DERWENT LONDON

Derwent London plc
Interim Results 2023
Announcement

DERWENT LONDON

10 August 2023

Derwent London plc ("Derwent London" / "the Group")
UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023
STRONG LEASING ACTIVITY CONTINUES

Paul Williams, Chief Executive of Derwent London, said:

"*We delivered our second highest H1 lettings on record with momentum maintained into the second half as businesses continue to commit to our distinctive central London buildings and brand. With our strong balance sheet, we are well-positioned with the right product and pipeline to capture London's diverse demand, despite the uncertain economic outlook.*"

Letting activity

- H1 2023 lettings of £19.3m (228,000 sq ft); H2 lettings to date of £7.0m (81,200 sq ft); YTD average 8.3% above December 2022 ERV
- Key transactions in the year to date include:
  - PIMCO (106,100 sq ft in H1) and Moelis (49,200 sq ft in H2) at 25 Baker Street W1; commercial 76% pre-let
  - Buro Happold (31,100 sq ft in H1) and Tide (14,400 sq ft in H2) at The Featherstone Building EC1; 70% let
  - Uniqlo (22,200 sq ft in H1) at One Oxford Street W1; retail 70% let

Financial highlights

- EPRA[1] net tangible assets 3,444p per share, down 5.2% from 3,632p at 31 December 2022
- Gross rental income of £105.9m, up 3.9% from £101.9m (restated) in H1 2022
- EPRA[1] earnings £55.6m or 49.5p per share, down 7.0% from 53.2p (restated) in H1 2022
- IFRS loss before tax of £143.1m from a profit of £137.1m in H1 2022
- First half dividend of 24.5p, up 2.1% from 24.0p
- Total return -3.7% from +3.0% in H1 2022
- Interest cover remains high at 411% (H1 2022: 419%) and EPRA[1] loan-to-value ratio low at 25.0% (31 December 2022: 23.9%)
- Net debt of £1,274.0m, a marginal increase compared to £1,257.2m at 31 December 2022
- Undrawn facilities and unrestricted cash of £562m

Portfolio highlights

- £11.7m of asset management transactions, 4.6% ahead of December 2022 ERV; 86% retention/re-letting rate
- EPRA vacancy of 4.5%, from 6.4% at December 2022
- Portfolio valued at £5.2bn, an underlying decline of 3.7%; development valuations up 10.6% underlying
- True equivalent yield of 5.13%, a 25bp increase in H1 2023; total increase since 30 June 2022 of 67bp
- Portfolio ERV growth of 1.0%
- Total property return of -2.0%, outperforming our benchmark[2] at -3.2%
- Project expenditure[3] of £68.8m
- £65.6m of disposals
- Two major on-site developments totalling 435,000 sq ft, due for completion in 2025 on budget and programme
- Planning consent received for c.100 acre 18.4MW solar park on our Scottish estate

Outlook

- Guidance unchanged for average ERV growth across our portfolio at 0% to +3%
- Our high quality portfolio yield to be more resilient than the wider London office market

[1] Explanations of how EPRA figures are derived from IFRS are shown in note 24

[2] MSCI Central London Offices Quarterly Index

[3] Including capitalised interest

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:30 BST today. The webcast can be accessed via www.derwentlondon.com

To participate in the call, please register at www.derwentlondon.com

A recording of the webcast will also be made available following the event on www.derwentlondon.com

For further information, please contact:

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CHIEF EXECUTIVE'S STATEMENT

Operational performance

In H1, we agreed £19.3m of new leases and momentum has been maintained with a further £7.0m of leases signed in H2 to date. On average, the £26.3m of new income agreed since the start of 2023 is 8.3% ahead of December 2022 ERV with a WAULT of 10.3 years.

Key lettings in 2023 to date include:

- 25 Baker Street W1 pre-lets – both substantially ahead of ERV; commercial element 76% pre-let or pre-sold
  - PIMCO – 106,100 sq ft at £103 psf on a 15-year lease (no break) in H1
  - Moelis – 49,200 sq ft at £100 psf on a 15-year lease (break at year 10) on lower floors in H2
- The Featherstone Building EC1; now 70% leased
  - Buro Happold – 31,100 sq ft on levels 5-8 at £74 psf on a 15-year lease (break at year 10) in H1
  - Tide – 14,400 sq ft on level 4 at £71 psf on a 10-year lease (break at year 5) in H2
- One Oxford Street W1; retail element now 70% leased
  - Uniqlo – 22,200 sq ft on a 10-year lease (break at year 5) in H1
- Tea Building E1 – newly refurbished space
  - Jones Knowles Ritchie – 8,100 sq ft at £60 psf on a 10-year lease (break at year 5) in H1
  - Gemba – 7,100 sq ft (Furnished + Flexible) at £64 psf on a 5-year lease (no break) in H2

The first half of 2023 was characterised by increasing caution as higher UK inflation became more embedded and monetary policy continued to tighten. Encouragingly, figures released more recently show the inflation rate reducing and a number of forward-looking indicators suggest this should continue. There remains a disconnect between the investment market, where yields came under further pressure in H1, and the occupational market, where we have delivered a near record level of leasing in the year to date.

In addition, our Asset Management team agreed £11.7m of rent reviews, renewals and regears on average 4.6% ahead of December 2022 ERV. The portfolio WAULT is 7.2 years (on a 'topped-up' basis) and our EPRA vacancy rate has reduced from 6.4% during H1 to 4.5%.

Our business model incorporates a disciplined approach to capital allocation and leverage. Including £65.6m of disposals in H1 2023, we have sold almost £900m of assets since 2018. Over the same period, we have invested over £900m in development capex and have added to our longer-term pipeline with acquisitions of over £500m.

Following the signing of the main construction contract with Laing O'Rourke in early 2022 at 25 Baker Street W1, we have now completed the fixed price contract with Kier at Network W1. Together these projects comprise 435,000 sq ft.

The next phase of our new-build pipeline extends to c.240,000 sq ft at 50 Baker Street W1, held in a 50/50 joint venture, and c.150,000 sq ft at Holden House W1. Beyond that, our conditional £239m acquisition of Old Street Quarter EC1, the current Moorfields Eye Hospital site, is expected to complete from 2027. We also have a programme of rolling refurbishments which we expect to deliver attractive rental uplifts.

Valuations

Despite the strong operational performance, against a weak economic backdrop, our central London focused portfolio reduced in value by 3.7% in H1, taking the overall decline to 11.4% from H1 2022. The majority of the correction is yield-driven, with the portfolio EPRA true equivalent yield increasing a further 25bp to 5.13% (up 67bp since 30 June 2022). The portfolio ERV increased 1.0%, partly offsetting the impact of outward yield shift on the valuation. Our total property return was -2.0%, outperforming the quarterly MSCI Central London Offices index which was -3.2%. Our on-site developments increased in value by 10.6%, helped by the pre-let at 25 Baker Street to PIMCO.

In line with the trend reported at FY2022, our higher quality properties outperformed. Buildings valued above £1,500 psf saw capital values reduce by only 1.3% compared to properties valued below £1,000 psf, principally our future pipeline, which fell 6.3%.

Financial performance

The Group's EPRA net tangible asset (NTA) value per share declined 5.2% to 3,444p as at 30 June 2023 from 3,632p as at 31 December 2022. After allowing for the 54.5p dividend paid to shareholders in June 2023, the total return for the first half was -3.7% (H1 2022: +3.0%).

The total downward investment property revaluation movement in H1 2023 was £204.1m including owner-occupied property and our share of joint ventures. This compares with a surplus in H1 2022 of £72.9m (restated from £73.0m after a change in accounting treatment for incentives) but the deficit is less than half the £503.6m seen in H2 2022.

Gross rental income increased to £105.9m from £101.9m (restated) in H1 2022 with a £4.7m overall increase in irrecoverable property expenditure the main factor behind the reduction in EPRA earnings. This cost increase was principally due to a combination of higher average portfolio vacancy and the exceptionally high irrecoverable service charges seen through the first quarter of 2023 when energy pricing was elevated. Energy prices fell in Q2 2023 to levels closer to those seen in early 2022. The IFRS loss before tax was £143.1m in H1 2023 (H1 2022: £137.1m profit) and, after the usual adjustments for fair value movements and property disposals, EPRA earnings were £55.6m (H1 2022: £59.7m restated) or 49.5p (H1 2022: 53.2p restated) on a per share basis.

Our annual dividend remains well covered by EPRA earnings and we have increased the interim 2023 dividend by 2.1% to 24.5p.

Capital recycling means net debt rose marginally to £1.27bn from £1.26bn at December 2022, but is £87m below the £1.36bn reported a year ago. Lower property valuations led to a slight increase in the EPRA loan-to-value (LTV) ratio to 25.0%, compared to 23.9% at December 2022. It remains comfortably within our target range.

The balance sheet is very well placed with 98% of borrowings at fixed rates, £562m of undrawn available facilities and unrestricted cash, and only £83m of debt due to expire in October 2024, at a fixed interest rate of 3.99%.

London's global appeal

London is recognised as a world-leading city with broad appeal. For occupiers, it has a deep talent pool and sophisticated business ecosystem. This makes it a particularly appealing destination for a wide range of occupiers, including both UK and European Head Quarters. For investors, the restrictive planning environment and strong long-term performance provide a robust investment case.

One of the key drivers of the London office market is job creation. In 2021 and 2022, c.335,000 net new office-based jobs were added (CBRE). A further c.235,000 jobs are forecast between 2023 and 2028. In addition, the population of London continues to grow and is forecast to reach 10.6m by 2035, an 11% increase compared to 2022. This is significantly higher than the general rate of growth forecast in most other major European cities.

London attracts a broad range of occupiers while many other global cities are more reliant on specific sectors. The three largest sectors currently looking for space in the capital are banking & finance, business services and creative industries. There is also good demand from high growth areas such as AI and life sciences.

London is a major contributor to the UK economy, accounting for 24.4% of UK GDP. Since 2013, it has delivered average economic growth of 2.8% pa, outperforming the UK as a whole by c.130bp annually and is expected to continue to outperform the UK overall over the next five years.

Market backdrop

Businesses are more discerning around their occupational requirements as the flight to quality gathers pace. Encompassing many factors including amenity, location and sustainability credentials, the definition of prime is becoming more nuanced. Set against this, a large part of the current available supply does not meet these more stringent needs.

London has recently seen a trend of companies committing to return to more central, well-located and amenity-rich locations, notwithstanding the higher occupational costs. The opening of the Elizabeth line last year has emphasised the importance of location and connectivity and c.80% of our portfolio is within a 10 minute walk of an Elizabeth line station.

In a recent Knight Frank report, 77% of businesses surveyed expect their total floorspace to increase or remain the same over the next three years. In addition, 87% of businesses believe the office will play a central role in their future occupational models. The return to the office is continuing and a rising number of corporates have issued more prescriptive guidelines to their employees. The majority of those reported now require a minimum of three days in the office as businesses plan for peak occupation.

Vacancy is not evenly spread across central London. While overall office availability remains elevated at 8.5%, the West End is very tight at 3.8% compared to the City at 11.7% and Docklands at 14.3%. New supply, however, is constrained. Only 3.4m sq ft of projects are due to complete in the West End by the end of 2026, of which 28% is pre-let. Against long-term average annual take-up of 4.1m sq ft, the West End faces an emerging supply shortage.

Central London office take-up in H1 of 4.2m sq ft was down 36% compared to H1 2022, but space under offer increased 51% to 4.1m sq ft through H1. Pre-letting levels across central London are high at 45% as companies with larger requirements increasingly recognise the forthcoming lack of prime supply, particularly in central locations. Active demand increased 35% in H1 to 7.7m sq ft, a positive indicator for future take-up.

Investment volumes of £2.9bn in H1 were low against long-term trends. Market interest rates have increased with the 10-year gilt yield rising from 3.0% in February to 4.4% at 30 June 2023. Lender risk appetite has reduced leading to an increase in margins and contraction in lending volumes. City prime yields increased by 75bp to 5.25% in the first half. However, reflecting the level of equity targeting the West End, prime investment yields were unchanged in H1 2023 at 3.75%, per CBRE.

Derwent's brand and product differentiation

Our distinctive, design-led spaces are focused on the people that occupy them. Through innovative design and high quality materials, we continually push boundaries to create architecturally striking buildings that have a positive impact on businesses and communities.

Sustainability is embedded throughout our business. Implementation of our Intelligent Building programme continues across the portfolio and will play an important role in our journey to net zero carbon, helping reduce both energy consumption and costs. We were recently granted planning consent for our 18.4MW solar park in Scotland which will deliver tangible environmental benefits for us and our occupiers.

Derwent's offer extends beyond the bricks and mortar: customer service and our 'member' approach is integral. We maintain strong relationships with our occupiers at all levels. The second of our lounges, DL/28, will open this autumn in our Old Street village, following very positive feedback from our occupiers on DL/78. This amenity – available to and highly valued by both our members and potential occupiers – is a significant brand differentiator.

We do not take a 'one size fits all' approach to flex. Rather, we tailor space to meet market demand across the board. Our buildings are designed to be flexible, and our 'long-life, low carbon' approach means space is adaptable to the needs of a diverse range of occupiers.

As well as leasing space to third party serviced office providers (163,000 sq ft), we provide a variety of 'Furnished + Flexible' workspaces, each designed for the relevant sub-market. This extends to 128,300 sq ft, including 44,200 sq ft which is on site or committed. Overall, flex comprises 5.4% of our portfolio floorspace which compares to the wider London market at 5-6%.

Guidance and outlook

Although availability across central London is elevated, supply of the best space is constrained, particularly in the West End. The medium-term speculative development pipeline looks thin with some new starts being delayed. Take-up was lower in H1, but we are encouraged by the increased amount of space under offer and levels of active demand.

We expect rents for the best space to continue to rise, with poorer space to underperform. Our portfolio, which is 72% in the West End, is well-placed as demonstrated by our near record leasing activity in the year to date at rents well ahead of ERV. Our guidance for average ERV growth across the portfolio in 2023 is unchanged at 0% to +3%.

Our EPRA equivalent yield has increased to 5.13%, up 67bp over the last 12 months to levels last seen in 2014. We expect our portfolio to be more resilient than the wider London office market, with the West End to continue to outperform. Our strong and well-financed balance sheet means we are well-placed to continue upgrading our properties through developments and refurbishments while remaining opportunistic should attractive acquisitions emerge.

As the flight to quality continues in an increasingly complex world, we are well positioned with the right product to capture London's diverse demand.

CENTRAL LONDON OFFICE MARKET

Occupational market

Take-up in H1 2023 totalled 4.2m sq ft across central London, 36% below H1 2022 and 25% lower than the 10-year H1 average. However, space under offer increased 51% to 4.1m sq ft which is 18% above the 10-year average. Pre-let space comprised 25% of H1 take-up, and eight of the top 10 lettings. Banking & finance was the most active sector at 29% of take-up, followed by business services at 22% and creative industries at 16%. These trends further underline the flight to quality.

Average vacancy rose through H1 to 8.5% from 7.7% at December 2022. However, performance by sub-market continues to diverge. In the West End, supply is constrained at 3.8% compared to the City with availability at 11.7%. Supply is dominated by secondhand space while demand is focused on prime, green space. According to CBRE, secondhand space accounts for 67% of total availability.

CBRE estimates 12.7m sq ft of new space will be delivered across central London by 2026, split 61% new developments and 39% refurbishments. The 3.4m sq ft in the West End equates to 3.7% of existing stock and is 28% pre-let. The 2.4m sq ft being delivered speculatively compares to average annual take-up of 4.1m sq ft. The 5.6m sq ft in the City is equivalent to 7.2% of existing space, and is 62% pre-let.

Combined with low existing vacancy, there is expected to be an ongoing shortage of prime supply. New construction starts in H1 2023 were below trend at 1.7m sq ft. The long-term six-monthly average for new construction starts is 2.3m sq ft.

Investment market

London is an attractive location for international investors. In H1, overseas capital comprised 71% of investment volume with Asian investors the most active at 49% in part reflecting their access to cheaper domestic debt. CBRE estimated prime West End investment yields were flat in H1 at 3.75%, while in the City there was a 75bp increase to 5.25%. This compares to prime yields in key European cities which range between 3.75% and 4.70%.

Investment volumes in H1 2023 of £2.9bn were 11% lower than in H2 2022 (£3.3bn) and below the 10-year H1 average of £6.0bn. Q1 was stronger at £1.7bn as transactions that had been put on hold at the end of 2022 completed. Q2, however, slowed to £1.2bn as inflation and interest rate concerns added to economic uncertainty. Deals in the West End represented 29% of the total compared to 45% in the City.

