.6
	204.4	**(163.7)**	**40.7**	206.3	(165.6)	40.7

20 Occupational lease obligations

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

	Minimum lease payments 2020 £m	**Impact of discounting 2020 £m**	**Present value of minimum lease payments 2020 £m**	Minimum lease payments 2019 £m	Impact of discounting 2019 £m	Present value of minimum lease payments 2019 £m
Less than one year	**1.0**	**(0.1)**	**0.9**	–	–	–
Between two and five years	**4.1**	**(0.2)**	**3.9**	–	–	–
More than five years	**–**	**–**	**–**	–	–	–
	5.1	**(0.3)**	**4.8**	–	–	–

21 Share capital

	2020 Number	**2020 £m**	2019 Number	2019 £m
Allotted, called up and fully paid ordinary shares of 15 5⁄19 pence				
At 1 April	**271,365,894**	**41.4**	281,663,675	43.0
Share buyback	**(17,497,983)**	**(2.7)**	(10,297,781)	(1.6)
At 31 March	**253,867,911**	**38.7**	271,365,894	41.4

On 15 November 2018, the Company announced its intention to return up to £200 million of equity to shareholders over a 12 month period through a share buyback. During the year, the Company bought 17,497,983 shares at an average price of £7.24 per share including costs. After taking account the completion of the share buyback, at 31 March 2020, the Company had 253,867,911 ordinary shares with a nominal value of 15 5⁄19 pence each.

22 Investment in own shares

	2020 £m	2019 £m
At 1 April	**1.7**	2.4
Employee Long-Term Incentive Plan charge	**(2.6)**	(1.3)
Transfer to retained earnings	**1.5**	0.6
At 31 March	**0.6**	1.7

The investment in the Company's own shares is held at cost and comprises 1,109,303 shares (2019: 1,109,303 shares) held by the Great Portland Estates plc LTIP Employee Share Trust which will vest for certain senior employees of the Group if performance conditions are met. During the year, no shares (2019: 68,834 shares) were awarded to directors and senior employees in respect of the 2016 LTIP award and no additional shares were acquired by the Trust (2019: 0 shares). The fair value of shares awarded and outstanding at 31 March 2020 was £7.3 million (2019: £5.1 million).

23 Notes to the Group statement of cash flows

Reconciliation of financing activities

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

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

Adjustment for non-cash items

	2020 £m	2019 £m
Deficit/(surplus) from investment property	**52.6**	(7.3)
Employee Long-Term Incentive Plan charge	**2.6**	1.3
Spreading of tenant lease incentives	**(0.3)**	1.6
Share of results of joint ventures	**(57.9)**	(10.0)
Depreciation	**1.5**	0.7
Other	**(0.9)**	–
Adjustments for non-cash items	**(2.4)**	(13.7)

24 Dividends

	2020 £m	2019 £m
Dividends paid		
Interim dividend for the year ended 31 March 2020 of 4.7 pence per share	**11.9**	–
Final dividend for the year ended 31 March 2019 of 7.9 pence per share	**21.3**	–
Interim dividend for the year ended 31 March 2019 of 4.3 pence per share	**–**	12.0
Final dividend for the year ended 31 March 2018 of 7.3 pence per share	**–**	20.5
	33.2	32.5

A final dividend of 7.9 pence per share was approved by the Board on 20 May 2020 and, and subject to shareholder approval, will be paid on 28 July 2020 to shareholders on the register on 29 May 2020. The dividend is not recognised as a liability at 31 March 2020. The 2019 final dividend and the 2020 interim dividend are included within the Group statement of changes in equity.

25 Lease obligations

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

	2020 £m	2019 £m
The Group as a lessor		
Less than one year	**71.0**	73.6
Between two and five years	**154.4**	187.9
More than five years	**63.7**	88.8
	289.1	350.3

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2020 was 3.6 years (2019: 4.3 years). All investment properties, except those under development, generated rental income and no contingent rents were recognised in the year (2019: £nil).

26 Employee benefits

The Group operates a UK-funded approved defined contribution plan. The Group's contribution for the year was £0.4 million (2019: £0.7 million). The Group also contributes to a defined benefit final salary pension plan ('the Plan'), the assets of which are held and managed by trustees separately from the assets of the Group. The Plan has been closed to new entrants since April 2002. The most recent actuarial valuation of the Plan was conducted at 1 April 2017 by a qualified independent actuary using the projected unit method. The Plan was valued using the following key actuarial assumptions:

	2020 %	2019 %
Discount rate	**2.30**	2.50
Expected rate of salary increases	**3.50**	4.20
RPI inflation	**2.50**	3.20
Rate of future pension increases	**5.00**	5.00

Life expectancy assumptions at age 65:

	2020 Years	2019 Years
Retiring today age 65	**24**	24
Retiring in 25 years (age 40 today)	**26**	26

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

	2020 £m	2019 £m
Present value of unfunded obligations	**(35.9)**	(36.6)
Fair value of the Plan assets	**35.5**	36.6
Pension deficit	**(0.4)**	–

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

	2020 £m	2019 £m
Current service cost	**(0.3)**	(0.3)
Net interest cost	**–**	–
	(0.3)	(0.3)

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

	2020 £m	2019 £m
Defined benefit obligation at 1 April	**36.6**	34.5
Service cost	**0.3**	0.3
Interest cost	**0.9**	0.9
Effect of changes in financial assumptions	**(0.4)**	1.8
Benefits paid	**(1.5)**	(0.9)
Present value of defined benefit obligation at 31 March	**35.9**	36.6

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

	2020 £m	2019 £m
Fair value of the Plan assets at 1 April	**36.6**	35.0
Interest income	**0.9**	0.9
Actuarial (loss)/gain	**(0.8)**	0.9
Employer contributions	**0.3**	0.7
Benefits paid	**(1.5)**	(0.9)
Fair value of the Plan assets at 31 March	**35.5**	36.6

Net pension liability	**0.4**	–

The amount recognised immediately in the Group statement of comprehensive income was a loss of £0.4 million (2019: £0.9 million).

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

	2020 £m	2019 £m
Cash	**0.1**	0.2
Equities	**14.3**	14.3
Bonds	**21.1**	22.1
	35.5	36.6

Other than market and demographic risks, which are common to all retirement benefit schemes, there are no specific risks in the relevant benefit schemes which the Group considers to be significant or unusual. Detail on two of the more specific risks is detailed below:

Changes in bond yields
Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.

Life expectancy
The majority of the obligations are to provide a pension for the life of the member on retirement, so increases in life expectancy will result in an increase in the liabilities. The inflation-linked nature of the majority of benefit payments increases the sensitivity of the liabilities to changes in life expectancy.

