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 46. In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that may affect the financial statements. Management believes 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 classification of tenant leases between financing and operating and the determination of profit taking on development management agreements. The accounting policies for these areas of judgement are set out below.

During 2009, the following accounting standards and guidance were adopted by the Group:

– IFRIC 14: IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction.

At the date of approval of these financial statements, the following standards and guidance relevant to the Group were in issue:

– Amendments to IAS 1 Presentation of Financial Statements;

– IAS 23 Borrowing Costs;

– Amendments to IAS 27 Consolidated and Separate Financial Statements;

– Amendment to IAS 39 Eligible Hedged Items;

– Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets;

– Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets – Effective Date and Transition;

– Amendment to IAS 40 Investment Property (Improvements to IFRSs 2008);

– Improvements to IFRSs 2008;

– Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;

– Amendments to IFRS 2 Share-Based Payment;

– IFRS 3 (revised) Business Combinations;

– Amendments to IFRS 7 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 Transfers of Assets from Customers.

It is not expected that these pronouncements will have any significant future impact on the Group's accounts, except for the amendment to IAS 40 Investment Property. Under the amended IAS 40 all investment property in the course of construction will be recognised in investment property and measured at fair value through the income statement. Currently, properties acquired to be developed for future use as investment properties are treated as development property. Any fair value movements for such properties are recorded directly in the revaluation reserve, rather than through the income statement.

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 2009. Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group directs the financial and operating policies of an entity to benefit from its activities.

Rent receivable

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

Tenant leases

Management 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.

1 Accounting policies (continued)

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 properties
Investment properties, including those under development, 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.

Development properties
Development properties are carried in property, plant and equipment and are professionally valued each year, on a market value basis, and any surpluses arising are taken to the revaluation reserve with any deficits below cost taken to the income statement. A development property is one purchased for the purposes of development, redevelopment or substantial refurbishment with relatively little, or short-term, income whether planning permission exists or is still to be granted. 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. Any cumulative revaluation reserve in respect of that property is transferred to retained earnings.

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

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

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

1 Accounting policies (continued)

Capitalisation of interest
Interest associated with direct expenditure on investment properties under development and development properties is capitalised. Direct expenditure includes the purchase cost of a site for development properties, but does not include the original book cost of investment property under development. 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
The Group has only one reportable segment on the basis that all of its revenue is generated from investment properties located in central London; accordingly no segmental analysis is presented.

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

	2009 £m	2008 £m
Gross rental income	**39.1**	39.0
Amortisation of capitalised lease incentives	**3.4**	5.4
Ground rents payable	**(0.1)**	–
	42.4	44.4

3 Administration expenses

	2009 £m	2008 £m
Administration expenses		
Employee costs	**9.5**	11.0
Other	**3.3**	3.2
	12.8	14.2

Included within administration expenses are fees charged by the auditors comprising audit fees for the Company and its subsidiaries of £0.2 million (2008: £0.1 million) and non-audit fees of £nil (2008: £nil) and depreciation of £0.4 million (2008: £0.4 million).

Included within employee costs is an accounting charge for the LTIP and SMP schemes of £0.1 million (2008: £1.6 million).

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

	2009 Number	2008 Number
Head office and administration	**77**	74

Included within administration expenses are staff costs, including those of directors, comprising:

	2009 £m	2008 £m
Wages and salaries	**8.2**	9.4
Social security costs	**0.8**	1.2
Other pension costs	**0.9**	0.9
	9.9	11.5
Less: recovered through service charge	**(0.4)**	(0.5)
	9.5	11.0

The emoluments and pension benefits of the directors are set out in detail within the Directors' remuneration report on pages 55 to 62.