Market interest rates have increased with the 10-year gilt yield rising from February’s low of 3.0% to 4.4% at the end of H1 2023. The 5-year swap rate and SONIA experienced similar increases in H1 to 5.3% and 4.9% respectively. UK lending markets remain constrained in terms of both cost and availability of debt.

Liquidity is focused on the sub-£100m lot size ‘value-add’ market and is dominated by equity buyers. To date, there has not been a significant change in the level of market distress but as refinancing events gather pace the number of motivated vendors is expected to increase. Lenders are seeking to deleverage facilities to lower LTVs on refinancing given the rise in investment yields and decline in capital values.

VALUATION

The Group's investment portfolio was valued at £5.2bn on 30 June 2023. There was a deficit of £201.5m in the first half which, after accounting adjustments of £2.7m (see note 11), produced a decline of £204.2m including our share of joint ventures. On an underlying basis the portfolio decreased by 3.7%, following an 8.0% decline in H2 2022.

The background to this performance continues to be weak economic conditions with the impact of stickier than expected inflation and higher interest rates feeding through to the economy. This has resulted in a further outward movement of property valuation yields in the first half of the year.

By location, our central London properties, which represent 99% of the portfolio, reduced in value by 3.7% with the West End -2.4% and City borders -7.2%. The balance of the portfolio, our Scottish holdings, was down 2.5%.

Our portfolio capital growth outperformed the MSCI Quarterly Index for Central London Offices, at -4.9%. The wider MSCI Quarterly UK All Property Index decreased by 1.8%.

Our leasing activity provided valuation support, with the strongest occupier demand being for high quality space with strong ESG credentials. Our EPRA rental value moved up 1.0% in H1, in line with our guidance and showed an improvement on the 0.5% growth in H2 2022.

The portfolio's true equivalent yield expanded by 25bp, from 4.88% to 5.13% in H1. The initial yield is 3.9% (December 2022: 3.7%) which, after allowing for the expiry of rent frees and contractual uplifts, rises to 4.8% on a 'topped-up' basis (December 2022: 4.6%).

The total property return for the six month period was -2.0%, which compares to the MSCI Quarterly Index of -3.2% for Central London Offices and 0.5% for UK All Property.

During the first half we were on-site at two West End developments – 25 Baker Street W1 and Network W1. We are making good construction progress at each project. 76% of the commercial space at 25 Baker Street has been pre-let or pre-sold at a significant premium to the valuer's ERV. The completion date for each project is 2025 and £289m of capital expenditure is required to complete. Together, they were valued at £330.1m at 30 June 2023 and delivered a strong 10.6% valuation uplift, after capital expenditure. Excluding these projects, the portfolio declined in value by 4.6% on an underlying basis.

Further details on the progress of our projects are in the 'Developments' section below and additional guidance on the investment market is laid out in the 'Guidance and outlook' section above.

Portfolio reversion

Our contracted annualised cash rent at 30 June 2023 was £203.3m. With a portfolio net ERV of £305.6m there is £102.3m of potential reversion. Within this, £47.3m is contracted through rent-frees and fixed uplifts, the majority of which is already straight-lined in the income statement under UK-adopted international accounting standards. On-site developments and refurbishments could add £35.6m, of which £10.7m is pre-let. The ERV of available space is £12.1m. The balance of the potential reversion of £7.3m comes from future reviews and expiries less future fixed uplifts that are above current ERV.

LEASING, ASSET MANAGEMENT & INVESTMENT ACTIVITY

Lettings – £19.3m of new rent, 7.3% above ERV

Leasing activity in H1 2023 was the second strongest first half since 2007. £19.3m of new rent was signed in 33 transactions covering 228,000 sq ft, of which £11.3m (59%) were pre-lets. On average, new leases were agreed 7.3% above December 2022 ERV, or 8.9% excluding short-term lettings at properties earmarked for development, principally Holden House. This provides further evidence that occupiers are prepared to pay a premium rent for the right space which meets their requirements. The three key transactions in the period were:

- 25 Baker Street W1 – 106,100 sq ft pre-let to PIMCO two years ahead of completion;
- The Featherstone Building EC1 – 31,100 sq ft letting to Buro Happold; and
- One Oxford Street W1 – 22,200 sq ft letting to Uniqlo.

Our 'Furnished + Flexible' space continues to lease well, with 13 units (21,400 sq ft) leased in H1 for a combined rent of £1.4m, on average 10.9% ahead of December 2022 ERV

Post-H1 lettings – £7.0m of new rent, 11.2% above ERV

Since the end of H1, occupier demand for our product has continued to be strong. We have agreed a further £7.0m of lettings. The two principal lettings in H2 are:

- 25 Baker Street W1 – 49,200 sq ft pre-let to Moelis at a rent of £4.9m, significantly above June 2023 ERV. The commercial element is now 76% pre-let/sold; and
- The Featherstone Building EC1 – 14,400 sq ft letting to Tide at a rent of £1.0m, in line with June 2023 ERV. The building is now 70% leased.

Leasing activity in 2023 to date

	Let			Performance against Dec-22 ERV (%)	
	Area sq ft	Income £m pa	WAULT[1] yrs	Open market	Overall[2]
H1 2023	228,000	19.3	11.0	8.9	7.3
H2 to date	81,200	7.0	8.3	11.2	11.2

[1] Weighted average unexpired lease term (to break)
[2] Includes short-term lettings at properties earmarked for redevelopment

Principal lettings in 2023 to date

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
H1							
25 Baker Street W1	PIMCO	106,100	103.40	11.0	15	-	37
The Featherstone Building EC1	Buro Happold	31,100	74.40	2.3	15	10[1]	24, plus 12 if no break
One Oxford Street W1	Uniqlo	22,200	Conf [2]	Conf [2]	10	5	12
Tea Building E1	Jones Knowles Ritchie	8,100	60.00	0.5	10	5	12, plus 12 if no break
The White Chapel Building E1	Comic Relief	5,000	61.90	0.3	5	3	6, plus 1 if no break
Middlesex House W1	Zhonging Holding Group	4,200	81.00	0.3	3	1.5	-
Q3 to date							
25 Baker Street W1	Moelis	49,200	100.00	4.9	15	10	24, plus 9 if no break
The Featherstone Building EC1	Tide	14,400	71.00	1.0	10	5	15, plus 11 if no break
Tea Building E1	Gemba	7,100	63.80	0.5	5	-	8

[1] There is an additional break at year 5 on level eight subject to a 12-month rent penalty payable by the tenant
[2] Uniqlo will pay a base rent (subject to annual indexation) plus turnover top-up

Asset management progress – Extending income and capturing reversion

Overall asset management activity in H1 2023, excluding two short-term development-linked regears, totalled 195,700 sq ft, 18% higher than in H1 2022 (166,400 sq ft). There were 15 rent reviews totalling 145,400 sq ft which were settled on average 3.8% above the December 2022 ERV.

Rent on lease renewals was 10.1% higher than December 2022 ERV on average. Lease regears completed in line with the previous rent but were 4.9% on average above December 2022 ERV. This excludes two development-linked regears at Holden House where works are expected to start on site in 2025.

In aggregate, 86% of breaks/expiries were retained or re-let prior to the end of H1 excluding space taken back for projects and disposals. The Group's WAULT (to break) is unchanged compared to FY2022 at 6.4 years, rising to 7.2 years on a 'topped-up' basis.

The EPRA vacancy rate reduced through H1 to 4.5% from 6.4% at FY2022.

Asset management activity in H1 2023

	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	New rent vs Dec-22 ERV %
Rent reviews	145.4	8.5	9.0	5.8	3.8
Lease renewals	24.0	1.2	1.2	(1.0)	10.1
Lease regears[1]	26.3	1.5	1.5	0.0	4.9
Total[1]	**195.7**	**11.2**	**11.7**	**4.3**	**4.6**

[1] Excludes two development-linked regears

Investment activity

Investment activity in H1 2023 was quiet with disposals of £65.6m and no acquisitions. The Group takes a proactive approach to capital recycling with disposal proceeds largely reinvested into development capex. Since the start of 2018 the Group has made investment property disposals totalling almost £900m, compared to acquisitions of over £500m and development capex of over £900m. This is aligned to our strategy of keeping our prime recently completed buildings for longer and disposing of buildings with less repositioning potential.

Disposals

The principal disposal in H1 2023 was the sale of 19 Charterhouse Street EC1 for £53.6m, slightly ahead of December 2022 book value, reflecting a net initial yield of 4.6% and a capital value of £850 psf. The other key disposal was 12-16 Fitzroy Street W1 for £6.7m, 4.8% below December 2022 book value, which equates to a yield of 6.9% and a capital value of £775 psf. Other smaller disposals totalled £5.3m.

Disposals in H1 2023

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa
19 Charterhouse Street EC1	Q1	63,200	53.6	4.6	2.6
12-16 Fitzroy Street W1	Q2	8,600	6.7	6.9	0.5
Other		2,200	5.3	-	-
Total H1 2023		**74,000**	**65.6**	**4.4**	**3.1**

SUSTAINABILITY

We continue to make meaningful progress in a number of areas on our journey to net zero carbon.

On our Scottish estate, following receipt of resolution to grant planning for a c.100 acre 18.4MW solar park in 2022, planning consent was formally granted in H1. On completion, we expect the electricity generated, on an annualised basis, to be in excess of 40% of our London managed portfolio's usage. Providing our occupiers with certifiable renewable electricity will lead to a lower residual operational carbon footprint.

Implementation of our Intelligent Buildings programme, in collaboration with Johnson Controls, has been completed at seven buildings, 29% of our portfolio by area, and we are now starting to receive integrated data on their performance. This will allow for greater running efficiency, reducing both operational costs and our carbon footprint.

Alongside this, our programme of occupier collaboration and education continues to gather pace. Energy intensity across the managed portfolio was 67 kWh/sqm in H1 compared to 123 kWh/sqm in FY 2022. We are on track to again achieve our SBTi-verified targets in 2023 for the fourth consecutive year.

As refurbishment projects complete, the EPC profile of our portfolio continues to strengthen. At H1, 67.6% by ERV was rated EPC A or B (including on-site projects), with a further 18.4% rated EPC C. Our portfolio is 100% compliant with 2023 EPC legislation. We have a schedule of works estimated at c.£100m to ensure we remain compliant with evolving environmental legislation.

DEVELOPMENTS

On-site projects – 435,000 sq ft of best-in-class space (43% pre-let/pre-sold)

At H1 2023, we were on site at two major projects totalling 435,000 sq ft which we currently expect will deliver a 17% development profit and 5.9% yield on cost. These figures do not include the impact of the post-H1 pre-let to Moelis at 25 Baker Street W1 which was agreed significantly ahead of the June 2023 ERV. Our current embodied carbon estimates for both projects are in line with or ahead of our 2025 target of ≤600 kgCO_2e/sqm.

25 Baker Street W1 (298,000 sq ft)

This office-led multi-use scheme comprises 218,000 sq ft of offices, 28,000 sq ft of retail and 52,000 sq ft of residential. Against an increasingly supply-constrained backdrop for best-in-class offices with strong sustainability characteristics, the commercial element of 25 Baker Street is now 76% pre-let/pre-sold (by floor area) to PIMCO and Moelis. The Courtyard retail and Gloucester Place offices have been pre-sold to The Portman Estate. There is also strong early interest in the private residential units.

Construction is progressing on time and on budget. The private residential building at 100 George Street has topped out and the super-structure of 25 Baker Street has reached level 7. Since the start of the year, a fixed price contract has been signed with Make One for the 30 Gloucester Place element and we are finalising the contract for the private residential element. The mid stage 5 embodied carbon estimate is c.600 kgCO_2e/sqm.

Network W1 (137,000 sq ft)

Demolition works at this office-led project completed in H1 and ground works have commenced. A fixed price construction contract was signed with Kier prior to the end of H1. The scheme is currently being delivered on a speculative basis, but with very little competing office supply in Fitzrovia and the broader West End, we are confident in the letting prospects for this high quality building which is adjacent to 80 Charlotte Street W1 and DL/78.Fitzrovia. The stage 4 embodied carbon estimate is c.530 kgCO_2e/sqm.

Major developments pipeline

Project	Total	25 Baker Street W1	Network W1
Completion		H1 2025	H2 2025
Office (sq ft)	350,000	218,000	132,000
Residential (sq ft)	52,000	52,000	-
Retail (sq ft)	33,000	28,000	5,000
Total area (sq ft)	**435,000**	**298,000**	**137,000**
Est. future capex[1] (£m)	289	191	98
Total cost[2] (£m)	729	483	246
ERV (c.£ psf)	-	95	90
ERV (£m pa)	32.4	20.0[3]	12.4
Pre-let/sold area (sq ft)	137,100	137,100[4]	-
Pre-let income (£m pa, net)	10.7	10.7	-
Embodied carbon intensity (kgCO_2e/sqm)[5]		c.600	c.530
Target BREEAM rating		Outstanding	Outstanding
Target NABERS rating		4 Star or above	4 Star or above
Green Finance		Elected	Elected

[1] As at 30 June 2023
[2] Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. 25 Baker Street W1 includes a profit share to freeholder The Portman Estate
[3] Long leasehold, net of 2.5% ground rent
[4] 19,000 sq ft courtyard retail and 12,000 sq ft Gloucester Place offices sold to The Portman Estate, 106,100 sq ft pre-let to PIMCO
[5] Embodied carbon intensity estimate as at stage 4 or 5

Longer-term pipeline – c.1.3m sq ft of space consented or under appraisal

In addition to our on-site projects, our longer-term pipeline extends to c.1.3m sq ft across four projects.

The next phase of projects are expected to commence in late 2024 or 2025 and total c.390,000 sq ft (at 100%):

- 50 Baker Street W1 (c.240,000 sq ft; 50:50 JV with Lazari Investments) – planning application submitted;
- Holden House W1 (c.150,000 sq ft) – consented.

In the longer-term, Old Street Quarter EC1 (c.750,000 sq ft) could commence from 2027 and 230 Blackfriars Road (c.200,000 sq ft) from 2030.

Refurbishments

Derwent London has a strong and established reputation for both development and refurbishment. We expect refurbishment projects will comprise an increasing proportion of capital expenditure over the coming years as we continue to upgrade the portfolio to meet both ever higher occupier requirements and evolving EPC legislation. Larger refurbishments likely to commence over the near to medium term, on a rolling basis, include 1-2 Stephen Street W1, 20 Farringdon Road EC1 and Middlesex House W1. Through improving the amenity offer and overall quality, we expect these projects will deliver substantial uplifts in ERV.

We will continue to appraise sub-10,000 sq ft units for our 'Furnished + Flexible' product where we see strong occupier demand at an attractive rental level. We currently have 128,300 sq ft of 'Furnished + Flexible' space across the portfolio, which includes 44,200 sq ft which is on-site or committed. This equates to 2.2% of portfolio floorspace.

FINANCIAL REVIEW

Gross property and other income increased to £133.3m in the first half of 2023 from £122.5m in H1 2022 (restated by £0.2m for a change in the accounting treatment relating to Covid-19 incentives in past years). The increase in the first half was mainly due to much higher service charge income of £25.0m when compared with the £16.8m in H1 2022. Much of this came from the exceptional level of energy costs recharged to tenants after the price of energy on fixed price green tariffs increased almost threefold during 2022, but was also impacted by general cost inflation. Energy tariffs have since returned to a level close to that in early 2022 and we expect some unwinding of this impact in H2 2023.

Gross rental income was up by 3.9% to £105.9m with additional income from the occupied offices at Soho Place W1 and The Featherstone Building EC1, both of which reached practical completion during H1 2022. However, the level of irrecoverable property expenditure has risen by £4.7m from H1 2022 to H1 2023, due to higher average vacancy rates combining with these unusually high service charge levels. Recent lettings at The Featherstone Building and the majority of the retail space at Soho Place (known as 1 Oxford Street) together with lower energy tariffs from March 2023 should see this cost move down relative to rental income in H2 2023 but it is likely to remain above the levels generally seen in recent years. These temporary service charge peaks also meant that the minority of tenants who have capped service charges paid less than the full cost; the associated cost borne by us was £1.0m in the first half of 2023. Irrecoverable service charge overruns totalling £1.1m also came through from 2022 in the first half of 2023.

Rent collection for office tenants has remained very strong in the first half but an increased provision against retail, gyms and hospitality occupiers, which together make up only 7% of portfolio income, has led to impairment and bad debt charges totalling £1.9m. This contrasts with a release of impairment provisions in H1 2022 of £0.5m. These all combined to take net rental income to £90.9m in H1 2023 from £94.0m (restated) in H1 2022. Net property and other income moved by a similar amount from £96.6m (restated) in H1 2022 to £93.3m in H1 2023.