The effect on the defined benefit obligation of changing the key assumptions, calculated using approximate methods based on historical trends, is set out below:

	2020 £m	2019 £m
Discount rate -0.25%	**37.7**	38.5
Discount rate +0.25%	**34.2**	34.9
RPI inflation -0.25%	**35.1**	35.8
RPI inflation +0.25%	**36.7**	37.5
Post-retirement mortality assumption - 1 year age rating	**37.6**	38.2

The Group expects to contribute £0.7 million to the Plan in the year ending 31 March 2021. The expected total benefit payments for the year ending 31 March 2021 is £0.7 million, with £5.0 million expected to be paid over the next five years. A funding plan has been agreed committing the Group to cash combinations of £347,000 p.a. over five years as well as a contribution rate of 46.8% p.a. of member pensionable salaries to eliminate any funding shortfalls and the ongoing benefit accrual.

27 Reserves

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

Share capital

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

Share premium

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

Capital redemption reserve

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

Retained earnings

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

Investment in own shares

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

Glossary

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

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

Cash EPS

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

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

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

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

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

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

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

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

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

Flex space partnerships
Revenue share agreements with flexible space operators.

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

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

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

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

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

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

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

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

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

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

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

Property Income Distributions (PIDs)
Dividends from profits of the Group's tax-exempt property rental business.

REIT
UK Real Estate Investment Trust.

Rent Roll
The annual contracted rental income.

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

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

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

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

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

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

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

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

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

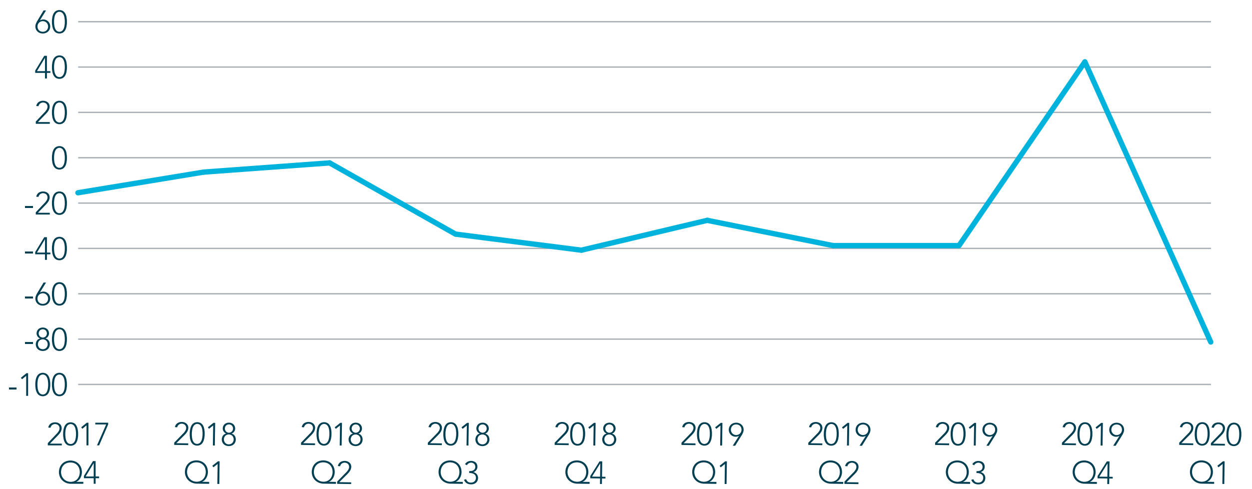
Vacancy rate
The element of a property which is unoccupied but available for letting, expressed as the ERV of the vacant space divided by the ERV of the total portfolio.