4 Finance income

	2009 £m	2008 £m
Interest on short-term deposits	**0.1**	0.6
Other	**0.2**	–
	0.3	0.6

5 Finance costs

	2009 £m	2008 £m
Interest on bank overdrafts and bank loans	15.3	24.7
Interest on debentures	8.0	8.0
Interest on obligations under finance leases	0.6	0.7
Gross finance costs	23.9	33.4
Less: capitalised interest at an average rate of 5.6% (2008: 6.0%)	(2.8)	(3.1)
	21.1	30.3
Fair value movement on derivatives in ineffective hedging relationships	1.8	0.4
	22.9	30.7

6 Tax

	2009 £m	2008 £m
Current tax		
UK corporation tax	–	–
Tax (over)/under provided in previous years	(0.1)	0.1
Total current tax	(0.1)	0.1
Deferred tax	–	1.0
Tax (credit)/charge for the year	(0.1)	1.1

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

	2009 £m	2008 £m
Loss before tax	(436.2)	(3.0)
Tax credit on loss at standard rate of 28% (2008: 30%)	(122.1)	(0.9)
Accounting profits arising in the year not taxable for tax purposes	(0.1)	(2.3)
REIT tax-exempt rental profits and gains	(2.5)	(4.2)
Joint venture adjustments	0.2	–
Previous years' corporation tax	–	0.1
Non-taxable revaluation deficit	124.5	7.0
Accounting losses arising in the year not relievable against current tax	0.2	0.7
Expenses not deductible for tax purposes	0.1	0.1
Other	(0.4)	0.6
Tax (credit)/charge for the year	(0.1)	1.1

During the year a tax credit of £nil million (2008: a credit of £0.2 million) was allocated directly to equity. The prior year credit related to deferred tax in respect of derivatives. The Group's net deferred tax at 31 March 2009 is £nil (2008: £nil). This consists of a deferred tax liability of £0.2 million (2008: £nil) arising from the Group's pension surplus and a deferred tax asset of £0.2 million (2008: £nil) in respect of capital allowances and other short-term timing differences. A deferred tax asset of £10.5 million, mainly relating to tax losses carried forward at 31 March 2009 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. From that date, the Group has been exempt from corporation tax in respect of the following:

– rental profits arising from its property investment business; and
– chargeable gains arising on the sale of properties from its property investment business, provided that the relevant property is not both:

6 Tax (continued)

– the subject of a development which costs more than 30% of the property's fair value at the later of 1 January 2007 and the date that it was purchased by the Group; and
– sold within three years of the completion of the development.

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.

As a REIT, Great Portland Estates plc is required to pay Property Income Distributions of at least 90% of the profits (excluding chargeable gains) of the Group's property investment business (calculated by tax rules rather than accounting rules).

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 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 Finance Act 2006.

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

	2009 Number of shares	2008 Number of shares
Issued ordinary share capital at 1 April	**181,023,034**	181,019,809
Conversion of convertible bonds	**–**	2,430
Investment in own shares	**(169,173)**	(707,455)
Weighted average number of ordinary shares	**180,853,861**	180,314,784

Basic, diluted and adjusted earnings per share

	2009 (Loss)/ profit before tax £m	**2009 Tax £m**	**2009 (Loss)/ profit after tax £m**	**2009 (Loss)/ earnings per share pence**	2008 (Loss)/ profit after tax £m	2008 (Loss)/ earnings per share pence
Basic and diluted	**(436.2)**	**0.1**	**(436.1)**	**(241.1)**	(4.1)	(2.2)
Deficit from investment property	**315.5**	**–**	**315.5**	**174.5**	8.7	4.8
Deficit from joint venture investment property	**139.7**	**–**	**139.7**	**77.3**	17.7	9.8
Movement in fair value of derivatives	**1.8**	**–**	**1.8**	**1.0**	0.4	0.2
Movement in fair value of derivatives in joint ventures	**1.0**	**–**	**1.0**	**0.5**	–	–
Loss on cancellation of derivatives	**0.1**	**–**	**0.1**	**–**	–	–
Adjusted (diluted)	**21.9**	**0.1**	**22.0**	**12.2**	22.7	12.6

Net assets per share

	2009 Shareholders' funds £m	**2009 Number of shares million**	**2009 Net assets per share pence**	2008 Shareholders' funds £m	2008 Number of shares million	2008 Net assets per share pence
Basic and diluted	**568.6**	**181.0**	**314**	1,049.3	181.0	580
Fair value of financial liabilities	**40.0**	**–**	**22**	17.6	–	10
Diluted triple net assets	**608.6**	**181.0**	**336**	1,066.9	181.0	590
Fair value of financial liabilities	**(40.0)**		**(22)**	(17.6)		(10)
Fair value of derivatives	**18.5**		**10**	4.0		2
Fair value of derivatives in joint ventures	**8.3**		**5**	–		–
Adjusted net assets	**595.4**		**329**	1,053.3		582