Administrative expenses increased to £19.2m from £17.8m in H1 2022 largely due to higher headcount, wage inflation and £1.2m in relation to 2022 bonuses awarded to directors and executive committee members. These are calculated and paid in March following the year to which they relate unlike staff bonuses which are paid in December.

The revaluation deficit in the income statement was £196.7m relating to our wholly-owned investment property. There was a further £2.6m deficit for the Group's owner-occupied offices at 25 Savile Row W1 plus a £4.8m deficit from our 50% share of the 50 Baker Street W1 joint venture. Together, these total £204.1m, a considerable reduction on the £503.6m deficit seen in H2 2022 but contrasting strongly with the £72.9m (restated) surplus in H1 2022 when market conditions were more favourable.

Gross interest costs were £23.0m in H1 2023, marginally lower than the £23.4m in H1 2022. However, capitalised interest of £2.7m in the period was £2.0m lower than the £4.7m in H1 2022. This is a result of the completion of mature developments in H1 2022 when the monthly rate of interest capitalisation is at its peak. As a result, net finance costs were a little higher in H1 2023 at £20.3m compared to £18.7m in H1 2022.

The resulting IFRS loss before tax for the first half was £143.1m which compares with the profit before tax seen in H1 2022 of £137.1m. EPRA earnings, which exclude fair value movements, fell 7% to £55.6m from £59.7m (restated) a year earlier and EPRA earnings per share (EPS) were down to 49.51p per share. In H1 2022, EPRA EPS were 53.22p (restated). As noted above, most of the decline came from higher irrecoverable property costs.

EPRA like-for-like gross rental income, which excludes the effect of acquisitions, disposals and developments, was up 1.4% compared to H2 2022 while like-for-like net rental income was down 1.7% compared with H2 2022.

Irrecoverable property costs, increased overheads and the impairment charges booked in H1 2023 have also increased our EPRA cost ratio (including direct vacancy costs); it rose to 28.8% in H1 2023 against 23.3% in both H1 and the whole of 2022. Excluding direct vacancy costs, it was 23.2% (H1 2022: 20.4%).

Capital expenditure in H1 2023 on wholly-owned investment properties was £54.1m plus capitalised interest of £2.3m, lower than the £69.2m and £4.4m, respectively, in H1 2022. In addition, we incurred £6.8m plus capitalised interest of £0.4m on our residential trading property at 25 Baker Street plus £1.9m on the development costs to be transferred to The Portman Estate upon completion. Pre-development design fees also continue at Old Street Quarter EC1, totalling £3.0m in the first half. This brought the balance of prepaid development expenditure to £12.1m, in advance of our acquisition of the site no earlier than 2027.

The Group's total return over the six-month period, including the 54.5p dividend paid, was -3.7% compared to 3.0% for H1 2022 and -6.3% for the full year 2022. The property valuation decline has also taken the Group's EPRA Net Tangible Asset value per share down 5.2% to 3,444p at 30 June 2023 from 3,632p at 31 December 2022. As at 30 June 2022, it was 4,023p. As interest rates continued to rise across the curve, the mark-to-market adjustment for our fixed rate debt has now increased to £190.6m from £159.5m in December 2022. As a result, EPRA Net Disposal Value was 3,609p at 30 June 2023, a smaller decline of 4.2% from the 3,768p reported as at 31 December 2022.

Financing and net debt

Lending conditions in the office real estate market have deteriorated quite sharply in the last few months exacerbated by higher rates across the curve. As a result, the market is seeing increasing margins with funders becoming increasingly selective. Derwent London is in a relatively strong position with low leverage, 98% of our debt at fixed rates as at 30 June 2023 and with an additional £75m forward start interest rate swap at 1.36% out to April 2025. Our debt has a weighted average term of 5.6 years, our revolving bank facilities (which are substantially undrawn) extend to Q4 2026 and Q4 2027, respectively, and we have only one loan expiry of £83m prior to June 2025. That is a secured loan at 3.99% which falls due in October 2024 and we have held early and positive discussions to refinance it. The cost of refinancing would currently be a little over 6% but may vary by the time we transact.

As a result of property disposals early in the year, our debt levels have barely increased in H1. Net debt at 30 June 2023 was £1.27bn, only marginally higher than £1.26bn at the 2022 year end and some way below the £1.36bn reported at 30 June 2022. Total borrowings were £1.28bn at 30 June 2023, again only just above the £1.25bn in December 2022.

EPRA loan-to-value ratio, which takes account of the lower property valuations and which also includes a net payables amount of £65.9m in addition to net debt, increased to 25.0% at 30 June 2023 (H1 2022: 23.7% and 23.9% at 31 December 2022).

As at 30 June 2023, the Group had £562m of unrestricted cash and undrawn facilities (31 December 2022: £577m).

Interest cover remains very strong at 4.1 times (2022: 4.2 times). Our interest cover debt covenant is at 1.45 times so there remains very substantial headroom. The weighted average interest cost was 3.19% as at 30 June 2023 (31 December 2022: 3.14%) on a cash basis.

The Group's balance sheet strength and debt metrics helped maintain an unchanged issuer default credit rating from Fitch of BBB+ in May 2023 with a stable outlook and a senior unsecured rating of A-.

Qualifying expenditure under our Green Finance Framework

The qualifying expenditure as at 30 June 2023 for each Eligible Green Project (EGP) is set out in the table below.

		Subsequent spend			
EGP	**Look back spend £m**	**Q4 2019 – FY 2022 £m**	**2023 Spend £m**	**Disposals £m**	**Cumulative Spend £m**
80 Charlotte Street W1	185.6	52.5	-	-	238.1
Soho Place W1	66.3	192.8	(0.9)	(34.8)	223.4
The Featherstone Building EC1	29.1	67.6	0.5	-	97.2
25 Baker Street W1	26.5	42.3	35.8	-	104.6
Network W1	14.7	-	9.1	-	23.8
	322.2	**355.2**	**44.5**	**(34.8)**	**687.1**

Network W1 commenced on site in 2022 and was elected as an EGP in 2023. As per our Green Finance Framework, costs incurred on this development in the periods before election qualify as 'green' expenditure, and have been included in the 'look-back' spend.

The cumulative qualifying expenditure on EGP's at 30 June 2022 was £687.1m, with £44.5m of this being incurred in H1 2023.

At 30 June 2023, total drawn borrowings from Green Financing Transactions were £372.5m. This includes £22.5m from the green tranche of the Group's RCF and the £350m Green Bonds.

Tax and dividend

We were advised by HMRC in July 2023 that we have been assigned the lowest risk status across all tax categories following their business risk review. This recognises the responsible approach to tax taken by the Group. Our statement of tax principles is available on the Derwent London website.

After considering our dividend cover and various stakeholder obligations, we have increased the interim dividend by 2.1% to 24.5p per share from 24.0p last year. It will be paid as a PID on 13 October 2023 to shareholders on the register as at 8 September 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and have assessed how these risks could best be mitigated, where possible, through a combination of internal controls, risk management and the purchase of insurance cover.

The principal risks and uncertainties facing the Group for the remaining six months of the financial year are set out on the following pages with the potential impact and the mitigating actions and controls in place. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board on 8 August 2023. The Group's approach to the management and mitigation of these risks is included in the 2022 Report & Accounts. The Board has confirmed that its risk appetite and key risk indicators remain appropriate.

There has been no significant change to the Group's principal risks and uncertainties since the publication of our 2022 Report & Accounts. The last significant change was in August 2022 with the reinstatement of 'a fall in property values'. There continues to be a heightened risk to property values over the next six months.

We are operating in a changed interest rate environment following a long period of historically low rates. Conditions in the debt markets have deteriorated with central banks raising rates in an effort to deal with inflation. With 98% of borrowings at fixed rates, the Group has minimal current exposure to market interest rates. Our average interest rate is 3.19% on a cash basis. Our next refinancing exposure arises in October 2024 on the £83m secured debt currently paying a coupon of 3.99%. We do not consider the cost of borrowing and the availability of funds to be a principal risk for the Group during the next six months. In these turbulent markets, we are helped by our high level of refinancing activity in previous years, unrestricted cash and undrawn facilities totalling £562m and our strong banking relationships.

As UK economic growth slows, there is an increasing risk of recession. A recession is unlikely to have a material impact on the Group or its tenants in the short-term. However, in the medium to long-term, a recession could lead to some of our occupiers facing a more challenging financial situation which could result in Derwent London having higher vacancy rates and reduced rent receipts. The occupiers deemed to be most at risk are those which rely heavily on consumer spending such as retail and hospitality, which make up only 7% of the Group's income.

The principal risks and uncertainties facing the Group for the remaining six months of the financial year are set out on the following pages with the potential impact and the mitigating actions and controls in place.

Strategic risks

The Group's business model and/or strategy does not create the anticipated shareholder value or fails to meet investors' and other stakeholders' expectations.

Risk, effect and progression	Controls and mitigation
1. Failure to implement the Group's strategy	
The Group's success depends on implementing its strategy and responding appropriately to internal and external factors including changing work practices, occupational demand, economic and property cycles. The London office market has generally been cyclical in recent decades, with strong growth followed by sharp economic downturns, precipitated by rising interest rates. The impact of these cycles is dependent on the quality and location of the Group's portfolio. Should the Group fail to respond and adapt to such cycles or execute the projects that underpin its strategy, it may have a negative impact on the Group's expected growth and financial performance.	• The Board maintains a formal schedule of matters which are reserved solely for its approval. These matters include decisions relating to the Group's strategy, capital structure, financing, any major property acquisition or disposal, the risk appetite of the Group and the authorisation of capital expenditure above the delegated authority limits. • Frequent strategic and financial reviews. An annual strategic review and budget is prepared for Board approval alongside two-year rolling forecasts which are prepared three times a year. • Assess and monitor the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides resilience against occupier default. • Maintain income from properties until development commences and have an ongoing strategy to extend income through lease renewals and regears. Developments are de-risked through pre-lets. • Maintain sufficient headroom for all the key ratios and financial covenants, with a particular focus on interest cover. • Develop properties in central locations where there is good potential for future demand, such as near the Elizabeth Line. We do not have any properties in the City Core or Docklands.

Financial risks

The main financial risk is that the Group becomes unable to meet its financial obligations, which is not currently a principal risk. Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Risk, effect and progression	Controls and mitigation
2. Risk of occupiers defaulting or occupier failure	
The majority of the Group’s revenues comprise rent received from our occupiers and any deterioration in their businesses and/or profitability could in turn adversely affect the Group’s rental income or increase the Group’s bad debts and/or number of lease terminations. In the event that some of our occupiers went into default, we could incur impairments and write-offs of IFRS 16 lease incentive receivable balances which arise from the accounting requirement to spread any rent-free incentives given to an occupier over the respective lease term, in addition to a loss of rental income.	• Assess and monitor the financial strength of potential and existing occupiers. The Group’s diverse and high quality occupier base provides resilience against occupier default. • Focus on letting our buildings to large and established businesses where the risk of default is lower. • Active in house rent collection, with regular reports to the Executive Directors on day 1, 7, 14 and 21. • Ongoing dialogue is maintained with occupiers to understand their concerns and requirements. • Rent deposits are held where considered appropriate.
3. Income decline	
Changes in macroeconomic factors may adversely affect London’s overall office market. The Group is exposed to external factors which are outside the Group’s control, such as future demand for office space, the ‘cost of living’ crisis, the ‘grey’ market in office space (i.e. occupier controlled vacant space), weaknesses in retail and hospitality businesses, increase in hybrid working, a recession, and subsequent rise in unemployment and/or interest rates. Such macroeconomic conditions lead to a general property market contraction, a decline in rental values and Group income, which could impact on property valuation yields.	• The Credit Committee receives detailed reviews of all prospective occupiers and ensures a variety of occupiers and that focus is on large and established businesses where the risk of default is lower. • A ‘tenants on watch’ register is maintained and regularly reviewed by the Executive Directors and the Board. • Ongoing dialogue is maintained with occupiers to understand their concerns and requirements. • The Group’s low loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity.
4. Fall in property values	
The potential adverse impact of the economic and political environment on property yields has heightened the risk of a fall in property values. A fall in property values will have an impact on the Group’s net asset value and gearing levels.	• The impact of yield changes is considered when potential projects are appraised. • The impact of yield changes on the Group’s financial covenants and performance is monitored regularly and subject to sensitivity analysis to ensure that adequate headroom is preserved. • The Group’s mainly unsecured financing makes management of our financial covenants more straightforward. • The Group’s low loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity.

Operational risks

The Group suffers either a financial loss or adverse consequences due to processes being inadequate or not operating correctly, human factors or other external events.

Risk, effect and progression	Controls and mitigation
5. Risks arising from our development activities	
A. Reduced development returns	
Returns from the Group’s developments may be adversely impacted due to: • delays on site; • increased construction costs; • material and labour shortages; and • adverse letting conditions. Any significant delay in completing the development projects may result in financial penalties or a reduction in the Group’s targeted financial returns.	• Our procurement process includes the use of highly regarded firms of quantity surveyors and is designed to minimise cost uncertainty. • Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed price contracts are negotiated. • Post-completion reviews are carried out for all major developments to ensure that improvements to the Group’s procedures are identified, implemented and lessons learned. • Investment appraisals are prepared and sensitivity analysis is undertaken to judge whether an adequate return is made in all likely circumstances. • The Group’s pre-letting strategy reduces or removes the letting risk of the development as soon as possible.
B. ‘On-site’ risk	
Risks that can materialise whilst on site, include: • unexpected ground conditions • deleterious material (including asbestos) • unidentified issues with the existing building • activity in adjacent sites/buildings ‘On-site’ risks can cause development projects to be significantly delayed and could lead to penalties and a deferral of rental income. ‘On-site’ risks typically arise if inadequate contingencies, investment appraisals, or site investigations have been conducted prior to starting work on site. Risk of project delays and/or cost overruns caused by unidentified issues.	• Prior to construction beginning on site, we conduct thorough site investigations and surveys to reduce the risk of unidentified issues, including investigating the building’s history and adjacent buildings/sites. • Adequately appraise investments prior to starting work on site, including through: (1) the benchmarking of development costs; and (2) following a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors. • Regular monitoring of our contractors’ cash flows. • Frequent meetings with key contractors and subcontractors to review their work programme and maintain strong relationships. • Off-site inspection of key components to ensure they have been completed to the requisite quality. • Monthly reviews of supply chain issues for each of our major projects, including in respect to potential labour shortages.

C. Contractor/subcontractor default

There have been ongoing issues within the construction industry in respect of the level of risk and narrow profit margins being accepted by contractors.

Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major subcontractor defaulting during the project.

- We use known 'Tier 1' contractors with whom we have established working relationships and regular work with tried and tested sub-contractors.
- Regular monitoring of our contractors, including their project cash flows, is carried out.
- Key construction packages are acquired early in the project's life to reduce the risks associated with later default.
- The financial standing of our main contractors is reviewed prior to awarding the project contract.
- Our main contractors are responsible, and assume the immediate risk, for subcontractor default.
- Payments to contractors are in place to incentivise the achievement of project timescales, with damages agreed in the event of delay/cost overruns.
- Regular on-site supervision by a dedicated Project Manager who monitors contractor performance and identifies problems at an early stage, thereby enabling remedial action to be taken.
- Contractors are paid promptly and are encouraged to pay subcontractors promptly. In addition, we externally publish our payment terms.

6. Risk of business interruption

A. Cyber-attack on our IT systems

The Group may be subject to a cyber attack that results in it being unable to use its information systems and/or losing data.

Such an attack could severely restrict the ability of the Group to operate, lead to an increase in costs and/or require a significant diversion of management time.

- The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested.
- Independent internal and external penetration/vulnerability tests are regularly conducted to assess the effectiveness of the Group's security.
- Multi-Factor Authentication is in place for access to our systems.
- The Group's data is regularly backed up and replicated off-site.
- Our IT systems are protected by anti-virus software, 24/7/365 threat hunting, security incident detection and response, security anomaly detection and firewalls that are frequently updated.
- Frequent staff awareness and training programmes.
- Security measures are regularly reviewed by the IT team.

B. Cyber-attack on our buildings

The Group is exposed to cyber attacks on its properties which may result in data breaches or significant disruption to IT-enabled occupier services.

A major cyber attack against the Group or its properties could negatively impact the Group's business, reputation and operating results.

