

Chairman's statement



M. Scicluna

Martin Scicluna Chairman

The Group has again delivered a positive relative performance.

The extreme challenges of the financial and property markets have been well documented and our business has had to respond to dramatic valuation declines particularly since September 2008. We have remained focused on our business plans and have maintained a satisfactorily high run rate of lettings.

In anticipation of the downturn we have been net sellers and have limited our exposure to development risk. We have continued with our conservative approach to financing and have generated cash flow through a pragmatic approach to lettings and proactive credit control. We remain focused on delivering our business plans: our teams have successfully concluded developments at our Wells & More and Foley Street schemes, achieving notable successes in leasing the majority of the space quickly after practical completion; the asset management team has maintained a satisfactorily high run rate of lettings, renewals and rent reviews over the year; and our investment management attention has been focused on executing opportune disposals whilst keeping a watchful eye on new investment opportunities. The case studies in the following pages illustrate many examples of our achievements during the year.

The Company has again delivered a positive relative performance – total shareholder return was 8.7 percentage points higher than that of the FTSE 350 Real Estate index. The portfolio total property return over the year outstripped the central London IPD index by 3.3 percentage points. It is a testament to our talented people that in April 2009 we received IPD's award for the highest three year annualised relative return to December 2008 in respect of specialist funds above £350 million.

The Company's results for the last 12 months reflect the impact of the continued economic turmoil. Asset values fell as a result of yields moving out due to the lack of available finance and, in more recent months, declining rents. The property portfolio value declined by 28.0% during the year resulting in the adjusted net assets per share standing at 329 pence at 31 March 2009, some 43.5% lower than 31 March 2008. Adjusted earnings per share for the year were 12.2 pence, a slight decline of 3.2% compared to the prior year. Importantly, the Company's debt position remains comfortable and at the year end our balance sheet gearing was 65.2%, well within our covenant levels. These ratios have been held at low levels relative to our peers, largely as a result of several major property disposals realising around £103 million in proceeds (including our share of joint ventures) and the timely completion of the bulk of our development programme ahead of the worst of the downturn. We have announced a proposed final dividend of 8.0 pence per share, making the total for the year 12.0 pence per share, a 1% increase on last year.

On a personal note I would like to pay tribute to Richard Peskin, who was a Director of the Company for over 40 years, including 23 years as Chairman, and who retired in March. We will miss him greatly and appreciate the enormous contribution he made to Great Portland Estates. Also, after six years as a Non-Executive Director, including five years as Senior Independent Director, Kathleen O'Donovan will be retiring at the Annual General Meeting and I would like to thank her for her wise counsel and significant contribution to the activities of the Board over the years. Charles Irby will take her place as Senior Independent Director.

Looking forward, we anticipate conditions will remain difficult for the rest of 2009 and into 2010. We are in good shape to deal with these circumstances and are already starting to see attractive investment prospects as a result of the current environment which could provide the basis for long-term growth. On 19 May 2009, we announced a Rights Issue to raise £166 million (net of expenses) and, with our focused strategy, conservatively financed balance sheet and track record for sector outperformance, we believe we are well placed to use the proceeds, together with existing financial resources, to take advantage of such opportunities.

3.3

percentage points relative total property return in excess of the IPD Central London index

“The Company's debt position remains comfortable”