8 Investment property

Investment property

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2007	906.9	275.6	1,182.5
Acquisitions	21.8	–	21.8
Costs capitalised	14.1	0.7	14.8
Disposals	(223.2)	(61.2)	(284.4)
Transfer from investment property-development	61.9	–	61.9
Transfer on purchase of leasehold	16.1	(16.1)	–
Net valuation gain/(deficit) on investment property	0.5	(9.3)	(8.8)
Book value at 31 March 2008	798.1	189.7	987.8
Costs capitalised	**9.6**	**(0.2)**	**9.4**
Transfer from investment property-development	**2.4**	**–**	**2.4**
Net valuation deficit on investment property	**(237.8)**	**(47.4)**	**(285.2)**
Book value at 31 March 2009	**572.3**	**142.1**	**714.4**

Investment property–development

	Freehold £m	Leasehold £m	Total £m
Book value at 1 April 2007	131.8	–	131.8
Costs capitalised	37.2	–	37.2
Interest capitalised	1.9	–	1.9
Disposals	(31.2)	–	(31.2)
Transfer to investment property	(61.9)	–	(61.9)
Net valuation gain on investment property-development	7.7	–	7.7
Book value at 31 March 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-development	**(22.9)**	**–**	**(22.9)**
Book value at 31 March 2009	**66.0**	**–**	**66.0**
Total investment property	**638.3**	**142.1**	**780.4**

	2009 £m	2008 £m
Net valuation deficit on investment property	**(308.1)**	(1.1)
Net valuation deficit on development property taken to the income statement	**(6.8)**	(1.8)
Loss on sale of investment properties	**(0.6)**	(5.8)
Deficit from investment property	**(315.5)**	(8.7)

8 Investment property (continued)

The investment and development properties (note 9) were valued on the basis of market value by CB Richard Ellis, external valuers, as at 31 March 2009 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. In their valuation report, CBRE have noted, in accordance with Guidance Note 5 of the Standards, that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets. Furthermore, the lack of liquidity in the capital markets means that it may be difficult to achieve a sale of property assets in the short-term. As a result there is a greater degree of uncertainty in the valuation than would exist in a stable market. The book value of investment property includes £8.5 million (2008: £8.5 million) in respect of the present value of future ground rents.

At 31 March 2009 the Group had capital commitments of £1.3 million (2008: £24.3 million).

At 31 March 2009 properties with carrying value of £169.8 million (2008: £253.5 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 2007	2.0	0.7	18.7	21.4
Costs capitalised	–	0.1	4.6	4.7
Interest capitalised	–	–	1.2	1.2
Net valuation deficit taken to the income statement	–	–	(1.8)	(1.8)
Net valuation deficit taken to equity	–	–	(0.2)	(0.2)
At 31 March 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**
Depreciation				
At 1 April 2008	0.5	0.4	–	0.9
Charge for the year	**0.2**	**0.2**	**–**	**0.4**
At 31 March 2009	**0.7**	**0.6**	**–**	**1.3**
Carrying amount at 31 March 2008	1.5	0.4	22.5	24.4
Carrying amount at 31 March 2009	**1.3**	**0.3**	**22.8**	**24.4**

The historical cost of development property at 31 March 2009 was £31.3 million (2008: £22.9 million). The cumulative interest capitalised in development property was £2.9 million (2008: £1.8 million).