- The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested.
- Physical segregation between the building's core IT infrastructure and occupiers' corporate IT networks.
- Physical segregation of IT infrastructure between buildings across the portfolio.
- Frequent staff awareness and training programmes. Building Managers are included in any cyber security awareness training and phishing simulations.
- Sophos Rapid Response team provide unlimited support to our Cyber Incident Response Team in the event of a cyber attack.

C. Significant business interruption (for example pandemic, terrorism-related event or other business interruption)

Major incidents may significantly interrupt the Group's business, its occupiers and/or supply chain. Such incidents could be caused by a wide range of events such as fire, natural catastrophes, cyber events, terrorism, pandemic outbreak, material supply chain failures and geopolitical factors.

This could result in issues such as being unable to access or operate the Group's properties, occupier failures or reduced rental income, share price volatility or loss of key suppliers.

- Fire protection and access/security procedures are in place at all of our managed properties. At least annually, a fire risk assessment and health and safety inspection are performed for each property in our managed portfolio.
- The Group has comprehensive business continuity and incident management procedures both at Group level and for each of our managed buildings which are regularly reviewed and tested.
- Continuous review of property health and safety statutory compliance.
- Comprehensive property damage and business interruption insurance which includes terrorism.
- Robust security at our buildings, including CCTV and access controls.
- Most of our employees are capable of working remotely and have the necessary IT resources.

7. Reputational damage

The Group's reputation could be damaged, for example, through unauthorised or inaccurate media coverage, unethical practices or behaviours by the Group's executives, or failure to comply with relevant legislation.

This could lead to a material adverse effect on the Group's operating performance and overall financial position. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing.

- Social media channels are monitored, and the Group retains the services of an external PR agency to monitor external media sources.
- The Executive Directors and Board receive ad hoc social media reports. Our social media strategy is approved by the Executive Directors.
- Close involvement of senior management in day-to-day operations and established procedures for approving all external announcements.
- All new members of staff attend an induction programme and are issued with our Group staff handbook.
- A Group whistleblowing system is in place for staff to report wrongdoing anonymously.
- Ongoing engagement with local communities in areas where the Group operates.
- Staff training and awareness programmes.

8. Our resilience to climate change

If the Group fails to respond appropriately, and sufficiently, to climate-related risks or fails to benefit from the potential opportunities.

This could lead to reputational damage, loss of income and/or property values. In addition, there is a risk that the cost of construction materials and providing energy, water and other services to occupiers will rise.

- The Board and Executive Directors receive regular updates and presentations on environmental and sustainability performance and management matters as well as progress against our pathway to becoming net zero carbon by 2030.
- The Sustainability Committee monitors our performance and management controls.
- Strong team led by an experienced Head of Sustainability.
- Production of an annual Responsibility Report with key data and performance points which are externally assured.
- In 2017 we adopted independently verified science-based targets which have been approved by the Science-Based Targets initiative (SBTi) and will be updated in 2023 in line with changing methodologies and guidance.
- Undertake periodic multi-scenario climate risk assessments (physical and transition risks).

9. Non-compliance with regulation

A. Non-compliance with health and safety legislation

An incident or breach of health and safety legislation, including in respect of fire safety, water hygiene, asbestos exposure, building safety, construction design management etc.

A major health and safety incident could cause significant business interruption for the Group, a risk to life, Company or Director fines or imprisonment, reputational damage, and/or loss of our licences to operate.

- All our properties have the relevant health, safety and fire management procedures in place, which are reviewed annually.
- The Group has a qualified Health and Safety team whose performance is monitored and managed by the Health and Safety Committee.
- Health and safety statutory compliance within our managed portfolio is managed and monitored using RiskWise, a software compliance platform. This is supported by a programme of annual property health checks (internal audits).
- The Managed Portfolio Health and Safety team, with the support of internal and external stakeholders, support our Portfolio and Building Managers to ensure statutory compliance.
- The Construction Health and Safety team, with the support of internal and external stakeholders, ensure our Construction (Design and Management) Regulations (CDM) client duties are executed and monitored and they will review health, safety and welfare on each ‘major’ construction site on a monthly basis, with periodic visits to ‘small works’ construction projects also.
- The Board, Risk Committee and Executive Directors receive frequent updates and presentations on key health and safety matters, including both physical and mental health.

B. Other regulatory non-compliance

The Group breaches any of the legislation that forms the regulatory framework within which the Group operates.

The Group’s cost base could increase and management time could be diverted. This could lead to damage to our reputation and/or loss of our licence to operate.

- The Board and Risk Committee receive regular reports prepared by the Group’s legal advisers identifying upcoming legislative/regulatory changes. External advice is taken on any new legislation, if required.
- Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs).
- A Group whistleblowing system (‘Speak-up’) for staff is maintained to report wrongdoing anonymously.
- Ongoing staff training and awareness programmes.
- Group policies and procedures dealing with all key legislation are available on the Group’s intranet.
- Quarterly review of our anti-bribery and corruption procedures by the Risk Committee.

10. Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- credit risk;
- market risk; and
- liquidity risk.

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years. The Group's EPRA loan-to-value ratio has increased to 25.0% as at 30 June 2023.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, accrued income arising from the spreading of lease incentives, cash at bank, trade and other payables, floating rate bank loans, fixed rate loans and private placement notes, secured and unsecured bonds and interest rate swaps.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to executive management for designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility and its ability to maximise returns. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from lease contracts in relation to its property portfolio. It is Group policy to assess the credit risk of new tenants before entering into such contracts. The Board has a Credit Committee which assesses each new tenant before a new lease is signed. The review includes the latest sets of financial statements, external ratings when available and, in some cases, forecast information and bank or trade references. The covenant strength of each tenant is determined based on this review and, if appropriate, a deposit or a guarantee is obtained. The Committee also reviews existing tenant covenants from time to time.

Impairment calculations have been carried out on trade receivables and accrued income arising as a result of the spreading of lease incentives using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. In addition, the Credit Committee has reviewed its register of tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA and the largest tenants by size with the remaining occupiers considered on a sector by sector basis.

As the Group operates predominantly in central London, it is subject to some geographical concentration risk. However, this is mitigated by the wide range of tenants from a broad spectrum of business sectors.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk arises for the Group from its use of variable interest bearing instruments (interest rate risk).

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. At 30 June 2023, the proportion of fixed debt held by the Group was above this range at 98% (31 December 2022: 100%). During both 2023 and 2022, the Group's borrowings at variable rate were denominated in sterling.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. When the Group raises long-term borrowings, it is generally at fixed rates.

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient headroom in its loan facilities to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain committed facilities to meet the expected requirements. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings. This is further explained in the 'market risk' section above.

Executive management receives rolling three-year projections of cash flow and loan balances on a regular basis as part of the Group's forecasting processes. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The Group's loan facilities and other borrowings are spread across a range of banks and financial institutions so as to minimise any potential concentration of risk. The liquidity risk of the Group is managed centrally by the finance department.

Capital disclosures
The Group's capital comprises all components of equity (share capital, share premium, other reserves and retained earnings).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern so that it can continue to provide above average long-term returns for shareholders and support for its other stakeholders; and
- to provide an above average annualised total return to shareholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders subject to the rules imposed by its REIT status. It may also seek to redeem bonds, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and loan-to-value ratio. During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the interest cover ratio, are defined in the list of definitions at the end of this announcement and are derived in note 25.

The Group is also required to ensure that it has sufficient property assets which are not subject to fixed or floating charges or other encumbrances. Most of the Group's debt is unsecured and, accordingly, there was £4.4bn of uncharged property as at 30 June 2023.

Statement of Directors' responsibilities

The Directors' confirm that, to the best of their knowledge, these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report.

The Directors are listed in the Derwent London plc Annual Report of 31 December 2022 and a list of the current Directors is maintained on the Derwent London plc website: www.derwentlondon.com. The maintenance and integrity of the Derwent London website is the responsibility of the Directors.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Paul M. Williams
Chief Executive

Damian M.A. Wisniewski
Chief Financial Officer

9 August 2023

GROUP CONDENSED INCOME STATEMENT

	Note	**Half year to 30.06.2023 Unaudited £m**	Half year to 30.06.2022 Unaudited Restated[1] £m	Year to 31.12.2022 Audited £m
Gross property and other income	5	**133.3**	122.5	248.8
Net property and other income[2]	5	**93.3**	96.6	194.6
Administrative expenses		**(19.2)**	(17.8)	(36.4)
Revaluation (deficit)/surplus	11	**(196.7)**	73.3	(422.1)
Profit on disposal	6	**1.2**	0.5	25.6
(Loss)/profit from operations		**(121.4)**	152.6	(238.3)
Finance income	7	**0.7**	0.2	0.3
Finance costs	7	**(20.3)**	(18.7)	(39.7)
Movement in fair value of derivative financial instruments		**0.7**	3.5	5.8
Financial derivative termination income/(costs)	8	**1.0**	(0.6)	(0.3)
Share of results of joint ventures	9	**(3.8)**	0.1	(7.3)
(Loss)/profit before tax		**(143.1)**	137.1	(279.5)
Tax charge	10	**(0.1)**	(1.8)	(1.0)
		(143.2)	135.3	(280.5)
Basic earnings per share	24	**(127.53p)**	120.61p	(249.84p)
Diluted earnings per share	24	**(127.53p)**	120.35p	(249.84p)

[1] Figures for the prior period ended 30 June 2022 have been restated for a change in accounting policy in relation to forgiveness of lease payments. See note 2 for additional information.

[2] Net property and other income includes a net charge of £1.9m in relation to the write-off/movement in impairment of receivables (half year to 30 June 2022 restated: net credit of £0.5m; year to 31 December 2022: net credit of £1.0m). See note 3 for additional information.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Half year to 30.06.2023 Unaudited £m**	Half year to 30.06.2022 Unaudited £m	Year to 31.12.2022 Audited £m
(Loss)/profit for the period		**(143.2)**	135.3	(280.5)
Actuarial loss on defined benefit pension scheme		**(0.3)**	(0.2)	(2.0)
Revaluation (deficit)/surplus of owner-occupied property	11	**(2.6)**	0.7	0.7
Deferred tax credit/(charge) on revaluation	20	**0.6**	(0.2)	(0.2)
Other comprehensive expense that will not be reclassified to profit or loss		**(2.3)**	0.3	(1.5)
Total comprehensive (expense)/income relating to the period		**(145.5)**	135.6	(282.0)

GROUP CONDENSED BALANCE SHEET

	Note	**30.06.2023 Unaudited £m**	30.06.2022 Unaudited Restated[1] £m	31.12.2022 Audited £m
Non-current assets				
Investment property	11	**4,852.1**	5,497.1	5,002.0
Property, plant and equipment	12	**51.4**	54.5	54.3
Investments	14	**39.2**	51.3	43.9
Derivative financial instruments	19	**5.7**	2.7	5.0
Pension scheme surplus		**1.0**	1.7	1.2
Other receivables	15	**196.4**	179.3	188.1
		5,145.8	5,786.6	5,294.5
Current assets				
Trading property	11	**46.5**	31.3	39.4
Trading stock	13	**4.2**	1.2	2.3
Trade and other receivables	16	**51.3**	52.5	42.4
Corporation tax asset		**0.4**	-	-
Cash and cash equivalents	22	**98.4**	82.9	76.6
		200.8	167.9	160.7
Non-current assets held for sale	17	**-**	115.4	54.2
Total assets		**5,346.6**	6,069.9	5,509.4
Current liabilities				
Leasehold liabilities	19	**0.4**	-	0.5
Borrowings	19	**20.0**	14.6	19.7
Trade and other payables	18	**164.0**	154.9	148.1
Corporation tax liability		**-**	1.2	0.9
Provisions		**0.1**	0.2	-
		184.5	170.9	169.2
Non-current liabilities				
Borrowings	19	**1,258.3**	1,359.3	1,229.4
Leasehold liabilities	19	**34.4**	19.6	34.5
Provisions		**0.1**	0.2	0.2
Deferred tax	20	**0.1**	1.1	0.6
		1,292.9	1,380.2	1,264.7
Total liabilities		**1,477.4**	1,551.1	1,433.9
Total net assets		**3,869.2**	4,518.8	4,075.5
Equity				
Share capital		**5.6**	5.6	5.6
Share premium		**196.6**	196.6	196.6
Other reserves		**938.6**	940.8	941.9
Retained earnings		**2,728.4**	3,375.8	2,931.4
Total equity		**3,869.2**	4,518.8	4,075.5

[1] Figures for the prior period ended 30 June 2022 have been restated for changes in accounting policies. See note 2 for additional information.

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders				
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2023	5.6	196.6	941.9	2,931.4	4,075.5
Loss for the period	-	-	-	(143.2)	(143.2)
Other comprehensive expense	-	-	(2.0)	(0.3)	(2.3)
Share-based payments	-	-	(1.3)	1.7	0.4
Dividends paid	-	-	-	(61.2)	(61.2)
At 30 June 2023 (unaudited)	**5.6**	**196.6**	**938.6**	**2,728.4**	**3,869.2**
At 1 January 2022	5.6	195.4	941.1	3,299.7	4,441.8
Profit for the period	-	-	-	135.3	135.3
Other comprehensive income/(expense)	-	-	0.5	(0.2)	0.3
Share-based payments	-	1.2	(0.8)	1.1	1.5
Dividends paid	-	-	-	(60.1)	(60.1)
At 30 June 2022 (unaudited)	5.6	196.6	940.8	3,375.8	4,518.8
At 1 January 2022	5.6	195.4	941.1	3,299.7	4,441.8
Loss for the year	-	-	-	(280.5)	(280.5)
Other comprehensive income/(expense)	-	-	0.5	(2.0)	(1.5)
Share-based payments	-	1.2	0.3	1.2	2.7
Dividends paid	-	-	-	(87.0)	(87.0)
At 31 December 2022 (audited)	5.6	196.6	941.9	2,931.4	4,075.5

GROUP CONDENSED CASH FLOW STATEMENT

	Note	**Half year to 30.06.2023 Unaudited £m**	Half year to 30.06.2022 Unaudited Restated[1] £m	Year to 31.12.2022 Audited £m
Operating activities				
Rents received		**98.5**	93.8	193.7
Surrender premiums and other property income		**0.7**	0.4	0.7
Property expenses		**(16.9)**	(8.4)	(22.5)
Costs recoverable from tenants		**-**	(4.2)	(1.9)
Service charge balance inflows		**50.3**	26.8	64.5
Service charge balance outflows		**(42.9)**	(24.5)	(61.5)
Tenant deposit inflows		**0.7**	12.4	13.9
Tenant deposit outflows		**(1.0)**	(1.6)	(4.2)
Cash paid to and on behalf of employees		**(16.3)**	(14.0)	(25.1)
Other administrative expenses		**(5.8)**	(4.7)	(8.0)
Interest received	7	**0.7**	0.2	0.3
Interest paid	7	**(13.8)**	(12.4)	(33.7)
Other finance costs	7	**(1.9)**	(1.5)	(3.4)
Other income		**3.9**	1.5	4.2
Disposal of trading properties		**-**	3.0	3.0
Expenditure on trading properties/stock		**(8.6)**	(1.5)	(9.7)
Distribution received from joint venture		**0.4**	-	-
Tax paid in respect of operating activities		**(1.3)**	(0.7)	(0.5)
VAT movement		**(2.9)**	(2.5)	1.6
Net cash from operating activities		**43.8**	62.1	111.4
Investing activities				
Acquisition of properties		**(0.9)**	(137.2)	(137.6)
Capital expenditure on the property portfolio	7	**(51.9)**	(67.7)	(120.7)
Disposal of investment properties		**65.2**	65.0	206.7
Investment in joint ventures		**-**	(0.3)	(0.3)
Repayment of shareholder loan		**0.7**	-	-
Purchase of property, plant and equipment		**(0.4)**	(0.9)	(2.0)
VAT movement		**(4.6)**	(9.3)	2.2
Net cash from/(used in) investing activities		**8.1**	(150.4)	(51.7)
Financing activities				
Net movement in revolving bank loans		**27.5**	121.0	(10.1)
Proceeds from other loan		**0.3**	2.3	7.4
Financial derivative termination income/(costs)	8	**1.0**	(0.6)	(0.3)
Net proceeds of share issues		**-**	1.2	1.2
Dividends paid	21	**(58.9)**	(58.2)	(86.8)
Net cash (used in)/from financing activities		**(30.1)**	65.7	(88.6)
Increase/(decrease) in cash and cash equivalents in the period		**21.8**	(22.6)	(28.9)
Cash and cash equivalents at the beginning of the period		**76.6**	105.5	105.5
Cash and cash equivalents at the end of the period	22	**98.4**	82.9	76.6

[1] Figures for the prior period ended 30 June 2022 have been restated for changes in accounting policies. See note 2 for additional information.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information for the half year to 30 June 2023 and the half year to 30 June 2022 was not subject to an audit but has been subject to a review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

The comparative financial information presented herein for the year to 31 December 2022 does not constitute the Group's statutory accounts, but is derived from those accounts. The Group's statutory accounts for the year to 31 December 2022 have been delivered to the Registrar of Companies. The Auditors' report on those accounts was unmodified, did not draw attention to any matters by way of an emphasis of matter and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information in these condensed consolidated interim financial statements is that of the holding company and all of its subsidiaries (the 'Group') together with the Group's share of its joint ventures. The Group's condensed consolidated interim financial statements have been prepared in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and should be read in conjunction with the Annual Report and Accounts for the year to 31 December 2022, which have been prepared in accordance with UK-adopted International Accounting Standards, (the 'applicable framework'), and with the provisions of the Companies Act 2006 (the 'applicable legal requirements'). The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, the revaluation of property, plant and equipment, assets held for sale, pension scheme, and financial assets and liabilities held at fair value.