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

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

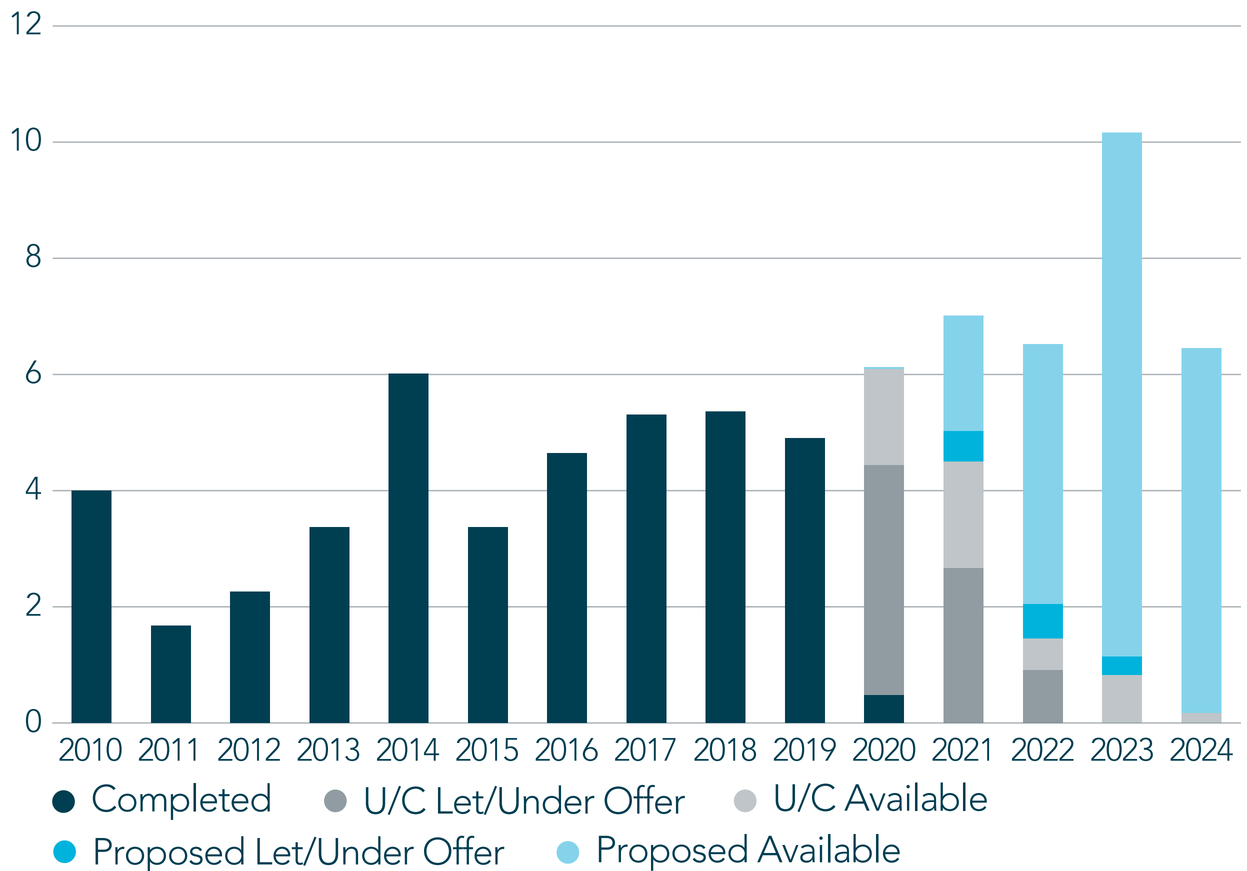
Appendix 1

Deloitte survey of UK CFOs: business optimism



Source: Deloitte Q1 2020

Central London developments million sq ft



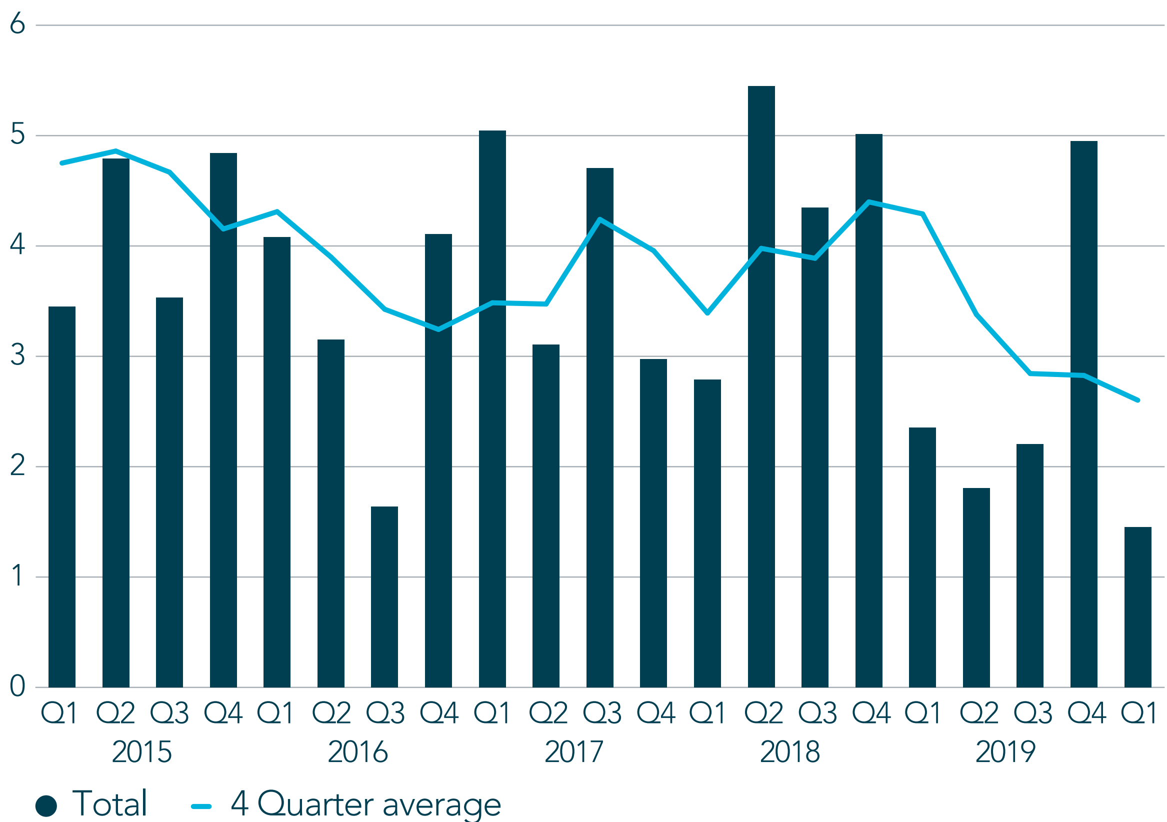
Source: CBRE Research

Appendix 1 continued

London: High Relative Yields (Prime Office) %

Source: JLL, Initial Yields

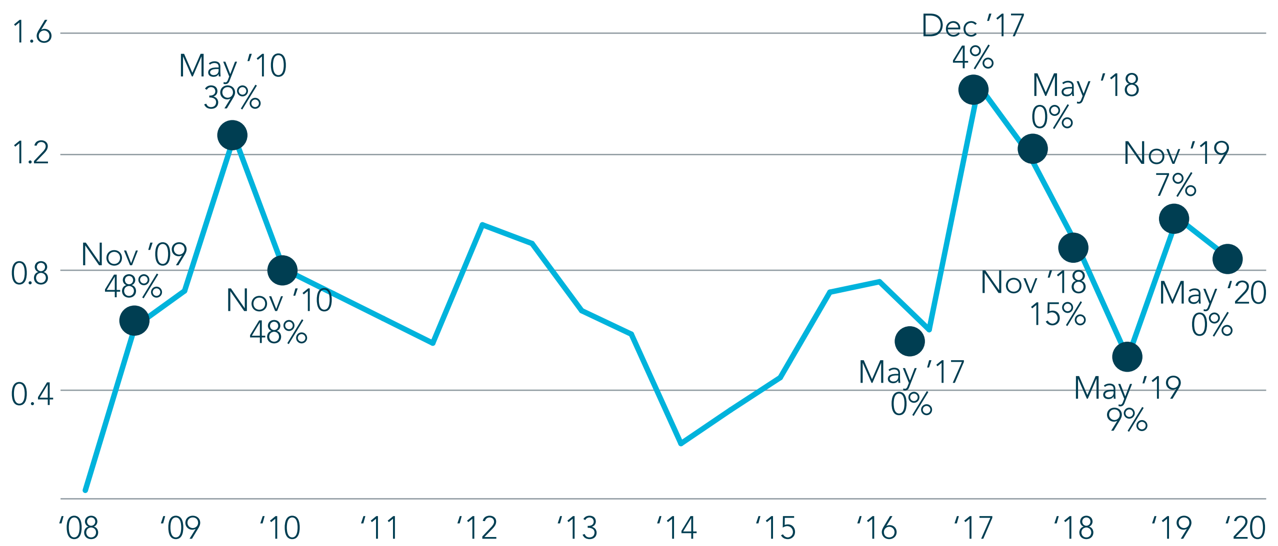
London investment volumes £bn



Source: CBRE Research

Appendix 1 continued

Value of deals under review by GPE £bn



● Percentage of reviewed stock trading near 'fair value'

