Notes forming part of the Group financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties, financial instruments and pension assets. The financial statements are prepared on a going concern basis as explained in the Directors' report on page 52.

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

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

– IAS 40 (revised) Investment Properties. Properties purchased for the purpose of redevelopment were previously accounted for under IAS 16 Property, Plant and Equipment, but with effect from 1 January 2009 they are accounted for under IAS 40 Investment Property. Therefore revaluation surpluses and deficits on development properties will now be recognised in the income statement rather than in equity. This standard is not required to be implemented retrospectively therefore this change has no impact on previously reported figures.

– IAS 1 (revised) Presentation of Financial Statements requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included as a primary statement, showing changes in each component of equity for each period presented. Following the Rights Issue the comparative earnings per share and net assets per share have been restated as set out in note 7, this restatement has no impact on the Group's reported balance sheet and therefore the balance sheet at 31 March 2008 has not been presented.

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

– IAS 23 (revised) Borrowing Costs;

– IAS 39 (amended) Eligible Hedged Items;

– IAS 39 (amended) and IFRS 7 (amended) Reclassification of Financial Assets;

– IFRS 2 (amended) Share-based Payment;

– IFRS 7 (amended) Improving Disclosures about Financial Instruments;

– IFRS 8 Operating Segments;

– IFRIC 11: IFRS 2 Group and Treasury Share Transactions;

– IFRIC 15 Agreements for the Construction of Real Estate;

– IFRIC 17 Distributions of Non-cash Assets to Owners; and

– IFRIC 18 Transfer of Assets from Customers.

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

– IFRS 3 (revised) Business Combinations;

– Amendments to IAS 27 Consolidated and Separate Financial Statements;

– IAS 28 Investment in Associates; and

– IAS 32 Classification of rights issues.

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

1 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

Fixtures and fittings – over three to five years.
Leasehold improvements – over the term of the lease.

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

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

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

1 Accounting policies (continued)

Pension benefits

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

Capitalisation of interest

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

Financial instruments:

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

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

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

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

Head leases

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

Segmental analysis

All of the Group's revenue is generated from investment properties located in central London. The properties are managed as a single portfolio by an asset management team whose responsibilities are not segregated by location or type, but are managed on an asset by asset basis. The majority of the Group's assets are mixed use, therefore the office and retail space is managed together. Within the investment property portfolio the Group has a number of properties under development. The directors view the Group's development activities as an integral part of the 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. 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 CBRE, are set out on page 24 of this report.

Development management agreements

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

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

2 Rental income

	2010 £m	2009 £m
Gross rental income	**42.9**	39.1
Amortisation of capitalised lease incentives	**2.9**	3.4
Ground rents payable	**(0.1)**	(0.1)
	45.7	42.4

3 Administration expenses

	2010 £m	2009 £m
Employee costs	**10.3**	9.5
Other	**2.3**	3.3
	12.6	12.8

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

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

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

The emoluments and pension benefits of the directors are set out in detail within the Directors' remuneration report on pages 62 to 72.

Employee information

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

	2010 Number	2009 Number
Head office and property management	**69**	77

Auditor's remuneration

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

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

4 Finance income

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

5 Finance costs

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

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

6 Tax

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

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

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

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

The Group converted to a REIT on 1 January 2007 and as such is largely exempt from corporation tax in respect of its rental profits and chargeable gains relating to its property rental business. The Group is otherwise subject to corporation tax.

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

7 Earnings and net assets per share

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

Weighted average number of ordinary shares

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

Basic, diluted and adjusted earnings per share

	2010 Profit/(loss) before tax £m	2010 Tax £m	2010 Profit/(loss) after tax £m	2010 Earnings/(loss) per share pence	2009 Profit/(loss) after tax £m	2009 Earnings/(loss) per share pence
Basic and diluted	**156.6**	**(0.2)**	**156.4**	**55.5**	(436.1)	(180.0)
(Surplus)/deficit from investment property	**(89.8)**	**–**	**(89.8)**	**(31.8)**	315.5	130.3
(Surplus)/deficit from joint venture investment property	**(51.3)**	**–**	**(51.3)**	**(18.2)**	139.7	57.7
Movement in fair value of derivatives	**1.2**	**–**	**1.2**	**0.4**	1.8	0.7
Movement in fair value of derivatives in joint ventures	**–**	**–**	**–**	**–**	1.0	0.4
Loss on cancellation of derivatives	**11.6**	**–**	**11.6**	**4.1**	0.1	–
Conversion charge in joint ventures	**0.5**	**–**	**0.5**	**0.1**	–	–
Adjusted (diluted)	**28.8**	**(0.2)**	**28.6**	**10.1**	22.0	9.1

Net assets per share

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

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

8 Investment property

Investment property

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

Investment property under development

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

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

8 Investment property (continued)

Surplus/(deficit) from investment property

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

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

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

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

9 Development property, plant and equipment

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

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

10 Investment in joint ventures

The Group has the following investments in joint ventures:

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

The investments in joint ventures comprise the following:

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

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

10 Investment in joint ventures (continued)

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

	The 100 Bishopsgate Partnership £m	GPE Marcol House Ltd £m	Great Capital Partnership £m	Great Ropemaker Partnership £m	The Great Victoria Partnerships £m	The Great Wigmore Partnership £m	2010 Total £m	2009 Total £m
Investment property	43.0	45.8	269.3	22.8	76.4	25.9	483.2	343.8
Current assets	0.9	1.0	12.1	0.7	1.7	0.9	17.3	7.1
Balances to/(from) Partners	–	(35.3)	82.6	(17.3)	(5.5)	(1.1)	23.4	112.3
Bank loans	–	–	(112.0)	–	(28.3)	–	(140.3)	(140.2)
Derivatives	–	–	(8.2)	–	–	–	(8.2)	(8.3)
Current liabilities	(0.9)	(1.6)	(5.6)	(0.4)	(2.2)	(0.5)	(11.2)	(9.8)
Finance leases	–	–	(8.4)	–	–	–	(8.4)	(9.4)
Net assets	43.0	9.9	229.8	5.8	42.1	25.2	355.8	295.5
Net rental income	–	0.3	14.8	0.3	3.6	0.8	19.8	22.1
Property and administration costs	–	(0.2)	(1.7)	(0.1)	(0.2)	(0.6)	(2.8)	(3.5)
Net finance costs	–	(0.6)	(6.3)	(0.4)	(1.5)	–	(8.8)	(9.4)
Tax (REIT conversion charge)	–	(0.5)	–	–	–	–	(0.5)	–
Movement in fair value of derivatives	–	–	–	–	–	–	–	(1.0)
Share of profit from joint ventures	–	(1.0)	6.8	(0.2)	1.9	0.2	7.7	8.2
Revaluation of investment property	(1.7)	10.9	21.0	3.1	10.6	3.5	47.4	(129.8)
Profit/(loss) on sale of investment property	–	–	0.9	–	–	0.2	1.1	(9.9)
Share of results of joint ventures	(1.7)	9.9	28.7	2.9	12.5	3.9	56.2	(131.5)

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

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

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

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

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

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

11 Trade and other receivables

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

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

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

12 Trade and other payables

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

13 Interest-bearing loans and borrowings

	2010 £m	2009 £m
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	**144.3**	144.3
Unsecured		
Bank loans	**134.0**	234.0
Non-current liabilities at fair value		
Derivatives	**–**	18.5
	278.3	396.8

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

14 Financial instruments

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

Financial risk management objectives

Credit risk

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

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

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

Capital risk

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

Liquidity risk

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

14 Financial instruments (continued)

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

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

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

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

At 31 March 2010	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	**144.3**	**294.3**	**8.0**	**8.0**	**24.2**	**254.1**
Bank loans	**134.0**	**137.3**	**1.4**	**1.4**	**134.5**	**–**
Derivative financial instruments						
Interest rate swaptions	**(1.1)**	**–**	**–**	**–**	**–**	**–**
	277.2	**431.6**	**9.4**	**9.4**	**158.7**	**254.1**

At 31 March 2009	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	144.3	302.2	8.0	8.0	24.1	262.1
Bank loans	234.0	246.3	3.8	3.8	238.7	–
Derivative financial instruments						
Interest rate swaps	16.4	21.5	7.3	7.3	6.9	–
Interest rate collars	2.1	3.0	0.9	0.9	1.2	–
	396.8	573.0	20.0	20.0	270.9	262.1

Market risk

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

14 Financial instruments (continued)

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

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

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

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

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

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

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

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

14 Financial instruments (continued)

Fair value of interest-bearing loans and borrowings

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

The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements. Quoted market values have been used to determine the fair value of listed long-term borrowings, and derivatives have been valued by reference to market rates of interest. The market values of all other items have been calculated by discounting the expected future cash flows at market interest rates.

15 Finance leases

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

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

16 Share capital

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

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

17 Investment in own shares

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

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

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

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

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

19 Dividends

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

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

20 Operating leases

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

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

20 Operating leases (continued)

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

21 Employee benefits

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

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

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

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

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

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

	2010 £m	2009 £m
Current service cost	**(0.2)**	(0.2)
Interest on obligation	**(0.9)**	(0.9)
Expected return on the Plan assets	**0.8**	0.9
	(0.3)	(0.2)

	2010	2009
Actuarial deficit recognised immediately in the Group statement of recognised income and expense	**(1.0)**	(1.8)
Cumulative actuarial gains recognised in the Group statement of recognised income and expense	**1.4**	2.4

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

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

21 Employee benefits (continued)

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

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

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

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

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

Life expectancy assumptions on retirement:

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

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

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

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