As with most other UK property companies and real estate investment trusts ('REITs'), the Group presents many of its financial measures in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA'). These measures, which provide consistency across the sector, are all derived from the IFRS figures in note 24.

Going concern

Under Provision 30 of the UK Corporate Governance Code 2018, the Board needs to report whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The Group's latest rolling forecast for the period to 31 December 2024, in particular the cash flows, borrowings, undrawn facilities and with no refinancing exposure in the next 12 months.
- The headroom under the Group's financial covenants.
- The risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the 12 months following approval of these interim financial statements.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Directors have considered the relatively long-term and predictable nature of the income receivable under the tenant leases, the Group's EPRA loan-to-value ratio of 25.0%, the interest cover ratio of 411%, the £562m total of undrawn facilities and unrestricted cash and the fact that the average maturity of borrowings was 5.6 years at 30 June 2023. The impact of the current economic situation, the increases to interest rates and cost inflation on the business and its occupiers have been considered. The likely impact of climate change has been incorporated into the Group's forecasts which have also taken account of a programme of EPC upgrades across the portfolio. Based on the Group's forecasts, rental income would need to decline by 64% and property values would need to fall by 58% before breaching its financial covenants.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition, the Group's risks and risk management processes can be found within the risk management and internal controls.

Having due regard to these matters and after making appropriate enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these condensed consolidated interim financial statements and, therefore, the Board continues to adopt the going concern basis in their preparation.

2. Changes in accounting policies

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2022, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

New standards adopted during the period

The following standards, amendments and interpretations were effective for the first time for the Group's current accounting period and had no material impact on the financial statements.

IAS 1 and IFRS Practice Statement 2 (amended) – Disclosure of Accounting Policies;
IAS 8 (amended) – Definition of Accounting Estimate;
IAS 12 (amended) – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;
IAS 12 (amended) – International Tax Reform – Pillar Two Model Rules;
IFRS 17 (amended) – Insurance Contracts;
IFRS 17 (amended) and IFRS 9 – Comparative Information.

Standards in issue but not yet effective
The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting period and have not been adopted early. Based on the Group's current circumstances, the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

IAS 1 (amended) – Classification of liabilities as current or non-current, Non-current Liabilities with Covenants;
IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture;
IFRS 16 (amended) – Lease Liability in a Sale and Leaseback.

Restatement – IFRIC Agenda Decision - Forgiveness of lease payments
In October 2022, the IFRS Interpretations Committee ('IFRIC') released its decision on the application of IFRS 9 and IFRS 16 in relation to how a lessor should account for the forgiveness of amounts due under leases.

It was determined that, for any rent receivables that are past their due dates and subsequently forgiven, the lessor should apply the expected credit loss (ECL) model in IFRS 9. Therefore, the forgiveness will be subject to the derecognition and impairment requirements in IFRS 9, and the impact of relevant receivable amounts written off has been reflected in the income statement. The Group had previously treated the forgiveness of rent receivables, in particular Covid-19 concessions that were past their due dates, as lease modifications under IFRS 16 rather than the updated guidance of applying IFRS 9.

However, forgiveness of future rent not currently due meets the definition of a lease modification in IFRS 16. The impact of this forgiveness is recognised on a straight-line basis over the remaining term of the lease.

The adjustments required to amounts forgiven for receivables past their due date, including the remeasurement of the ECL, have been recalculated and the impact determined to be immaterial for each individual financial year. As a result of the IFRIC decision, the Group changed its policy in 2022 and has voluntarily elected to apply IFRS 9 where applicable. For the year ended 31 December 2022, the Group adopted the change in accounting policy and accordingly, the relevant 2021 opening balances and 30 June 2022 comparative information have been restated. In the income statement, the restatement has resulted in a change to gross rental income, movement in impairment of receivables and revaluation surplus with no impact in the total profit/(loss) in the respective period. In addition, there is no impact on the total net assets within the balance sheet, with adjustments in rents recognised in advance (other receivables and trade and other receivables), provision for bad debts, and investment property. The impact of these adjustments is shown on the following page. As the impact is not material, in accordance with IAS 1 'Presentation of Financial Statements', the Group has not presented a revised balance sheet as at 31 December 2021 within the financial statements.

Restatement – IFRIC Agenda Decision - Recognition of Tenant Deposits as restricted cash
In March 2022, the IFRS Interpretations Committee ('IFRIC') finalised a decision with respect to the treatment of demand deposits with restrictions on use, which includes tenant rent deposits. It was concluded that these deposits, which are subject to contractual restrictions, meet the definition of 'cash and cash equivalents' under IAS 7 and should therefore be included as restricted cash under 'cash and cash equivalents' within the financial statements. The Group had not previously recognised tenant rent deposits on its balance sheet as these deposits are only available upon a tenant defaulting under the terms of its lease and are normally refunded upon expiry. As a result of the IFRIC decision, the Group changed its policy in 2022 and includes tenant rent deposits as restricted cash. For the year ended 31 December 2022, the Group adopted the change in accounting policy and accordingly, the relevant 2021 opening balances and 30 June 2022 comparative information have been restated. The adjustment has no impact on the net assets of the Group, but cash and cash equivalents as at 30 June 2022 have increased by £28.4m with a corresponding increase in other payables. The movement in tenant rent deposits has been included in net cash from operating activities in the cash flow statement.

Cash collected on behalf of tenants to fund service charges of properties in the portfolio was previously recognised within trade and other receivables. This has now been reclassified and presented as restricted cash within 'cash and cash equivalents'. For the prior period ended 30 June 2022, the adjustment has no impact on the net assets of the Group, with cash and cash equivalents increasing by £21.7m with a corresponding decrease of trade and other receivables. The movement in service charge balances has been included in 'net cash from operating activities' in the cash flow statement.

The impact of these adjustments is shown on the following page. As the total impact of both tenant deposits and service charge balances is not material, the Group has not presented a revised balance sheet as at 31 December 2021 within the financial statements, in accordance with IAS 1 'Presentation of Financial Statements'.

The following table shows the impact of these adjustments in the prior years.

	Half year to 30 June 2022			
	30 June £m	Restatement[1] £m	Restatement[2] £m	**30 June Restated £m**
Group balance sheet (extract)				
Investment property	5,495.9	1.2	-	**5,497.1**
Other receivables	175.8	(0.7)	-	**175.1**
Trade and other receivables	78.9	(0.5)	(21.7)	**56.7**
Cash and cash equivalents	32.8	-	50.1	**82.9**
Trade and other payables	(126.5)	-	(28.4)	**(154.9)**
	5,656.9	-	-	**5,656.9**
Group income statement (extract)				
Net property and other income				
Gross rental income	101.7	0.2	-	**101.9**
Movement in impairment of receivables	0.6	(0.1)	-	**0.5**
Revaluation surplus	73.4	(0.1)	-	**73.3**
	175.7	-	-	**175.7**
Group cash flow statement (extract)				
Net cash from operating activities	51.5	-	13.1	**64.6**
	51.5	-	13.1	**64.6**

	Year to 31 December 2021			
	31 December £m	Restatement[1] £m	Restatement[2] £m	**31 December Restated £m**
Group balance sheet (extract)				
Investment property	5,359.9	1.3	-	**5,361.2**
Trade and other receivables	61.7	(1.3)	(19.4)	**41.0**
Cash and cash equivalents	68.5	-	37.0	**105.5**
Trade and other payables	(128.3)	-	(17.6)	**(145.9)**
	5,361.8	-	-	**5,361.8**
Group cash flow statement (extract)				
Cash and cash equivalents at the end of the year	68.5	-	37.0	**105.5**
	68.5	-	37.0	**105.5**

[1] Restatement in relation to IFRIC Agenda Decision – Forgiveness of lease payments.
[2] Restatement in relation to IFRIC Agenda Decision – Recognition of Tenant Deposits as restricted cash and service charge reclassification.

Re-presentation of VAT in Group cash flow statement
The Group has re-presented the cash flow statement for the period ended 30 June 2022 to separate VAT movements as either operating activities or investing activities. This has the effect of decreasing the net cash from operations by £2.5m with a corresponding increase in the net cash used in investing activities. There is no net impact upon the cash flow statement overall.

3. Significant judgments, key assumptions and estimates

Some of the significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is a summary of those policies which management consider critical because of the level of complexity, judgment or estimation involved in their application and their impact on the financial statements. Please note impairment testing of trade receivables and other financial assets is no longer considered a key source of estimation uncertainty. This was previously deemed a key source of estimation uncertainty as a result of the impact of the Covid-19 pandemic on the Group's business and its occupiers. The severity of the impact is considerably less than prior periods as evidenced by rent collection rates being close to that seen pre-pandemic and office occupation rates gradually recovering.

Key sources of estimation uncertainty

Property portfolio valuation
The Group uses the valuation carried out by external valuers as the fair value of its property portfolio. The valuation considers a range of assumptions including future rental income, investment yields, anticipated outgoings and maintenance costs, future development expenditure and appropriate discount rates. The external valuers also make reference to market evidence of transaction prices for similar properties and take into account the impact of climate change and related Environmental, Social and Governance considerations. Knight Frank LLP were appointed to value the whole London-based portfolio from 31 December 2022. More information is provided in note 11.

Borrowings and derivatives
The fair values of the Group's borrowings and interest rate swaps are provided by an independent third party based on information provided to them by the Group. This includes the terms of each of the financial instruments and data available in the financial markets.

Significant judgments

As a REIT, the Group benefits from tax advantages. Income and chargeable gains on the qualifying property rental business are exempt from corporation tax. Income that does not qualify as property income within the REIT rules is subject to corporation tax in the normal way. There are a number of tests that are applied annually, and in relation to forecasts, to ensure the Group remains well within the limits allowed within those tests. The Group met all the criteria with a substantial margin in each case, thereby ensuring its REIT status is maintained. The Directors intend that the Group should continue as a REIT for the foreseeable future.

In July 2023, it was confirmed that the Group has maintained its low risk rating with HMRC following continued regular dialogue and a focus on transparency and full disclosure.

4. Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case are the four executive Directors assisted by the other eleven members of the Executive Committee) in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA Earnings and Net Asset Value metrics. Reconciliations of each of these figures to their statutory equivalents are detailed in note 24. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property and trading property and comprised 97% office buildings* in central London by value (30 June 2022: 97%; 31 December 2022: 97%). The Directors consider that these individual properties have similar economic characteristics and therefore have been aggregated into a single operating segment. The remaining 3% (30 June 2022: 3%; 31 December 2022: 3%) represented a mixture of retail, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Group's Executive Committee and, therefore, no geographical segmental analysis is required by IFRS 8. However, geographical analysis is included in the tables below to provide users with additional information. The majority of the Group's properties are located in London (West End central, West End borders/outer and City borders), with the remainder in Scotland (Provincial).

* Some office buildings have an ancillary element such as retail or residential.

Gross property income

	Office buildings £m	Other £m	**Total £m**
Half year to 30 June 2023			
West End central	61.2	0.8	**62.0**
West End borders/other	9.0	-	**9.0**
City borders	32.5	0.2	**32.7**
Provincial	-	2.2	**2.2**
Gross property income (excl. joint venture)	102.7	3.2	**105.9**
Share of joint venture gross property income	1.1	-	**1.1**
Total	**103.8**	**3.2**	**107.0**
Half year to 30 June 2022 (restated)			
West End central	57.4	0.8	58.2
West End borders/other	8.2	-	8.2
City borders	33.3	0.2	33.5
Provincial	-	2.4	2.4
Gross property income (excl. joint venture)	98.9	3.4	102.3
Share of joint venture gross property income	1.3	-	1.3
Total	100.2	3.4	103.6
Year to 31 December 2022			
West End central	118.3	1.5	119.8
West End borders/other	16.3	-	16.3
City borders	67.2	0.5	67.7
Provincial	-	4.6	4.6
Gross property income (excl. joint venture)	201.8	6.6	208.4
Share of joint venture gross property income	2.1	-	2.1
Total	203.9	6.6	210.5

A reconciliation of gross property income to gross property and other income is given in note 5.

Property portfolio

	Carrying value			Fair value		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	**Total £m**
30 June 2023						
West End central	3,101.2	84.6	**3,185.8**	3,219.0	88.7	**3,307.7**
West End borders/other	331.0	-	**331.0**	348.9	-	**348.9**
City borders	1,344.8	7.5	**1,352.3**	1,382.2	7.5	**1,389.7**
Provincial	-	76.9	**76.9**	-	77.4	**77.4**
Group (excl. joint venture)	4,777.0	169.0	**4,946.0**	4,950.1	173.6	**5,123.7**
Share of joint venture	38.1	-	**38.1**	38.0	-	**38.0**
Total	**4,815.1**	**169.0**	**4,984.1**	**4,988.1**	**173.6**	**5,161.7**
30 June 2022						
West End central (restated)	3,445.4	80.2	3,525.6	3,562.5	80.9	3,643.4
West End borders/other	400.5	-	400.5	422.0	-	422.0
City borders (restated)	1,677.0	8.1	1,685.1	1,716.5	8.1	1,724.6
Provincial	-	82.6	82.6	-	83.4	83.4
Group (excl. joint venture) (restated)	5,522.9	170.9	5,693.8	5,701.0	172.4	5,873.4
Share of joint venture	50.1	-	50.1	50.0	-	50.0
Total (restated)	5,573.0	170.9	5,743.9	5,751.0	172.4	5,923.4
31 December 2022						
West End central	3,123.9	81.2	3,205.1	3,234.9	86.3	3,321.2
West End borders/other	356.9	-	356.9	376.6	-	376.6
City borders	1,494.5	10.4	1,504.9	1,534.2	10.4	1,544.6
Provincial	-	78.7	78.7	-	79.4	79.4
Group (excl. joint venture)	4,975.3	170.3	5,145.6	5,145.7	176.1	5,321.8
Share of joint venture	42.6	-	42.6	42.4	-	42.4
Total	5,017.9	170.3	5,188.2	5,188.1	176.1	5,364.2

A reconciliation between the fair value and carrying value of the portfolio is set out in note 11.

5. Property and other income

	Half year to 30.06.2023 £m	Half year to 30.06.2022 Restated £m	Year to 31.12.2022 £m
Gross rental income	**105.9**	101.9	207.0
Surrender premiums received	**-**	0.4	1.1
Other property income	**-**	-	0.3
Gross property income	**105.9**	102.3	208.4
Trading property sales proceeds[1]	**-**	1.6	1.6
Service charge income[1]	**25.0**	16.8	34.6
Other income[1]	**2.4**	1.8	4.2
Gross property and other income	**133.3**	122.5	248.8
Gross rental income	**105.9**	101.9	207.0
Movement in impairment of receivables	**(1.9)**	0.5	1.0
Service charge income[1]	**25.0**	16.8	34.6
Service charge expenses	**(29.5)**	(18.3)	(39.7)
	(4.5)	(1.5)	(5.1)
Property costs	**(8.6)**	(6.9)	(14.4)
Net rental income	**90.9**	94.0	188.5
Trading property sales proceeds[1]	**-**	1.6	1.6
Trading property cost of sales	**-**	(1.3)	(1.4)
Profit on disposal of trading properties	**-**	0.3	0.2
Other property income	**-**	-	0.3
Other income	**2.4**	1.8	4.2
Net surrender premiums received	**-**	0.4	1.1
Dilapidation receipts	**0.1**	0.1	0.5
Write-down of trading property	**(0.1)**	-	(0.2)
Net property and other income	**93.3**	96.6	194.6

[1] In line with IFRS 15 Revenue from Contracts with Customers, the Group recognised £27.4m (half year to 30 June 2022: £20.2m; year to 31 December 2022: £40.4m) of other income, trading property sales proceeds and service charge income within gross property and other income.