— Value of deals under review £bn

Source: GPE

Appendix 1 continued

Selected lead indicators

Drivers of rents	2019 Outlook	**2020 Outlook**
GDP/GVA growth	🟠	🔴
Business investment	🔴	🔴
Confidence	🔴	🔴
Employment growth	🟠	🔴
Active demand/take-up	🟠	🔴
Vacancy rates	🟠	🟠
Development completions	🟢	🟢
Drivers of yields		
Rental growth	🟠	🔴
Weight of money	🟠	🟠
Gilts	🟢	🟢
BBB Bonds	🟠	🔴
Exchange rates	🟠	🟠
Political risk	🔴	🟠

Appendix 2

Portfolio performance

		Wholly-owned £m	Joint ventures[1] £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	550.4	–	550.4	21.0	0.9
	Retail	121.1	73.5	194.6	7.4	(15.5)
	Residential	4.5	–	4.5	0.2	(0.8)
Rest of West End	Office	251.9	–	251.9	9.6	(1.3)
	Retail	236.9	30.5	267.4	10.2	(3.5)
	Residential	5.7	–	5.7	0.2	0.7
Total West End		1,170.5	104.0	1,274.5	48.6	(3.3)
City, Midtown and Southwark	Office	506.2	232.2	738.4	28.1	(1.8)
	Retail	13.7	2.8	16.5	0.6	(47.9)
	Residential	4.4	–	4.4	0.2	–
Total City, Midtown and Southwark		524.3	235.0	759.3	28.9	(3.6)
Investment property portfolio		**1,694.8**	**339.0**	**2,033.8**	**77.5**	**(3.4)**
Development property		251.6	338.7	590.3	22.5	11.9
Total properties held throughout the year		**1,946.4**	**677.7**	**2,624.1**	**100.0**	**(0.3)**
Acquisitions		–	–	–	–	–
Total property portfolio		**1,946.4**	**677.7**	**2,624.1**	**100.0**	**(0.3)**

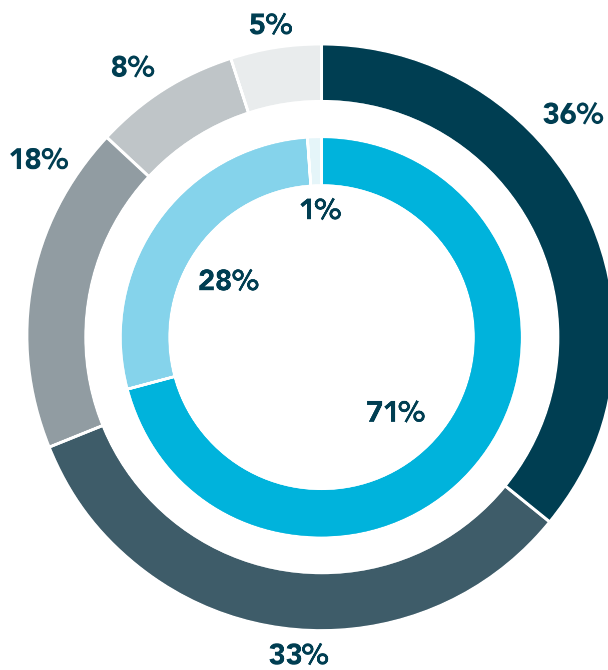
1. GPE share.

Portfolio characteristics

		Investment properties £m	Development properties £m	Total property portfolio £m	Office £m	Retail £m	Residential £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		749.5	192.5	942.0	646.2	291.3	4.5	942.0	734
Rest of West End		525.0	338.7	863.7	422.3	426.1	15.3	863.7	568
Total West End		**1,274.5**	**531.2**	**1,805.7**	**1,068.5**	**717.4**	**19.8**	**1,805.7**	**1,302**
City, Midtown and Southwark		759.3	59.1	818.4	797.4	16.6	4.4	818.4	1,285
Total		**2,033.8**	**590.3**	**2,624.1**	**1,865.9**	**734.0**	**24.2**	**2,624.1**	**2,587**
By use:	Office	1,540.7	325.2	1,865.9					
	Retail	478.5	255.5	734.0					
	Residential	14.6	9.6	24.2					
Total		**2,033.8**	**590.3**	**2,624.1**					
Net internal area sq ft 000's		2,172	415	2,587					

Appendix 2 continued

Our portfolio



Business mix

Office	£1,865.9m
Retail	£734.0m
Residential	£24.2m

Locations

North of Oxford Street	£942.0m
Rest of West End	£863.7m
City	£467.6m
Southwark	£202.8m
Midtown	£148.0m

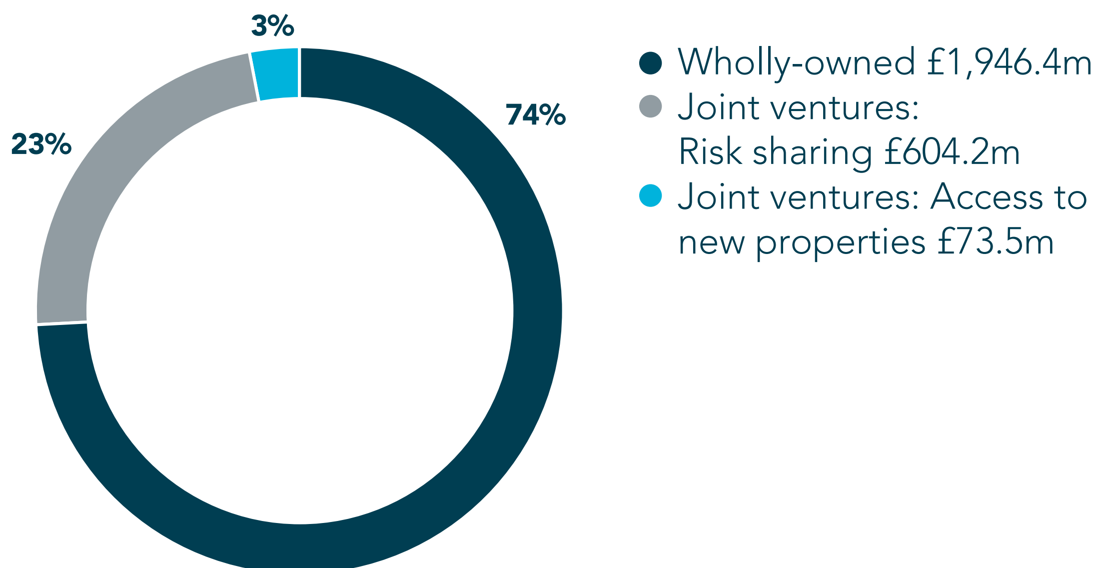
Appendix 3

Sales for the year ended 31 March 2020

	Price[1] £m	Premium/ (discount)to book value %	Price per sq ft £	NIY %
Commercial				
24/25 Britton Street, EC1	64.1	11.8	1,245	4.07%
Commercial total	**64.1**	**11.8**	**1,245**	**4.07%**
Residential				
78/92 Great Portland Street, W1	3.6	(3.7)	1,632	n/a
Rathbone Square, W1	5.6	0.0	2,219	n/a
Total	**73.3**	**10.0**	**1,305**	**4.07%**