10 Investment in joint ventures

The Group has the following investments in joint ventures:

	Equity £m	JV funding account £m	Total £m
At 1 April 2008	470.3	(79.7)	390.6
Movement on joint ventures funding account balances	–	(32.6)	(32.6)
Share of profit of joint ventures	8.2	–	8.2
Share of loss on disposal of joint venture properties	(9.9)	–	(9.9)
Share of revaluation deficit of joint ventures	(129.8)	–	(129.8)
Share of results of joint ventures	(131.5)	–	(131.5)
Fair value movement on derivatives taken to equity	(7.3)	–	(7.3)
Distributions	(36.0)	–	(36.0)
At 31 March 2009	295.5	(112.3)	183.2

The investments in joint ventures comprise the following:

	Country	2009	2008
Great Capital Partnership	United Kingdom	50%	50%
Great Ropemaker Partnership	United Kingdom	50%	50%
The Great Victoria Partnership	United Kingdom	50%	50%
The Great Victoria Partnership (No. 2)	United Kingdom	50%	50%
The Great Wigmore Partnership	United Kingdom	50%	50%

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

	Great Capital Partnership £m	Great Ropemaker Partnership £m	Great Wigmore Partnership £m	Great Victoria Partnerships £m	2009 Total £m	2008 Total £m
Investment property	250.4	5.5	22.2	65.7	343.8	558.0
Current assets	4.1	0.2	0.9	1.9	7.1	16.3
Funding accounts to/(from) Partners	82.5	(2.6)	37.9	(5.5)	112.3	79.7
Bank loans	(111.8)	–	–	(28.4)	(140.2)	(157.8)
Derivatives	(8.3)	–	–	–	(8.3)	–
Current liabilities	(6.6)	(0.2)	(1.2)	(1.8)	(9.8)	(16.5)
Finance leases	(9.4)	–	–	–	(9.4)	(9.4)
Net assets	200.9	2.9	59.8	31.9	295.5	470.3
Net rental income	15.4	–	2.4	4.3	22.1	21.8
Property and administration costs	(1.8)	(0.1)	(1.4)	(0.2)	(3.5)	(2.9)
Net finance costs	(7.5)	(0.1)	–	(1.8)	(9.4)	(2.8)
Movement in fair value of derivatives	(1.0)	–	–	–	(1.0)	–
Share of profit from joint ventures	5.1	(0.2)	1.0	2.3	8.2	16.1
Revaluation of investment property	(94.6)	(7.7)	(12.0)	(15.5)	(129.8)	(20.4)
(Loss)/profit on sale of investment property	(2.4)	–	(6.8)	(0.7)	(9.9)	2.7
Share of results of joint ventures	(91.9)	(7.9)	(17.8)	(13.9)	(131.5)	(1.6)

10 Investment in joint ventures (continued)

The joint ventures have bank loans with a total nominal value of £281.8 million. The Great Capital Partnership has a £225 million facility which is secured, attracts a floating rate of between 0.75% to 1.15% above LIBOR and expires in 2013. The Great Victoria Partnership has a £56.8 million facility which is secured, attracts a fixed rate of 5.495% and expires in 2012. All interest bearing loans are in sterling. At 31 March 2009 the joint ventures had no undrawn facilities (2008: £nil).

During the period the Great Capital Partnership entered into 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 2009 the negative fair value of these derivatives was £16.6 million (our share £8.3 million), (2008: £nil).

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

	2009 £m	2008 £m
Movement on funding accounts during the year	32.6	89.2
Funding accounts outstanding at the year end from joint ventures	112.3	79.7
Distributions	36.0	10.7
Fee income	4.7	5.8

The JV funding accounts outstanding at the period end represent accumulated cash movements and do not bear interest, apart from the account with the Great Ropemaker Partnership on which interest is payable at 6%. The investment properties include £9.4 million (2008: £9.4 million) in respect of the present value of future ground rents. 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 2009 the Group had no capital commitments in respect of balances arising in its joint ventures (2008: £5.4 million).

11 Trade and other receivables

	2009 £m	2008 £m
Trade receivables	2.8	3.1
Allowance for doubtful debts	(0.1)	(0.3)
	2.7	2.8
Prepayments and accrued income	1.1	1.6
Other trade receivables	1.7	5.4
Amounts recoverable under development management agreements	–	12.4
	5.5	22.2

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.