As described in note 2, gross rental income and movement in impairment of receivables have been restated in accordance with the guidance provided by the IFRS Interpretations Committee.

Gross rental income includes £3.0m (half year to 30 June 2022 restated: £11.1m; year to 31 December 2022: £20.3m) relating to rents recognised in advance of cash receipts.

Other income relates to fees and commissions earned from tenants in relation to the management of the Group's properties and was recognised in the Group income statement in accordance with the delivery of services.

6. Profit on disposal

	Half year to 30.06.2023 £m	Half year to 30.06.2022 £m	Year to 31.12.2022 £m
Investment property			
Gross disposal proceeds	**66.2**	67.3	209.6
Costs of disposal	**(0.6)**	(1.4)	(3.2)
Net disposal proceeds	**65.6**	65.9	206.4
Carrying value	**(64.0)**	(65.4)	(180.8)
Adjustment for lease costs and rents recognised in advance	**(0.4)**	-	-
Profit on disposal of investment property	**1.2**	0.5	25.6

Included within gross disposal proceeds is £54.0m relating to the disposal of the Group's freehold interest in 19 Charterhouse Street EC1 in January 2023 and £1.8m relating to the disposal of its freehold interest in 13 Charlotte Mews W1 in May 2023. At 31 December 2022, both properties were classified as non-current assets held for sale.

7. Finance income and finance costs

	Half year to 30.06.2023 £m	Half year to 30.06.2022 £m	Year to 31.12.2022 £m
Finance income			
Bank interest receivable	**(0.7)**	-	(0.2)
Other	**-**	(0.2)	(0.1)
Finance income	**(0.7)**	(0.2)	(0.3)
Finance costs			
Bank loans	**0.1**	0.9	1.1
Non-utilisation fees	**1.1**	1.0	2.1
Unsecured convertible bonds	**2.0**	1.9	3.9
Unsecured green bonds	**3.3**	3.3	6.7
Secured bonds	**5.7**	5.7	11.4
Unsecured private placement notes	**7.8**	7.8	15.6
Secured loan	**1.7**	1.7	3.3
Amortisation of issue and arrangement costs	**1.3**	1.3	2.6
Amortisation of the fair value of the secured bonds	**(0.7)**	(0.6)	(1.4)
Obligations under headleases	**0.7**	0.4	1.1
Other	**-**	-	0.3
Gross interest costs	**23.0**	23.4	46.7
Less: interest capitalised	**(2.7)**	(4.7)	(7.0)
Finance costs	**20.3**	18.7	39.7

Finance costs of £2.7m (half year to 30 June 2022: £4.7m; year to 31 December 2022: £7.0m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowing during each quarter. Total finance costs paid to 30 June 2023 were £18.4m (half year to 30 June 2022: £18.6m; year to 31 December 2022: £44.1m) of which £2.7m (half year to 30 June 2022: £4.7m; year to 31 December 2022: £7.0m) was included in the £51.9m (half year to 30 June 2022: £67.7m; year to 31 December 2022: £120.7m) capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination income/costs

The Group received £1.0m in the half year to 30 June 2023 (half year to 30 June 2022: costs of £0.6m; year to 31 December 2022: costs of £0.3m) deferring interest rate swaps.

9. Share of results of joint ventures

	Half year to 30.06.2023 £m	Half year to 30.06.2022 £m	Year to 31.12.2022 £m
Net property income	**1.1**	1.3	2.1
Administrative expenses	**(0.1)**	(0.1)	(0.1)
Revaluation deficit	**(4.8)**	(1.1)	(9.3)
Share of results of joint ventures	**(3.8)**	0.1	(7.3)

The share of results of joint ventures for the period ended 30 June 2023 includes the Group's 50% share in the Derwent Lazari Baker Street Limited Partnership. See note 14 for further details of the Group's joint ventures.

10. Tax charge

	Half year to 30.06.2023 £m	Half year to 30.06.2022 £m	Year to 31.12.2022 £m
Corporation tax			
UK corporation tax and income tax in respect of result for the period	**-**	1.3	0.5
Other adjustments in respect of prior years' tax	**-**	-	0.4
Corporation tax charge	**-**	1.3	0.9
Deferred tax			
Origination and reversal of temporary differences	**0.1**	0.5	0.1
Deferred tax charge	**0.1**	0.5	0.1
Tax charge	**0.1**	1.8	1.0

In addition to the tax charge of £0.1m (half year to 30 June 2022: charge of £1.8m; year to 31 December 2022: charge of £1.0m) that passed through the Group income statement, a deferred tax credit of £0.6m (half year to 30 June 2022: charge of £0.2m; year to 31 December of 2022: charge of £0.2m) was recognised in the Group statement of comprehensive income and a deferred tax charge of £nil (half year to 30 June 2022: charge of £0.7m; year to 31 December 2022: charge of £0.6m) was recognised in the Group statement of changes in equity. See note 20 for further details.

The effective rate of tax for the half year to 30 June 2023 is lower (half year to 30 June 2022: lower; year to 31 December 2022: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2023 £m	Half year to 30.06.2022 £m	Year to 31.12.2022 £m
(Loss)/profit before tax	**(143.1)**	137.1	(279.5)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 25.00% (2022: 19.00%)[1]	**(33.6)**	26.0	(53.1)
Difference between tax and accounting profit on disposals	**(0.3)**	0.1	(3.1)
REIT exempt income	**(10.1)**	(7.2)	(16.0)
Revaluation deficit/(surplus) attributable to REIT properties	**46.9**	(14.3)	78.6
Expenses and fair value adjustments not allowable for tax purposes	**0.9**	(0.2)	0.4
Capital allowances	**(4.0)**	(3.0)	(6.5)
Other differences	**0.3**	0.4	0.3
Tax on current period's (loss)/profit	**0.1**	1.8	0.6
Adjustments in respect of prior years' tax	**-**	-	0.4
Tax charge	**0.1**	1.8	1.0

[1] Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 (on 24 May 2021) and include increasing the main rate to 25% effective on or after 1 April 2023. Deferred taxes at the balance sheet date have been measured using the expected enacted tax rate and this is reflected in these financial statements.

11. Property portfolio

Carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
At 1 January 2023	3,700.5	1,301.5	5,002.0	50.0	54.2	39.4	5,145.6
Acquisitions	0.6	-	0.6	-	-	-	0.6
Capital expenditure	25.2	28.9	54.1	-	-	6.8	60.9
Interest capitalisation	0.5	1.8	2.3	-	-	0.4	2.7
Additions	26.3	30.7	57.0	-	-	7.2	64.2
Disposals	(7.3)	(2.5)	(9.8)	-	(54.2)	-	(64.0)
Revaluation	(177.6)	(19.1)	(196.7)	(2.6)	-	-	(199.3)
Write-down of trading property	-	-	-	-	-	(0.1)	(0.1)
Movement in grossing up of headlease liabilities	-	(0.4)	(0.4)	-	-	-	(0.4)
At 30 June 2023	**3,541.9**	**1,310.2**	**4,852.1**	**47.4**	**-**	**46.5**	**4,946.0**
At 1 January 2022 (restated)	4,140.4	1,220.8	5,361.2	49.3	102.8	32.2	5,545.5
Acquisitions	0.1	132.9	133.0	-	-	-	133.0
Capital expenditure	26.7	42.5	69.2	-	0.1	0.1	69.4
Interest capitalisation	0.9	3.5	4.4	-	-	0.3	4.7
Additions	27.7	178.9	206.6	-	0.1	0.4	207.1
Disposals	-	-	-	-	(65.4)	(1.3)	(66.7)
Transfers	(62.6)	(13.3)	(75.9)	-	75.9	-	-
Revaluation (restated)	39.3	32.0	71.3	0.7	2.0	-	74.0
Movement in grossing up of headlease liabilities	-	(51.3)	(51.3)	-	-	-	(51.3)
Movement in grossing up of other liabilities	-	(14.8)	(14.8)	-	-	-	(14.8)
At 30 June 2022 (restated)	4,144.8	1,352.3	5,497.1	50.0	115.4	31.3	5,693.8
At 1 January 2022 (restated)	4,140.4	1,220.8	5,361.2	49.3	102.8	32.2	5,545.5
Acquisitions	0.1	132.9	133.0	-	-	-	133.0
Capital expenditure	47.7	58.8	106.5	-	-	8.3	114.8
Interest capitalisation	1.3	3.9	5.2	-	1.4	0.4	7.0
Additions	49.1	195.6	244.7	-	1.4	8.7	254.8
Disposals	(46.6)	(30.0)	(76.6)	-	(104.2)	(1.3)	(182.1)
Transfers	(54.2)	-	(54.2)	-	54.2	-	-
Revaluation	(388.2)	(33.9)	(422.1)	0.7	-	-	(421.4)
Write-down of trading property	-	-	-	-	-	(0.2)	(0.2)
Movement in grossing up of headlease liabilities	-	(51.0)	(51.0)	-	-	-	(51.0)
At 31 December 2022	3,700.5	1,301.5	5,002.0	50.0	54.2	39.4	5,145.6

Adjustments from fair value to carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
At 30 June 2023							
Fair value	**3,709.4**	**1,316.8**	**5,026.2**	**47.4**	**-**	**50.1**	**5,123.7**
Selling costs relating to assets							
Revaluation of trading property	-	-	-	-	-	(3.6)	(3.6)
Lease incentives and costs included in receivables	(167.5)	(40.5)	(208.0)	-	-	-	(208.0)
Grossing up of headlease liabilities	-	33.9	33.9	-	-	-	33.9
Carrying value	**3,541.9**	**1,310.2**	**4,852.1**	**47.4**	**-**	**46.5**	**4,946.0**
At 30 June 2022							
Fair value	4,305.9	1,367.2	5,673.1	50.0	118.8	31.5	5,873.4
Selling costs relating to assets held for sale	-	-	-	-	(3.4)	-	(3.4)
Revaluation of trading property	-	-	-	-	-	(0.2)	(0.2)
Lease incentives and costs included in receivables (restated)	(161.1)	(34.0)	(195.1)	-	-	-	(195.1)
Grossing up of headlease liabilities	-	19.1	19.1	-	-	-	19.1
Carrying value (restated)	4,144.8	1,352.3	5,497.1	50.0	115.4	31.3	5,693.8
At 31 December 2022							
Fair value	3,865.8	1,307.1	5,172.9	50.0	54.7	44.2	5,321.8
Selling costs relating to assets held for sale	-	-	-	-	(0.5)	-	(0.5)
Revaluation of trading property	-	-	-	-	-	(4.8)	(4.8)
Lease incentives and costs included in receivables	(165.3)	(39.8)	(205.1)	-	-	-	(205.1)
Grossing up of headlease liabilities	-	34.2	34.2	-	-	-	34.2
Carrying value	3,700.5	1,301.5	5,002.0	50.0	54.2	39.4	5,145.6

Reconciliation of fair value

	30.06.2023 £m	30.06.2022 £m	31.12.2022 £m
Portfolio including the Group's share of joint ventures	**5,161.7**	5,923.4	5,364.2
Less: joint ventures	**(38.0)**	(50.0)	(42.4)
IFRS property portfolio	**5,123.7**	5,873.4	5,321.8

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2023 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation. There were no such instances in the year.

The valuation reports produced by the external valuers are based on information provided by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's financial and property management systems and is subject to the Group's overall control environment. In addition, the valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation and take into account the impact of climate change and related Environmental, Social and Governance considerations.

The external valuations for the London-based portfolio at June 2023 were carried out by Knight Frank LLP, whilst the June 2022 valuations were carried out by CBRE Limited and Knight Frank LLP. Knight Frank were appointed to value 100% of the London-based portfolio from December 2022.

Knight Frank valued the properties at £5,087.0m (30 June 2022: £3,156.9m; 31 December 2022: £5,285.6m), CBRE at £nil (30 June 2022: £2,680.4m; 31 December 2022: £nil) and other valuers at £36.7m (30 June 2022: £36.1m; 31 December 2022: £36.2m). The combined value was £5,123.7m (30 June 2022: £5,873.4m; 31 December 2022: £5,321.8m). Of the properties revalued, £47.4m (30 June 2022: £50.0m; 31 December 2022: £50.0m) relating to owner-occupied property was included within property, plant and equipment, £nil (30 June 2022: £118.8m; 31 December 2022: £54.7m) was included within non-current assets held for sale and £50.1m (30 June 2022: £31.5m; 31 December 2022: £44.2m) was included within trading property.

The total fees, including the fee for this assignment, earned by each valuer (or other companies forming part of the same group of companies within the UK) from the Group is less than 5.0% of their total UK revenues.

As described in note 2, revaluation for the prior period ended 30 June 2022 has been restated in accordance with the guidance provided by the IFRS Interpretations Committee.

Net zero carbon and EPC compliance
The Group published its pathway to net zero carbon in July 2020 and has set 2030 as its target date to achieve this. £44.5m (half year to 30 June 2022: £34.8m; year to 31 December 2022: £99.9m) of eligible 'green' capital expenditure, in accordance with the Group's Green Finance Framework, was incurred in the half year to 30 June 2023 on the major developments at 80 Charlotte Street W1, Soho Place W1, The Featherstone Building EC1, 25 Baker Street W1 and Network W1. In addition, the Group continues to hold carbon credits to support certain externally validated green projects to offset embodied carbon.

The third party report commissioned in 2021 to determine the cost of achieving EPC compliance across the portfolio by 2030 was updated to reflect latest scope changes and cost inflation. A specific deduction for identified EPC upgrade works of £51.6m has been included within the external valuation at 30 June 2023, with an additional allowance for further general upgrades to properties following assumed tenant vacancies.

Reconciliation of revaluation (deficit)/surplus

	Half year to 30.06.2023 £m	Half year to 30.06.2022 Restated £m	Year to 31.12.2022 £m
Total revaluation (deficit)/surplus	**(201.5)**	87.5	(401.8)
Share of joint ventures	**4.7**	1.0	9.2
Lease incentives and costs	**(2.9)**	(13.0)	(23.2)
Trading property revaluation adjustment	**1.0**	1.1	(3.3)
Assets held for sale selling costs	**-**	(2.6)	(2.5)
Other	**(0.7)**	-	-
IFRS revaluation (deficit)/surplus	**(199.4)**	74.0	(421.6)
Reported in the:			
Revaluation (deficit)/surplus	**(196.7)**	73.3	(422.1)
Write-down of trading property	**(0.1)**	-	(0.2)
Group income statement	**(196.8)**	73.3	(422.3)
Group statement of comprehensive income	**(2.6)**	0.7	0.7
	(199.4)	74.0	(421.6)

Sensitivity of measurement to variations in the significant unobservable inputs

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Reversionary yield	Decrease	Increase
True equivalent yield	Decrease	Increase

There are inter-relationships between these inputs as they are partially determined by market conditions. An increase in the reversionary yield may accompany an increase in gross ERV and would mitigate its impact on the fair value measurement.

A sensitivity analysis was performed to ascertain the impact on the fair value of a 25 basis point shift in true equivalent yield and a £2.50 psf shift in ERV on the property valuations. The Group believes this captures the range of variations in these key valuation assumptions. The results are shown in the tables below:

	West End central	West End borders/other	City borders	Provincial commercial	Total
True equivalent yield					
+25bp	(5.0%)	(4.1%)	(4.3%)	(2.5%)	(4.7%)
-25bp	5.5%	4.4%	4.8%	2.6%	5.2%
ERV					
+£2.50 psf	3.8%	4.8%	4.7%	19.3%	4.4%
-£2.50 psf	(3.8%)	(4.8%)	(4.7%)	(19.3%)	(4.4%)

12. Property, plant and equipment

	Owner-occupied property £m	Other £m	Total £m
At 1 January 2023	50.0	4.3	54.3
Additions	-	0.2	0.2
Depreciation	-	(0.5)	(0.5)
Revaluation	(2.6)	-	(2.6)
At 30 June 2023	**47.4**	**4.0**	**51.4**
At 1 January 2022	49.3	4.7	54.0
Additions	-	0.3	0.3
Depreciation	-	(0.5)	(0.5)
Revaluation	0.7	-	0.7
At 30 June 2022	50.0	4.5	54.5
At 1 January 2022	49.3	4.7	54.0
Additions	-	0.6	0.6
Depreciation	-	(1.0)	(1.0)
Revaluation	0.7	-	0.7
At 31 December 2022	50.0	4.3	54.3
Net book value			
Cost or valuation	47.4	8.8	56.2
Accumulated depreciation	-	(4.8)	(4.8)
At 30 June 2023	**47.4**	**4.0**	**51.4**
Net book value			
Cost or valuation	50.0	9.1	59.1
Accumulated depreciation	-	(4.6)	(4.6)
At 30 June 2022	50.0	4.5	54.5
Net book value			
Cost or valuation	50.0	8.6	58.6
Accumulated depreciation	-	(4.3)	(4.3)
At 31 December 2022	50.0	4.3	54.3

Artwork, which is included within ‘Other’, is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in December 2021. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3.