1. After deductions for tenant incentives.

Wholly-owned and joint venture property values at 31 March 2020



Appendix 3 continued

Our development pipeline

City Place House, EC2*

Proposed size	320,000 sq ft
Earliest start	2022
Opportunity area	Crossrail

50 Finsbury Square, EC2

Proposed size	129,100 sq ft
Earliest start	2021
Opportunity area	Crossrail

New City Court, SE1*

Proposed size	372,500 sq ft
Earliest start	2022
Opportunity area	London Bridge

* Computer Generated Image

35 Portman Square, W1

Proposed size	72,800 sq ft[1]
Earliest start	2026
Opportunity area	Core West End

Jermyn Street Estate, SW1

Proposed size	133,200 sq ft[1]
Earliest start	2021/22
Opportunity area	Core West End

Kingsland/Carrington House, W1

Proposed size	53,500 sq ft
Earliest start	2022/2023
Opportunity area	Prime retail

French Railways House and 50 Jermyn Street, SW1

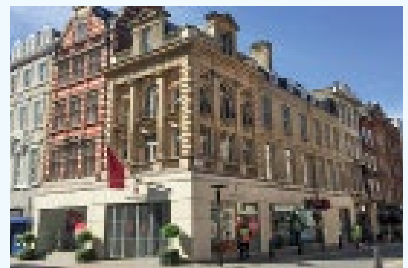
Proposed size	90,000 sq ft
Earliest start	2022
Opportunity area	Core West End

Mount Royal, W1

Proposed size	92,100 sq ft[1]
Earliest start	2022/23
Opportunity area	Core West End

Minerva House, SE1

Proposed size	130,000 sq ft
Earliest start	2022
Opportunity area	London Bridge



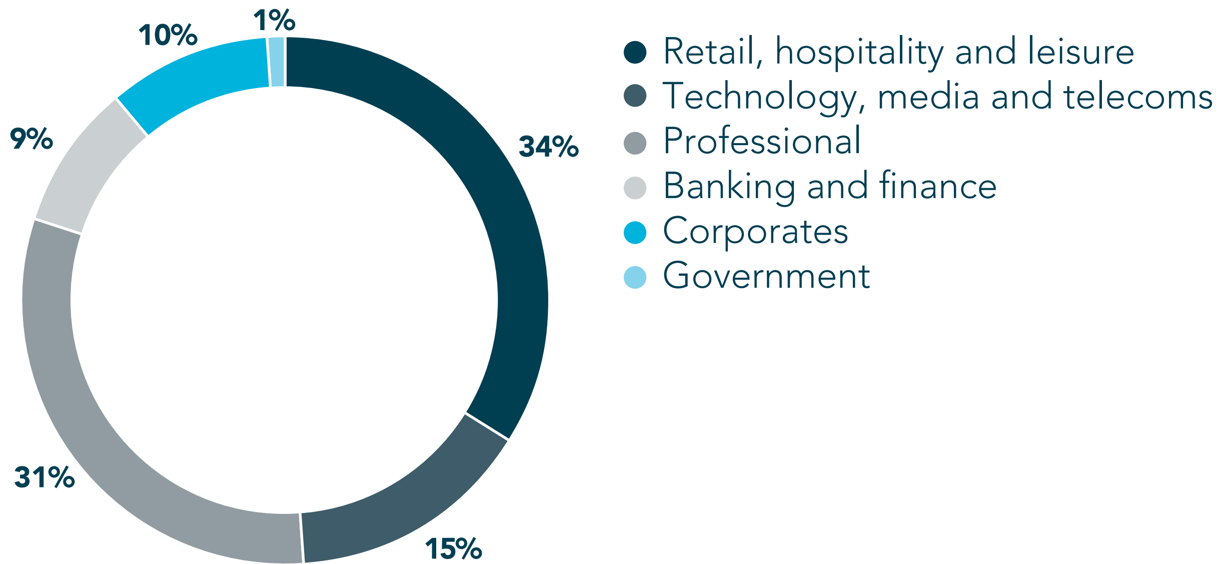
95/96 New Bond Street, W1

Proposed size	9,600 sq ft[1]
Earliest start	2023/24
Opportunity area	Prime retail