	2009 £m	2008 £m
Movements in allowance of doubtful debts		
Balance at the beginning of the year	(0.3)	(0.5)
Amounts provided for during the year	(0.1)	–
Amounts recovered during the year	–	0.1
Amounts written off as uncollectable	0.3	0.1
	(0.1)	(0.3)

12 Trade and other payables

	2009 £m	2008 £m
Trade payables	**12.2**	9.8
Non-trade payables and accrued expenses	**16.1**	16.8
	28.3	26.6

13 Interest-bearing loans and borrowings

	2009 £m	2008 £m
Non-current liabilities at amortised cost		
Secured		
£142.9 million 5⅝% debenture stock 2029	**144.3**	144.3
Unsecured		
Bank loans	**234.0**	281.0
Non-current liabilities at fair value		
Derivatives	**18.5**	4.0
	396.8	429.3

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 2010. All interest bearing loans and borrowings are in sterling. At 31 March 2009 the Group had £317 million (2008: £269 million) of undrawn committed credit facilities.

14 Financial instruments

Categories of financial instrument	Carrying amount 2009 £m	Income/(expense) 2009 £m	Gain/(loss) to equity 2009 £m	Carrying amount 2008 £m	Income/(expense) 2008 £m	Gain/(loss) to equity 2008 £m
Interest rate swaps, caps and collars	**(18.5)**	**(1.9)**	**(12.6)**	(4.0)	(0.4)	(4.5)
Non-current liabilities at fair value	**(18.5)**	**(1.9)**	**(12.6)**	(4.0)	(0.4)	(4.5)
Trade receivables	**5.5**	**–**	**–**	22.2	–	–
Cash and cash equivalents	**7.3**	**0.3**	**–**	0.7	0.6	–
Loans and receivables	**12.8**	**0.3**	**–**	22.9	0.6	–
Trade and other payables	**(28.3)**	**–**	**–**	(26.6)	–	–
Interest-bearing loans and borrowings	**(378.3)**	**(23.3)**	**–**	(425.3)	(32.7)	–
Finance leases	**(8.5)**	**(0.6)**	**–**	(8.5)	(0.7)	–
Liabilities at amortised cost	**(415.1)**	**(23.9)**	**–**	(460.4)	(33.4)	–
Total financial instruments	**(420.8)**	**(25.5)**	**(12.6)**	(441.5)	(33.2)	(4.5)

14 Financial instruments (continued)

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 notes 16 to 19. Debt comprises long-term debenture stock and drawings against committed revolving credit facilities from banks.

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

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

Key covenants	Covenant	March 2009 Actuals
Group		
Net debt/net equity	≤1.25x	0.65x
Inner borrowing	≥1.66x	2.76x
Interest cover	≥1.30x	2.06x
Joint venture – GCP		
Loan to value	≤70%	48.5%

The Group has undrawn credit facilities of £317 million and has 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 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

14 Financial instruments (continued)

At 31 March 2008	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	310.3	8.0	8.0	24.1	270.2
Bank loans	281.0	349.7	17.5	17.5	314.7	–
Derivative financial instruments						
Interest rate swaps	3.7	(1.3)	(0.4)	(0.4)	(0.5)	–
Interest rate caps	(0.1)	–	–	–	–	–
Interest rate collars	0.4	–	–	–	–	–
	429.3	658.7	25.1	25.1	338.3	270.2

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 and collars. 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. The Group adopts hedge accounting to mitigate the impact of movements in the fair value of its interest rate swaps, caps and collars in the income statement to the extent that the hedge is considered effective. The Group uses interest rate swaps, caps and collars to manage its interest rate risk.

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 caps
Interest rate caps protect the Group from rises in short-term interest rates by making a payment to the Group when the underlying interest rate exceeds a specified rate (the "cap rate") on a notional value. If the underlying rate exceeds the cap rate, the payment is based upon the difference between the two rates, ensuring the Group only pays the maximum of the cap rate.

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	
	2009 %	2008 %	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Cash flow hedges						
Interest rate swaps						
Between two and five years	**5.48%**	5.50%	**165.0**	185.0	**(16.4)**	(3.7)
Interest rate caps						
Between two and five years	**–**	6.00%	**–**	40.0	**–**	0.1
Interest rate collars						
Between two and five years	**4.68%–6.5%**	4.68%–6.5%	**25.0**	25.0	**(2.1)**	(0.4)
			190.0	250.0	**(18.5)**	(4.0)

As at 31 March 2009 the aggregate amount of unrealised losses in respect of cash flow hedges was £16.4 million (2008: £3.8 million). It is anticipated that floating interest cash flows will continue to arise until the maturity of the debt. Amounts deferred in equity will be realised in line with these cash flows.