13. Trading stock

	30.06.2023 £m	30.06.2022 £m	31.12.2022 £m
Trading stock	**4.2**	1.2	2.3
	4.2	1.2	2.3

Trading stock relates to capitalised development expenditure incurred which is due to be transferred under development agreements to a third party upon completion. This has been included in trading stock, as opposed to trading property, as the Group does not have an ownership interest in the property.

14. Investments

The Group has a 50% interest in four joint venture vehicles, Derwent Lazari Baker Street Limited Partnership, Dorrington Derwent Holdings Limited, Primister Limited and Prescot Street Limited Partnership.

	30.06.2023 £m	30.06.2022 £m	31.12.2022 £m
At 1 January	**43.9**	51.1	51.1
Additions	**-**	0.1	0.1
Revaluation deficit (see note 9)	**(4.8)**	(1.1)	(9.3)
Other profit from operations (see note 9)	**1.0**	1.2	2.0
Distributions received	**(0.3)**	-	-
Repayment of shareholder loan	**(0.6)**	-	-
	39.2	51.3	43.9

The Group's share of its investments in joint ventures is represented by the following amounts in the underlying joint venture entities.

	Joint ventures			Group share		
	30.06.2023 £m	30.06.2022 £m	31.12.2022 £m	**30.06.2023 £m**	30.06.2022 £m	31.12.2022 £m
At 1 January	**85.0**	100.4	100.4	**42.5**	50.2	50.2
Additions	**0.6**	2.0	3.2	**0.3**	1.0	1.6
Revaluation	**(9.5)**	(2.2)	(18.6)	**(4.8)**	(1.1)	(9.3)
Movement in headlease liability	**0.2**	-	-	**0.1**	-	-
Non-current assets	**76.3**	100.2	85.0	**38.1**	50.1	42.5
Current assets	**5.2**	5.0	5.0	**2.6**	2.5	2.5
Current liabilities	**(2.5)**	(3.4)	(2.7)	**(1.3)**	(1.7)	(1.4)
Non-current liabilities	**(120.9)**	(120.9)	(121.0)	**(60.4)**	(60.4)	(60.5)
Net liabilities	**(41.9)**	(19.1)	(33.7)	**(21.0)**	(9.5)	(16.9)
Loans provided to joint ventures				**60.2**	60.8	60.8
Total investment in joint ventures				**39.2**	51.3	43.9

15. Other receivables (non-current)

	30.06.2023 £m	30.06.2022 Restated £m	31.12.2022 £m
Prepayments and accrued income			
Rents recognised in advance	**169.5**	161.0	165.2
Initial direct letting costs	**14.8**	14.1	13.8
Other	**12.1**	4.2	9.1
	196.4	179.3	188.1

Prepayments and accrued income include £169.5m (30 June 2022 restated: £161.0m; 31 December 2022: £165.2m) after impairments relating to rents recognised in advance as a result of spreading tenant lease incentives over the expected terms of their respective leases. This includes rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts. In addition, £14.8m (30 June 2022: £14.1m; 31 December 2022: £13.8m) relates to the spreading effect of the initial direct costs of letting over the same term. Together with £23.7m (30 June 2022 restated: £20.0m; 31 December 2022: £26.1m), which was included as accrued income within trade and other receivables (see note 16), these amounts totalled £208.0m at 30 June 2023 (30 June 2022 restated: £195.1m; 31 December 2022: £205.1m).

Other prepayments represent £12.1m (30 June 2022: £4.2m; 31 December 2022: £9.1m) of costs incurred in relation to Old Street Quarter EC1. In May 2022, the Group entered into a conditional contract to acquire the freehold of Old Street Quarter island site. The site is being sold by Moorfields Eye Hospital NHS Foundation Trust and UCL, together the Oriel joint initiative ("Oriel"). Completion is subject to Oriel's receipt of final Treasury approval (received in February 2023), delivery by Oriel of a new hospital at St Pancras and subsequent vacant possession of the site, which is anticipated in 2027.

The total movement in tenant lease incentives is shown below:

	30.06.2023	30.06.2022 Restated	31.12.2022
	£m	£m	£m
At 1 January	**188.8**	167.0	167.0
Amounts taken to income statement	**3.0**	10.9	20.4
Capital incentives granted	**-**	-	0.6
Lease incentive reversal	**(0.5)**	0.8	1.0
Disposal of investment properties	**(0.3)**	-	-
Write off to bad debt	**(0.1)**	(0.1)	(0.2)
	190.9	178.6	188.8
Amounts included in trade and other receivables (see note 16)	**(21.4)**	(17.6)	(23.6)
At period end	**169.5**	161.0	165.2

16. Trade and other receivables

	30.06.2023	30.06.2022 Restated	31.12.2022
	£m	£m	£m
Trade receivables	**13.0**	4.9	4.9
Other receivables	**4.9**	8.5	5.8
Prepayments	**8.7**	11.9	3.8
Other taxes	**-**	6.0	-
Accrued income			
Rents recognised in advance	**21.4**	17.6	23.6
Initial direct letting costs	**2.3**	2.4	2.5
Other	**1.0**	1.2	1.8
	51.3	52.5	42.4
Trade receivables are split as follows:			
less than three months due	**10.5**	4.9	4.9
between three and six months due	**2.3**	-	-
between six and twelve months due	**0.2**	-	-
	13.0	4.9	4.9

For the prior period ended 30 June 2022, £21.7m of cash collected on behalf of tenants' service charges has been restated from prepayments to cash and cash equivalents. For further information refer to note 2. Additionally, £4.2m of prepayments in relation to costs incurred for the conditional acquisition of Old Street Quarter EC1 have been reclassified as non-current receivables. For further information refer to note 15.

For the prior period ended 30 June 2022, trade receivables have been restated by £0.5m in relation to amounts forgiven for receivables past their due date as a result of the IFRIC decision relating to forgiveness of lease payments. For further information refer to note 2.

In response to the Group's climate change agenda, costs of £1.1m (30 June 2022: £0.4m; 31 December 2022: £0.7m) were incurred in relation to a c.100 acre, 18.4MW solar park on its Scottish land and have been included within prepayments. Planning consent for this project was received in June 2023.

The Group has £5.8m (30 June 2022: £6.8m; 31 December 2022: £5.0m) of provision for bad debts as shown below. £2.3m has been included in trade receivables, £0.2m in accrued income and £3.3m in prepayments and accrued income within other receivables (non-current). See note 15.

	30.06.2023 **£m**	30.06.2022 Restated £m	31.12.2022 £m
Provision for bad debts			
At 1 January	**5.0**	8.3	8.3
Lease incentive provision	**0.5**	0.6	(0.8)
Trade receivables provision	**0.7**	(0.8)	(0.2)
Service charge provision	**0.5**	-	(0.2)
Released	**(0.9)**	(1.3)	(2.1)
At period end	**5.8**	6.8	5.0
The provision for bad debts are split as follows:			
less than three months due	**2.5**	3.2	2.2
between three and six months due	**0.1**	0.2	0.1
between six and twelve months due	**0.3**	0.4	0.3
greater than twelve months due	**2.9**	3.0	2.4
	5.8	6.8	5.0

17. Non-current assets held for sale

	30.06.2023 **£m**	30.06.2022 £m	31.12.2022 £m
Prior period transfer from investment property	**-**	39.5	-
Transfer from investment property (see note 11)	**-**	75.9	54.2
	-	115.4	54.2

18. Trade and other payables

	30.06.2023 **£m**	30.06.2022 Restated £m	31.12.2022 £m
Trade payables	**10.2**	7.3	0.4
Other payables	**33.9**	37.5	24.6
Other taxes	**5.0**	-	11.8
Accruals	**34.9**	38.3	35.8
Deferred income	**53.0**	43.4	48.2
Tenant rent deposits	**27.0**	28.4	27.3
	164.0	154.9	148.1

Included within other payables is £32.3m (30 June 2022: £21.7m; 31 December 2022: £22.4m) of service charge income received in advance.

Deferred income primarily related to rents received in advance.

Trade and other payables for the period ended 30 June 2022 have been restated to include £28.4m of tenant rent deposits, which are subject to contractual restrictions. For further information refer to note 2.

19. Net debt and derivative financial instruments

	30.06.2023		30.06.2022		31.12.2022	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
Other loans	**20.0**	**20.0**	14.6	14.6	19.7	19.7
	20.0	**20.0**	14.6	14.6	19.7	19.7
Non-current liabilities						
1.5% unsecured convertible bonds 2025	**171.1**	**157.3**	169.2	156.2	170.1	157.2
6.5% secured bonds 2026	**180.3**	**172.3**	181.7	192.2	181.0	179.7
1.875% unsecured green bonds 2031	**346.6**	**242.9**	346.2	285.3	346.4	247.3
Unsecured private placement notes 2026 - 2034	**453.3**	**392.8**	453.2	452.4	453.3	410.4
3.99% secured loan 2024	**82.7**	**79.5**	82.6	85.1	82.7	80.6
Unsecured bank loans	**24.3**	**27.5**	126.4	131.0	(4.1)	-
	1,258.3	**1,072.3**	1,359.3	1,302.2	1,229.4	1,075.2
Borrowings	**1,278.3**	**1,092.3**	1,373.9	1,316.8	1,249.1	1,094.9
Derivative financial instruments expiring in greater than one year	**(5.7)**	**(5.7)**	(2.7)	(2.7)	(5.0)	(5.0)
Total borrowings and derivative financial instruments	**1,272.6**	**1,086.6**	1,371.2	1,314.1	1,244.1	1,089.9

Reconciliation to net debt:			
Borrowings and derivative financial instruments	**1,272.6**	1,371.2	1,244.1
Adjustments for:			
Leasehold liabilities	**34.8**	19.6	35.0
Derivative financial instruments	**5.7**	2.7	5.0
Cash at bank excluding restricted cash (see note 22)	**(39.1)**	(32.8)	(26.9)
Net debt	**1,274.0**	1,360.7	1,257.2

The fair values of the Group's bonds have been estimated on the basis of quoted market prices, representing Level 1 fair value measurement as defined by IFRS 13 Fair Value Measurement.

The fair values of the 3.99% secured loan and the unsecured private placement notes were determined by comparing the discounted future cash flows using the contracted yield with those of the reference gilts plus the implied margins, and represent Level 2 fair value measurement.

The fair values of the Group's outstanding interest rate swaps have been estimated by using the mid-point of the yield curves prevailing on the reporting date and represent the net present value of the differences between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates. These represent Level 2 fair value measurement.

The fair values of the Group's bank loans are approximately the same as their carrying amount, after adjusting for the unamortised arrangement fees, and also represent Level 2 fair value measurement.

The fair values of the following financial assets and liabilities are the same as their carrying amounts:

- Cash and cash equivalents.
- Trade receivables, other receivables and accrued income included within trade and other receivables.
- Trade payables, other payables and accruals included within trade and other payables.
- Leasehold liabilities.

There have been no transfers between Level 1 and Level 2 or Level 2 and Level 3 in either 2023 or 2022.

Unsecured bank borrowings are accounted for at amortised costs. At 30 June 2023, there was £27.5m (30 June 2022: £131.0m; 31 December 2022: £nil) drawn on the RCFs and the unamortised arrangement fees were £3.4m (30 June 2022: £4.6m; 31 December 2022: £4.1m), resulting in the carrying value being a £24.1m (30 June 2022: £126.4m; 31 December 2022: £4.1m debit balance).

Other loans consist of a £20.0m interest-free loan with no fixed repayment date from a third party providing development consultancy services on the residential element of the 25 Baker Street W1 development. The loan will be repaid from the sale proceeds of these residential apartments after completion of the scheme. The agreement provides for a profit share on completion of the sales which, under IFRS 9 Financial Instruments, has been deemed to have a carrying value of £nil at 30 June 2023 (30 June 2022: £nil; 31 December 2022: £nil). The carrying value of the loan at 30 June 2023 was £20.0m (30 June 2022: £14.6m; 31 December 2022: £19.7m).

The 3.99% secured loan 2024 was secured by a fixed charge over £258.7m (30 June 2022: £302.7m; 31 December 2022: £272.8m) of the Group's properties. In addition, the secured bonds 2026 were secured by a floating charge over a number of the Group's subsidiary companies which contained £420.5m (30 June 2022: £502.6m; 31 December 2022: £448.8m) of the Group's properties.

All additional drawings in the period have been made from existing revolving credit facilities, and there are no new debt facilities in the period. The Group continue to maintain significant headroom on all financial covenants.

20. Deferred tax

	Revaluation (deficit)/ surplus £m	Other £m	Total £m
At 1 January 2023	3.7	(3.1)	0.6
Charged to the income statement	0.1	-	0.1
Credited to other comprehensive income	(0.6)	-	(0.6)
At 30 June 2023	**3.2**	**(3.1)**	**0.1**
At 1 January 2022	3.3	(3.6)	(0.3)
Charged to the income statement	0.3	0.2	0.5
Charged to other comprehensive income	0.2	-	0.2
Charged to equity	-	0.7	0.7
At 30 June 2022	3.8	(2.7)	1.1
At 1 January 2022	3.3	(3.6)	(0.3)
Charged/(credited) to the income statement	0.2	(0.1)	0.1
Charged to other comprehensive income	0.2	-	0.2
Charged to equity	-	0.6	0.6
At 31 December 2022	3.7	(3.1)	0.6

Deferred tax on the balance sheet revaluation surplus is calculated on the basis of the chargeable gains that would crystallise on the sale of the property portfolio at each balance sheet date. The calculation takes account of any available indexation on the historical cost of the properties. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT regime.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered.

21. Dividend

	Payment date	Dividend per share PID	Non-PID	Total	**Half year to 30.06.2023**	Half year to 30.06.2022	Year to 31.12.2022
		p	p	p	**£m**	£m	£m
Current period							
2023 interim dividend	13 October 2023	24.50	-	24.50	**-**	-	-
Prior year							
2022 final dividend	2 June 2023	38.50	16.00	54.50	**61.2**	-	-
2022 interim dividend	14 October 2022	24.00	-	24.00	**-**	-	26.9
		62.50	16.00	78.50			
2021 final dividend	1 June 2022	35.50	18.00	53.50	**-**	60.1	60.1
Dividends as reported in the Group statement of changes in equity					**61.2**	60.1	87.0
2022 final dividend withholding tax	14 July 2023				**(6.0)**	-	-
2022 interim dividend withholding tax	13 January 2023				**3.7**	-	(3.7)
2021 final dividend withholding tax	14 July 2022				**-**	(5.4)	-
2021 interim dividend withholding tax	14 January 2022				**-**	3.5	3.5
Dividends paid as reported in the Group cash flow statement					**58.9**	58.2	86.8

22. Cash and cash equivalents

	30.06.2023	30.06.2022 Restated	31.12.2022
	£m	£m	£m
Cash at bank	**39.1**	32.8	26.9
Cash held in restricted accounts			
Tenant rent deposits	**27.0**	28.4	27.3
Service charge balances	**32.3**	21.7	22.4
	98.4	82.9	76.6

Cash and cash equivalents for the period ended 30 June 2022 have been restated to include £28.4m of tenant deposits, which are subject to contractual restrictions. In addition, £21.7m of cash collected on behalf of tenants to fund the service charge of properties in the portfolio has now been reclassified from trade and other receivables and presented as restricted cash. For further information refer to note 2.

23. Related party disclosure

There have been no related party transactions during the half year to 30 June 2023 that have materially affected the financial position or performance of the Group. All related party transactions are materially consistent with those disclosed by the Group in its financial statements for the year ended 31 December 2022.