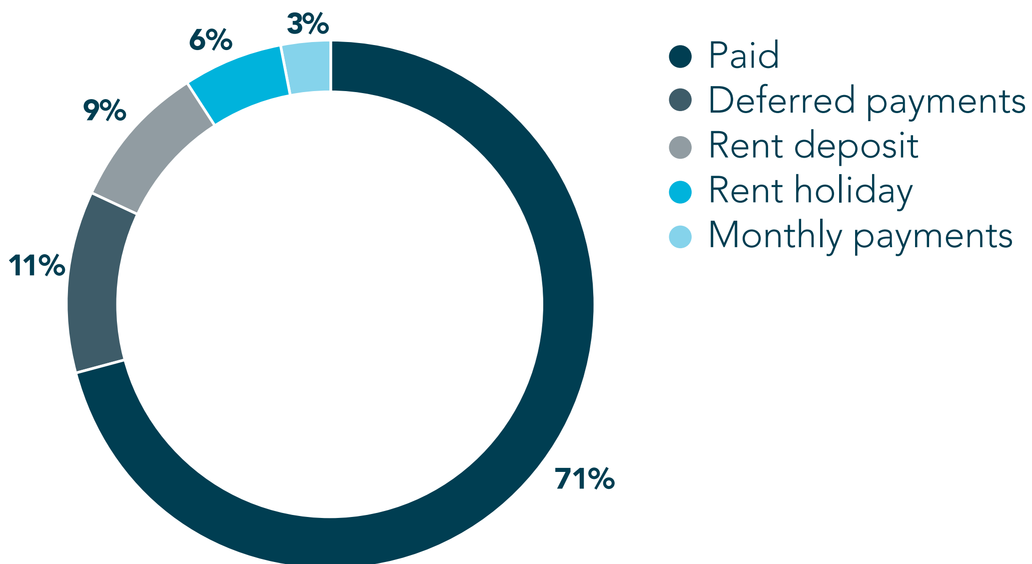
1. Existing area

Appendix 3 continued

GPE occupier mix %

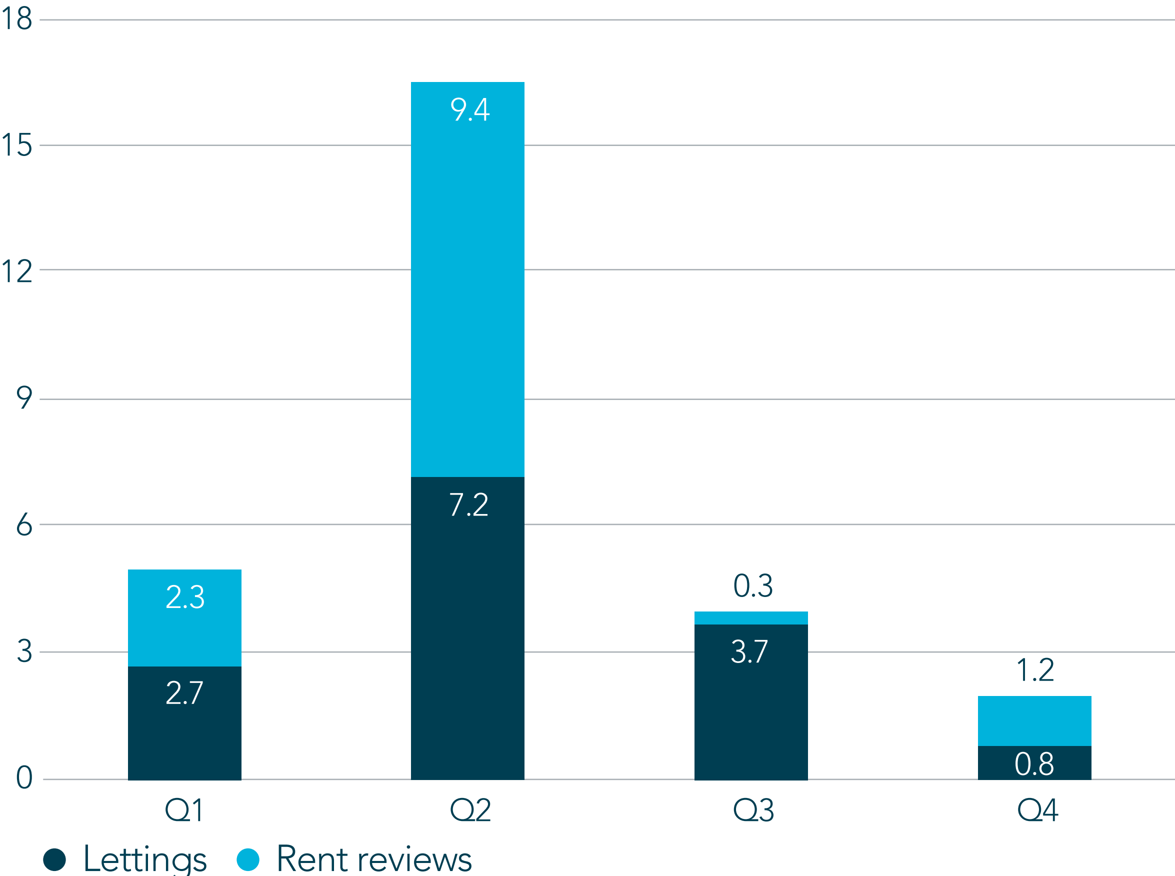


Rent concessions agreed as a % of March quarter's rent



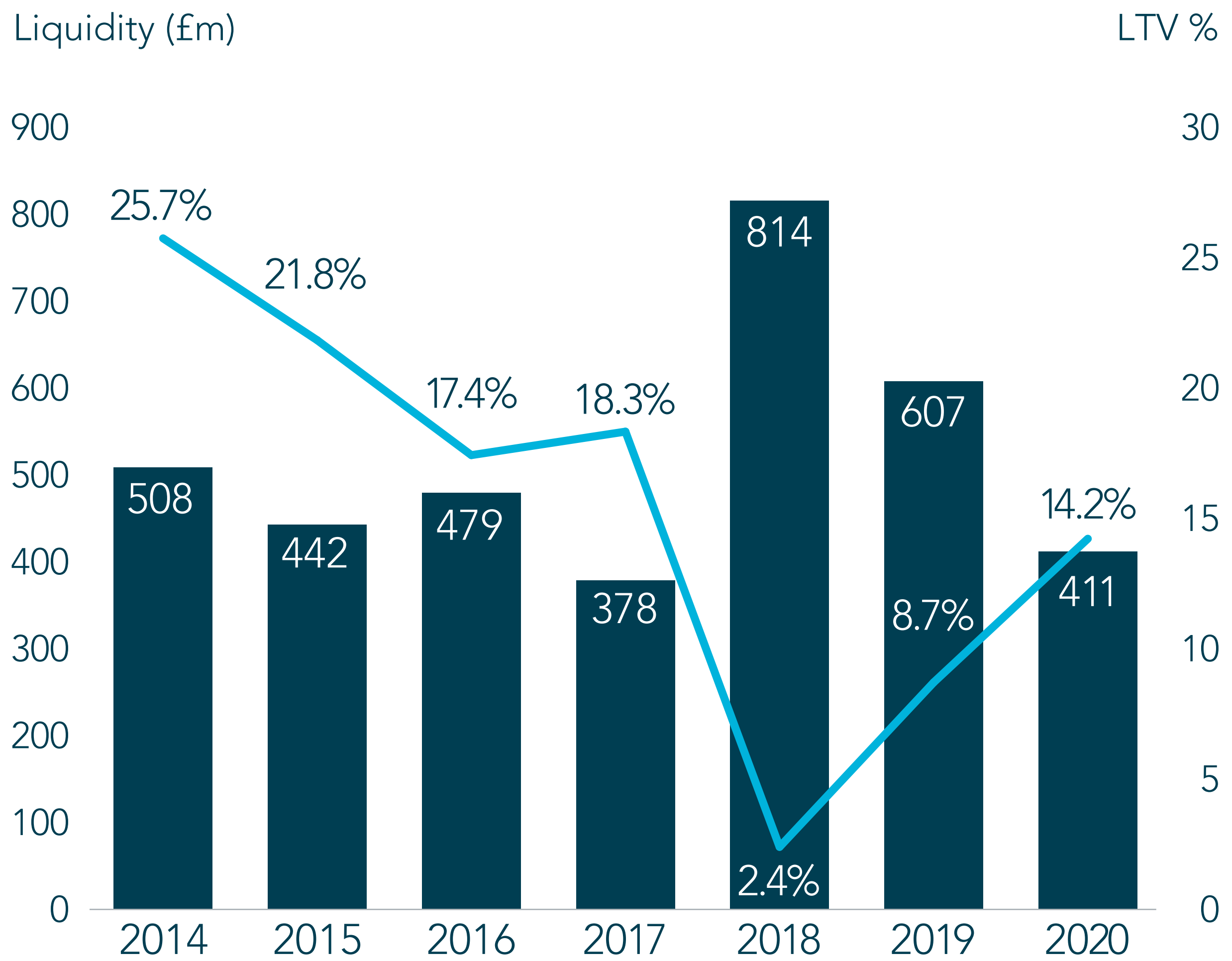
Appendix 3 continued

Lettings and rent reviews by quarter 2019/20 £m



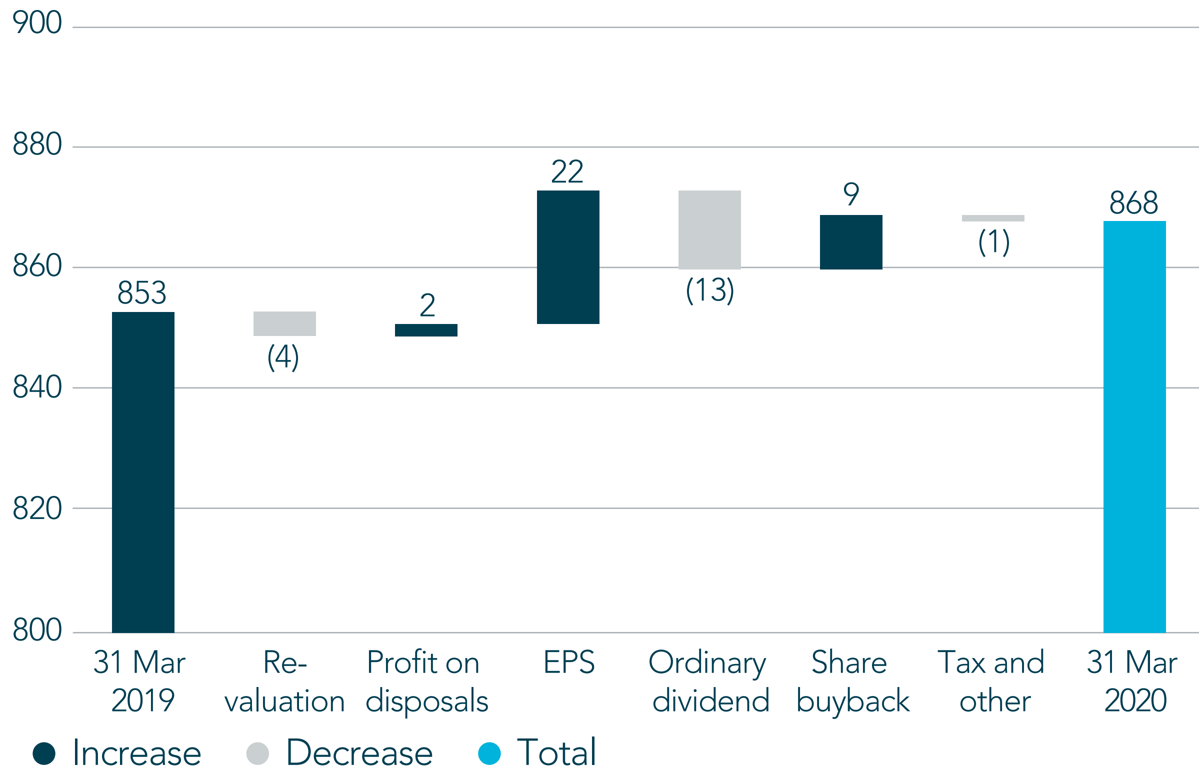
Appendix 3 continued

LTV and liquidity (years to March)

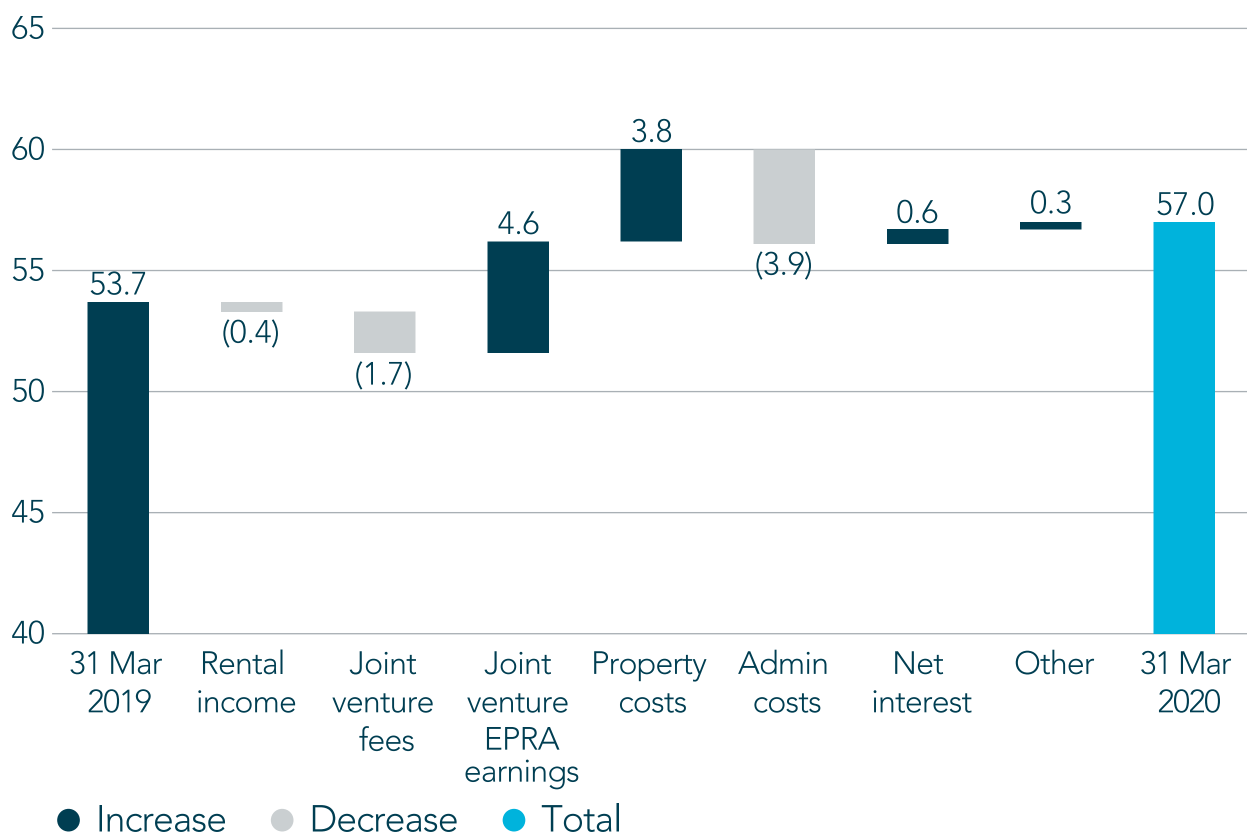


Appendix 4

EPRA NAV pence per share



EPRA earnings £m



Appendix 4 continued

Debt analysis

	March 2020	March 2019
Net debt excluding JVs (£m)	**349.4**	156.6
Net gearing	**16.2%**	6.8%
Total net debt including 50% JV non-recourse debt (£m)	**373.3**	224.0
Loan-to-property value	**14.2%**	8.7%
Total net gearing	**17.1%**	9.7%
Interest cover	**n/a**	n/a
Weighted average interest rate	**2.2%**	2.7%
Weighted average cost of debt	**3.0%**	3.2%
% of debt fixed/hedged	**69%**	100%
Cash and undrawn facilities (£m)	**411**	608