14 Financial instruments (continued)

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 2009 was outstanding for the whole year.

	Impact on profit		Impact on equity	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Increase of 50 basis points	**(0.2)**	–	**(0.2)**	–
Increase of 100 basis points	**(0.4)**	(0.1)	**(0.4)**	(0.1)
Decrease of 50 basis points	**0.2**	–	**0.2**	–
Decrease of 100 basis points	**0.4**	0.1	**0.4**	0.1

Fair value of interest-bearing loans and borrowings

	2009 Book value £m	**2009 Fair value £m**	2008 Book value £m	2008 Fair value £m
Non-current liabilities at amortised cost	**378.3**	**338.3**	425.3	407.7
Non-current liabilities held at fair value (derivatives)	**18.5**	**18.5**	4.0	4.0
	396.8	**356.8**	429.3	411.7

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:

	2009 Minimum lease payments £m	**2009 Interest £m**	**2009 Principal £m**	2008 Minimum lease payments £m	2008 Interest £m	2008 Principal £m
Less than one year	**0.6**	**(0.6)**	**–**	0.6	(0.6)	–
Between two and five years	**2.3**	**(2.3)**	**–**	2.3	(2.3)	–
More than five years	**67.0**	**(58.5)**	**8.5**	67.6	(59.1)	8.5
	69.9	**(61.4)**	**8.5**	70.5	(62.0)	8.5

16 Share capital

	2009 Number	**2009 £m**	2008 Number	2008 £m
Ordinary shares of 12½ pence each				
Authorised	**550,100,752**	**68.8**	550,100,752	68.8
Allotted, called up and fully paid				
At 1 April	**181,023,034**	**22.6**	181,019,809	22.6
Conversion of convertible bonds	**–**	**–**	3,225	–
At 31 March	**181,023,034**	**22.6**	181,023,034	22.6

17 Share premium

	2009 £m	2008 £m
At 1 April and 31 March	68.2	68.2

18 Reserves

	Hedging reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m
At 1 April 2008	(3.8)	16.4	1.3	944.9
Loss for the year	–	–	–	(436.1)
Net valuation deficit taken to equity	–	–	(1.3)	–
Actuarial gains on defined benefit schemes	–	–	–	(1.8)
Fair value movement on derivatives in effective hedging relationships	(12.6)	–	–	–
Fair value movement on derivatives in joint ventures	–	–	–	(7.3)
Dividends to shareholders	–	–	–	(21.7)
At 31 March 2009	(16.4)	16.4	–	478.0

19 Investment in own shares

	2009 £m	2008 £m
At 1 April	0.3	1.0
Employee Long-Term Incentive Plan and Share Matching Plan charge	(0.1)	(1.6)
Purchase of shares	–	0.9
At 31 March	0.2	0.3

The investment in the Company's own shares is held at cost and comprises 157,275 shares (2008: 758,027 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 600,752 shares (2008: 541,757 shares) were awarded to directors and senior employees in respect of the 2005 LTIP award.

The fair value of shares awarded and outstanding at 31 March 2009 was £10.4 million (2008: £7.7 million).

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

	2009 £m	2008 £m
Deficit from investment property	315.5	8.7
Employee Long-Term Incentive Plan and Share Matching Plan charge	0.1	1.6
Amortisation of capitalised lease incentives	(3.4)	(5.4)
Share of results from joint ventures	131.5	1.6
Adjustments for non-cash items	443.7	6.5

21 Dividends

	2009 £m	2008 £m
Ordinary dividends paid		
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	–
Interim dividend for the year ended 31 March 2008 of 3.9 pence per share	–	7.0
Final dividend for the year ended 31 March 2007 of 7.55 pence per share	–	13.6
	21.7	20.6

The proposed final dividend of 8.0 pence per share (2008: 8.0 pence per share) was approved by the Board on 19 May 2009 and is payable on 14 July 2009 to shareholders on the register on 29 May 2009. The dividend is not recognised as a liability at 31 March 2009. The 2008 final dividend and the 2009 interim dividend were paid in the year and are included within the Group reconciliation of other movements in equity.