EPRA performance measures

Measure	Definition of Measure	March 2020	March 2019
EPRA earnings*	Recurring earnings from core operational activities	**£57.0m**	£53.7m
EPRA EPS*	EPRA earnings divided by the weighted average number of shares	**22.0p**	19.5p
Diluted EPRA EPS*	EPRA earnings divided by the diluted weighted average number of shares	**22.0p**	19.4p
EPRA costs (by portfolio value)*	EPRA costs (including direct vacancy costs) divided by market value of the portfolio	**1.4%**	1.4%
EPRA net assets*	Net assets adjusted to include the valuation surplus from trading properties and exclude the fair value of financial instruments and deferred tax	**£2,203.1m**	£2,310.1m
EPRA NAV*	EPRA net assets divided by the number of shares at the balance sheet date on a diluted basis	**868p**	853p
EPRA triple net assets*	EPRA net assets amended to include the fair value of financial instruments, debt, deferred tax and tax on sale of trading properties	**£2,211.5m**	£2,301.5m
EPRA NNNAV*	EPRA triple net assets divided by the number of shares at the balance sheet date on a diluted basis	**871p**	850p
EPRA NIY	Annualised rental income based on cash rents passing at the balance sheet date less non-recoverable property operating expenses, divided by the market value of the property increased by estimated purchasers' costs	**3.4%**	3.3%
EPRA 'topped up' NIY	EPRA NIY adjusted to include rental income in rent-free periods (or other unexpired lease incentives)	**3.6%**	3.6%
EPRA vacancy rate	ERV of non-development vacant space as a percentage of ERV of the whole portfolio	**5.1%**	8.6%

* Audited; reconciliation to IFRS numbers included in note 9 to the financial statements.

Appendix 5

Rental income

			Wholly-owned			Share of joint ventures			
			Rent roll £m	Reversionary potential £m	Rental values £m	Rent roll £m	Reversionary potential £m	Rental values £m	Total rental values £m
London	North of Oxford Street	Office	25.8	–	25.8	–	–	–	25.8
		Retail	6.2	(0.3)	5.9	6.0	(0.9)	5.1	11.0
	Rest of West End	Office	12.9	0.1	13.0	–	–	–	13.0
		Retail	10.3	0.7	11.0	2.1	–	2.1	13.1
	Total West End		**55.2**	**0.5**	**55.7**	**8.1**	**(0.9)**	**7.2**	**62.9**
	City, Midtown and Southwark	Office	23.7	10.8	34.5	11.2	1.4	12.6	47.1
		Retail	2.4	–	2.4	0.2	–	0.2	2.6
	Total City, Midtown and Southwark		**26.1**	**10.8**	**36.9**	**11.4**	**1.4**	**12.8**	**49.7**
Total let portfolio			**81.3**	**11.3**	**92.6**	**19.5**	**0.5**	**20.0**	**112.6**
Voids					3.0			–	3.0
Premises under refurbishment					21.8			14.0	35.8
Total portfolio					**117.4**			**34.0**	**151.4**

Rent roll security, lease lengths and voids

			Wholly-owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length Years	Voids %	Rent roll secure for five years %	Weighted average lease length Years	Voids %
London	North of Oxford Street	Office	25.3	4.2	0.8	–	–	–
		Retail	56.8	4.6	5.3	33.6	2.9	–
	Rest of West End	Office	5.0	2.3	2.4	–	–	–
		Retail	30.1	3.9	5.3	100.0	7.0	–
	Total West End		**25.1**	**3.8**	**2.6**	**51.1**	**4.0**	**–**
	City, Midtown and Southwark	Office	4.2	2.3	1.4	30.4	6.4	–
		Retail	73.7	12.7	12.1	54.4	9.3	–
	Total City, Midtown and Southwark		**10.4**	**3.2**	**2.4**	**30.7**	**6.5**	**–**
Total portfolio			**20.4**	**3.6**	**2.5**	**39.1**	**5.4**	**–**

Rental values and yields

			Wholly-owned		Joint ventures		Wholly-owned		Joint ventures	
			Average rent £psf	Average ERV £psf	Average rent £psf	Average ERV £psf	Initial yield %	True equivalent yield %	Initial yield %	True equivalent yield %
London	North of Oxford Street	Office	70.9	75.1	–	–	4.0	4.5	–	–
		Retail	59.0	77.4	128.8	110.1	4.0	4.2	7.3	4.4
	Rest of West End	Office	78.1	80.7	–	–	4.2	4.8	–	–
		Retail	110.6	119.9	74.8	128.7	3.7	4.1	4.8	4.5
	Total West End		**75.9**	**78.8**	**108.2**	**114.2**	**4.0**	**4.4**	**6.6**	**4.4**
	City, Midtown and Southwark	Office	39.3	56.2	45.9	51.4	3.1	5.1	3.2	4.8
		Retail	79.3	76.8	45.5	45.1	2.4	4.6	3.7	5.0
	Total City, Midtown and Southwark		**41.2**	**56.0**	**45.9**	**51.2**	**3.1**	**5.0**	**3.2**	**4.8**
Total portfolio			**59.7**	**68.4**	**60.2**	**78.1**	**3.7**	**4.6**	**4.2**	**4.7**

Appendix 5 continued

Top ten occupiers

	Occupier	Use	Rent roll (our share) £m	% of rent roll (our share)
1	New Look	Office	3.9	3.8
2	Turner Broadcasting	Office	3.0	2.9
3	Runway East	Office	2.8	2.8
4	Richemont UK Limited	Office	2.6	2.6
5	Winckworth Sherwood LLP	Office	2.5	2.5
6	Carlton Communications Limited	Office	2.4	2.4
7	Superdry	Retail	2.1	2.1
8	ITN Limited	Office	1.8	1.8
9	Dennis Publishing Limited	Office	1.6	1.6
10	Next Holdings Limited	Retail	1.4	1.4
	Total		**24.1**	**23.9**