22 Operating leases

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

	2009 £m	2008 £m
The Group as a lessor		
Less than one year	45.3	35.3
Between two and five years	118.0	103.4
More than five years	130.8	137.9
	294.1	276.6

The Group leases its investment properties under operating leases. The weighted average length of lease at 31 March 2009 was 6.0 years (2008: 6.4 years). All investment properties except those under development generated rental income and no contingent rents were recognised in the year (2008: £nil).

23 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 2008 by a qualified independent actuary using the projected unit method. The Plan was valued using the following main assumptions:

	2009 %	2008 %
Discount rate	6.75	6.50
Expected return on Plan assets	5.69	5.56
Expected rate of salary increases	4.50	4.50
Future pension increases	3.50	3.50

To develop the expected long-term rate of return on Plan assets, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the long-term rate of return on Plan assets for the portfolio. This resulted in the 5.69% assumption.

23 Employee benefits (continued)

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

	2009 £m	2008 £m
Present value of unfunded obligations	**(13.4)**	(13.9)
Fair value of Plan assets	**14.0**	16.1
Pension asset	**0.6**	2.2

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

	2009 £m	2008 £m
Current service cost	**(0.2)**	(0.2)
Interest on obligation	**(0.9)**	(0.8)
Expected return on Plan assets	**0.9**	0.9
	(0.2)	(0.1)
Actuarial (deficit)/gain recognised immediately in the Group statement of recognised income and expense	**(1.8)**	1.9
Cumulative actuarial gains recognised in the Group statement of recognised income and expense	**2.4**	4.2

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

	2009 £m	2008 £m
Defined benefit obligation at 1 April	**13.9**	16.0
Service cost	**0.2**	0.2
Interest cost	**0.9**	0.8
Actuarial gain	**(1.2)**	(2.7)
Benefits paid	**(0.4)**	(0.4)
Defined benefit obligation at 31 March	**13.4**	13.9

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

	2009 £m	2008 £m
Fair value of Plan assets at 1 April	**16.1**	15.8
Expected return	**0.9**	0.9
Actuarial loss	**(3.0)**	(0.8)
Contributions	**0.4**	0.6
Benefits paid	**(0.4)**	(0.4)
Fair value of Plan assets at 31 March	**14.0**	16.1
Net asset	**0.6**	2.2

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

	2009 £m	2008 £m
Equities	**5.6**	6.4
Bonds	**8.4**	9.7
	14.0	16.1

The actual return on Plan assets was a deficit of £2.0 million (2008: £0.1 million).

23 Employee benefits (continued)

Life expectancy assumptions:

	2009 Years	2008 Years
Male aged 65	**22**	20
Female aged 65	**25**	23
Male aged 45	**23**	21
Female aged 45	**26**	24

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

	2009	2008	2007	2006
Difference between expected and actual return on the scheme assets:				
Amount £m	**(3.0)**	(0.8)	(0.2)	1.9
Percentage of scheme assets	**(21%)**	(5%)	(1%)	13%
Experience gains and losses on scheme liabilities:				
Amount £m	**1.7**	–	–	0.5
Percentage of scheme assets	**13%**	–	–	3%
Total gains and losses:				
Amount £m	**(1.8)**	1.9	–	1.0
Percentage of scheme assets	**(13%)**	13%	–	7%

The Group expects to contribute approximately 25.5% of members' pensionable salaries plus £0.2 million to the Plan in the year to 31 March 2010.

24 Post balance sheet event

On 19 May 2009 the Company announced its proposal to raise £175.1 million through a fully underwritten Rights Issue on the basis of 8 new shares for every 11 existing share. Should the proposal be ratified at a General Meeting on 4 June 2009, the Directors intend to use the net proceeds of £166.4 million for investment opportunities, as and when they arise. Until such time as the funds are required to execute such investment opportunities, the Company intends to use the net proceeds of the Rights Issue to pay down existing debt in the short-term that may be re-drawn, as required.