24. EPRA performance measures

Number of shares

	Earnings per share measures			Net asset value per share measures		
	Weighted average for the period ended			At period ended		
	30.06.2023	30.06.2022	31.12.2022	**30.06.2023**	30.06.2022	31.12.2022
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	'000	'000	'000	**'000**	'000	'000
For use in basic measures	**112,291**	112,179	112,270	**112,291**	112,291	112,291
Dilutive effect of share-based payments	**229**	244	142	**224**	203	138
For use in other diluted measures	**112,520**	112,423	112,412	**112,515**	112,494	112,429

The £175m unsecured convertible bonds 2025 ('2025 bonds') have an initial conversion price set at £44.96.

The Group recognises the effect of conversion of the bonds if they are both dilutive and, based on the share price, likely to convert. For both the half years to 30 June 2023 and 2022 and for the year ended 31 December 2022, the Group did not recognise the dilutive impact of the conversion of the 2025 bonds on its earnings per share (EPS) or net asset value (NAV) per share metrics as, based on the share price at the end of each period, the bonds were not expected to convert.

The following tables set out reconciliations between the IFRS and EPRA Earnings for the period and earnings per share. The adjustments made between the figures are as follows:

A – Disposal of investment and trading property (including the Group's share in joint ventures), and associated tax.
B – Revaluation movement on investment property and in joint ventures, write-down of trading property and associated deferred tax.
C – Fair value movement and termination costs relating to derivative financial instruments.

Earnings and earnings per share

	IFRS £m	Adjustments A £m	Adjustments B £m	Adjustments C £m	EPRA basis £m
Half year to 30 June 2023 (unaudited)					
Net property and other income	93.3	-	0.1	-	93.4
Administrative expenses	(19.2)	-	-	-	(19.2)
Revaluation surplus	(196.7)	-	196.7	-	-
Profit on disposal of investments	1.2	(1.2)	-	-	-
Net finance costs	(19.6)	-	-	-	(19.6)
Movement in fair value of derivative financial instruments	0.7	-	-	(0.7)	-
Financial derivative termination costs	1.0	-	-	(1.0)	-
Share of results of joint ventures	(3.8)	-	4.8	-	1.0
Loss before tax	(143.1)	(1.2)	201.6	(1.7)	55.6
Tax charge	(0.1)	-	0.1	-	-
Loss for the period	(143.2)	(1.2)	201.7	(1.7)	55.6
Earnings attributable to equity shareholders	**(143.2)**	**(1.2)**	**201.7**	**(1.7)**	**55.6**
Earnings per share	**(127.53p)**				**49.51p**
Diluted earnings per share	(127.53p)				49.41p

The diluted loss per share for the period to 30 June 2023 has been restricted to a loss of 127.53p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

	IFRS £m	Adjustments A £m	Adjustments B £m	Adjustments C £m	EPRA basis £m
Half year to 30 June 2022 (unaudited)					
Net property and other income (restated)	96.6	(0.3)	-	-	96.3
Administrative expenses	(17.8)	-	-	-	(17.8)
Revaluation surplus (restated)	73.3	-	(73.3)	-	-
Profit on disposal of investments	0.5	(0.5)	-	-	-
Net finance costs	(18.5)	-	-	-	(18.5)
Movement in fair value of derivative financial instruments	3.5	-	-	(3.5)	-
Financial derivative termination costs	(0.6)	-	-	0.2	(0.4)
Share of results of joint ventures	0.1	-	1.1	-	1.2
Profit before tax	137.1	(0.8)	(72.2)	(3.3)	60.8
Tax charge	(1.8)	0.4	0.3	-	(1.1)
Earnings attributable to equity shareholders (restated)	135.3	(0.4)	(71.9)	(3.3)	59.7
Earnings per share (restated)	120.61p				53.22p
Diluted earnings per share (restated)	120.35p				53.10p

		Adjustments			EPRA
	IFRS	A	B	C	basis
	£m	£m	£m	£m	£m
Year to 31 December 2022 (audited)					
Net property and other income	194.6	(0.2)	0.2	-	194.6
Administrative expenses	(36.4)	-	-	-	(36.4)
Revaluation surplus	(422.1)	-	422.1	-	-
Profit on disposal of investments	25.6	(25.6)	-	-	-
Net finance costs	(39.4)	-	-	-	(39.4)
Movement in fair value of derivative financial instruments	5.8	-	-	(5.8)	-
Financial derivative termination costs	(0.3)	-	-	(0.1)	(0.4)
Share of results of joint ventures	(7.3)	-	9.3	-	2.0
(Loss)/profit before tax	(279.5)	(25.8)	431.6	(5.9)	120.4
Tax charge	(1.0)	-	0.3	-	(0.7)
(Loss)/profit before tax	(280.5)	(25.8)	431.9	(5.9)	119.7
Earnings attributable to equity shareholders	(280.5)	(25.8)	431.9	(5.9)	119.7
Earnings per share	(249.84p)				106.62p
Diluted earnings per share	(249.84p)				106.48p

The diluted loss per share for the year to 31 December 2022 was restricted to a loss of 249.84p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

EPRA net asset value metrics

	30.06.2023 Unaudited £m	30.06.2022 Unaudited £m	31.12.2022 Audited £m
Net assets attributable to equity shareholders	3,869.2	4,518.8	4,075.5
Adjustments for:			
Revaluation of trading properties	3.6	0.2	4.8
Deferred tax on revaluation surplus[1]	1.6	1.9	1.9
Fair value of derivative financial instruments	(5.7)	(2.7)	(5.0)
Fair value adjustment to secured bonds	5.8	7.3	6.5
EPRA Net Tangible Assets	**3,874.5**	4,525.5	4,083.7
Per share measure - diluted	**3,444p**	4,023p	3,632p
Net assets attributable to equity shareholders	3,869.2	4,518.8	4,075.5
Adjustments for:			
Revaluation of trading properties	3.6	0.2	4.8
Fair value adjustment to secured bonds	5.8	7.3	6.5
Mark-to-market of fixed rate debt	190.6	62.9	159.5
Unamortised issue and arrangement costs	(8.8)	(11.3)	(10.1)
EPRA Net Disposal Value	**4,060.4**	4,577.9	4,236.2
Per share measure - diluted	**3,609p**	4,069p	3,768p
Net assets attributable to equity shareholders	3,869.2	4,518.8	4,075.5
Adjustments for:			
Revaluation of trading properties	3.6	0.2	4.8
Deferred tax on revaluation surplus	3.2	3.8	3.7
Fair value of derivative financial instruments	(5.7)	(2.7)	(5.0)
Fair value adjustment to secured bonds	5.8	7.3	6.5
Purchasers' costs[2]	348.4	399.4	361.9
EPRA Net Reinstatement Value	**4,224.5**	4,926.8	4,447.4
Per share measure - diluted	**3,755p**	4,380p	3,956p

[1] Only 50% of the deferred tax on the revaluation surplus is excluded.
[2] Includes Stamp Duty Land Tax. Total costs assumed to be 6.8% of the portfolio's fair value.

Cost ratios (unaudited)

	Half year to 30.06.2023	Half year to 30.06.2022 Restated	Year to 31.12.2022
	£m	£m	£m
Administrative expenses	**19.2**	17.8	36.4
Write-off/impairment of receivables	**1.9**	(0.5)	(1.0)
Other property costs	**7.4**	6.4	12.7
Dilapidation receipts	**(0.1)**	(0.1)	(0.5)
Net service charge costs	**4.5**	1.5	5.1
Service charge costs recovered through rents but not separately invoiced	**(0.3)**	(0.3)	(0.7)
Management fees received less estimated profit element	**(2.4)**	(1.8)	(4.2)
Share of joint ventures' expenses	**0.2**	0.3	0.5
EPRA Costs (including direct vacancy costs) (A)	**30.4**	23.3	48.3
Direct vacancy costs	**(5.9)**	(2.9)	(7.9)
EPRA Costs (excluding direct vacancy costs) (B)	**24.5**	20.4	40.4
Gross rental income	**105.9**	101.9	207.0
Ground rent	**(1.2)**	(0.5)	(1.7)
Service charge components of rental income	**(0.3)**	(0.3)	(0.7)
Share of joint ventures' rental income less ground rent	**1.2**	(1.3)	2.5
Adjusted gross rental income (C)	**105.6**	99.8	207.1
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**28.8%**	23.3%	23.3%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**23.2%**	20.4%	19.5%

In addition to the EPRA Cost Ratios, the Group has calculated an additional cost ratio based on its property portfolio fair value to recognise the 'total return' nature of the Group's activities.

Property portfolio at fair value (D)	**5,123.7**	5,873.4	5,321.8
Portfolio cost ratio (A/D) - annualised	**1.2%**	0.8%	0.9%

The Group has not capitalised any overhead or operating expenses in either 2023 or 2022.

Property-related capital expenditure (unaudited)

	Half year to 30.06.2023 £m	Half year to 30.06.2022 £m	Year to 31.12.2022 £m
Group (excluding joint ventures)			
Acquisitions	**0.6**	133.0	133.0
Development	**51.0**	57.4	94.7
Investment properties			
Incremental lettable space	**1.7**	0.1	0.9
No incremental lettable space	**8.2**	11.7	18.5
Tenant incentives	**-**	0.1	0.8
Capitalised interest	**2.7**	4.7	6.9
Joint ventures (50% share)			
Development	**0.3**	1.0	1.6
Total capital expenditure	**64.5**	208.0	256.4
Conversion from accrual to cash basis			
Group (excluding joint ventures)	**(4.2)**	(0.5)	11.1
Joint ventures (50% share)	**0.1**	(0.1)	0.1
Total capital expenditure on a cash basis	**60.4**	207.4	267.6

25. Gearing and interest cover

NAV gearing

	Note	**30.06.2023 £m**	30.06.2022 £m	31.12.2022 £m
Net debt	19	**1,274.0**	1,360.7	1,257.2
Net assets		**3,869.2**	4,518.8	4,075.5
NAV gearing		**32.9%**	30.1%	30.8%

Loan-to-value ratio

	Note	**30.06.2023 £m**	30.06.2022 £m	31.12.2022 £m
Group loan-to-value				
Net debt	19	**1,274.0**	1,360.7	1,257.2
Fair value adjustment of secured bonds		**(5.8)**	(7.3)	(6.5)
Unamortised discount on unsecured green bonds		**1.6**	1.8	1.7
Unamortised issue and arrangement costs		**8.8**	11.3	10.1
Leasehold liabilities	19	**(34.8)**	(19.6)	(35.0)
Drawn debt net of cash (A)		**1,243.8**	1,346.9	1,227.5
Fair value of property portfolio (B)	11	**5,123.7**	5,873.4	5,321.8
Loan-to-value ratio (A/B)		**24.3%**	22.9%	23.1%
Proportionally consolidated loan-to-value				
Drawn debt net of cash (A)		**1,243.8**	1,346.9	1,227.5
Share of cash and cash equivalents in joint ventures		**(1.0)**	(1.5)	(1.6)
Drawn debt net of cash including Group's share of joint ventures (C)		**1,242.8**	1,345.4	1,225.9
Fair value of property portfolio (B)		**5,123.7**	5,873.4	5,321.8
Share of fair value of property portfolio of joint venture		**38.0**	50.0	42.4
Fair value of property portfolio including Group's share of joint venture (D)		**5,161.7**	5,923.4	5,364.2
Proportionally consolidated loan-to-value (C/D)		**24.1%**	22.7%	22.9%
EPRA loan-to-value				
Drawn debt net of cash including Group's share of joint ventures (C)		**1,242.8**	1,345.4	1,225.9
Debt with equity characteristics		**(20.0)**	(14.6)	(19.7)
Adjustment for hybrid debt instruments		**2.6**	3.9	3.3
Net payables adjustment		**65.9**	69.1	74.1
Adjusted debt (E)		**1,291.3**	1,403.8	1,283.6
Fair value of property portfolio including Group's share of joint venture (D)		**5,161.7**	5,923.4	5,364.2
EPRA loan-to-value (E/D)		**25.0%**	23.7%	23.9%

Net interest cover ratio

	Note	**Half year to 30.06.2023**	Half year to 30.06.2022 Restated	Year to 31.12.2022
		£m	£m	£m
Group net interest cover ratio				
Net property and other income	5	**93.3**	96.6	194.6
Adjustments for:				
Other income	5	**(2.4)**	(1.8)	(4.2)
Other property income	5	**-**	-	(0.3)
Net surrender premiums	5	**-**	(0.4)	(1.1)
Write-down of trading property	5	**0.1**	-	0.2
Profit on disposal of trading properties	5	**-**	(0.3)	(0.2)
Adjusted net property income		**91.0**	94.1	189.0
Finance income	7	**(0.7)**	(0.2)	(0.3)
Finance costs	7	**20.3**	18.7	39.7
		19.6	18.5	39.4
Adjustments for:				
Finance income	7	**0.7**	0.2	0.3
Other finance costs	7	**-**	-	(0.3)
Amortisation of fair value adjustment to secured bonds	7	**0.7**	0.6	1.4
Amortisation of issue and arrangement costs	7	**(1.3)**	(1.3)	(2.6)
Finance costs capitalised	7	**2.7**	4.7	7.0
		22.4	22.7	45.2
Net interest cover ratio		**406%**	415%	418%
Proportionally consolidated net interest cover ratio				
Adjusted net property income		91.0	94.1	189.0
Share of joint ventures' net property income		1.1	1.1	2.1
Adjusted net property income including share of joint ventures		92.1	95.2	191.1
Net interest payable		22.4	22.7	45.2
Proportionally consolidated net interest cover ratio		**411%**	419%	423%

26. Total return

	Half year to 30.06.2023	Half year to 30.06.2022	Year to 31.12.2022
	p	p	p
EPRA Net Tangible Assets on a diluted basis			
At end of period	**3,444**	4,023	3,632
At start of period	**(3,632)**	(3,959)	(3,959)
(Decrease)/increase	**(188)**	64	(327)
Dividend per share	**55**	54	78
(Decrease)/increase including dividend	**(133)**	118	(249)
Total return	**(3.7%)**	3.0%	(6.3%)

27. List of definitions

Building Research Establishment Environmental Assessment Method (BREEAM)
An environmental impact assessment method for non-domestic buildings. Performance is measured across a series of ratings; Good, Very Good, Excellent and Outstanding.

Capital return
The annual valuation movement arising on the Group's portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure.

Company Voluntary Arrangement (CVA)
An insolvency procedure allowing a company with debt problems or that is insolvent to reach a voluntary agreement with its creditors to repay its debt over a fixed period.

Diluted figures
Reported results adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds.

Earnings/earnings per share (EPS)
Earnings represent the profit or loss for the period attributable to equity shareholders and are divided by the weighted average number of ordinary shares in issue during the financial period to arrive at earnings per share.

Energy Performance Certificate (EPC)
An EPC is an asset rating detailing how energy efficient a building is, rated by carbon dioxide emission on a scale of A-G, where an A rating is the most energy efficient. They are legally required for any building that is to be put on the market for sale or rent.

Estimated rental value (ERV)
This is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

European Public Real Estate Association (EPRA)
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA's Best Practices Recommendations includes guidelines for the calculation of the following performance measures which the Group has adopted.

- **EPRA Earnings Per Share**

Earnings from operational activities.

- **EPRA loan-to-value ratio (LTV)**

Debt divided by the property value. Debt is equal to drawn facilities less cash, adjusted for debt with equity characteristics, adding back the equity portion of hybrid debt instruments and including net payables if applicable. Property value is equal to the fair value of the property portfolio including net receivables if applicable.

- **EPRA Net Reinstatement Value (NRV) per share**

NAV adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

- **EPRA Net Tangible Assets (NTA) per share**

Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

- **EPRA Net Disposal Value (NDV) per share**

Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

- **EPRA capital expenditure**

The total expenditure incurred on the acquisition, enhancement, and development of investment properties. This can include amounts spent on any investment properties under construction or related development projects, as well as the amounts spent on the completed (operational) investment property portfolio. Capitalised finance costs included in the financial statements are also presented within this total. The costs are presented on both an accrual and a cash basis, for both the Group and the proportionate share of joint ventures.

- **EPRA Cost Ratio (including direct vacancy costs)**

EPRA costs as a percentage of gross rental income less ground rent (including share of joint venture gross rental income less ground rent). EPRA costs include administrative expenses, other property costs, net service charge costs and the share of joint ventures' overheads and operating expenses (net of any service charge costs), adjusted for service charge costs recovered through rents and management fees.

- **EPRA Cost Ratio (excluding direct vacancy costs)**

Calculated as above, but with an adjustment to exclude direct vacancy costs.

- **EPRA Net Initial Yield (NIY)**

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the EPRA property portfolio, increased by estimated purchasers' costs.

- **EPRA 'topped-up' Net Initial Yield**

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

- **EPRA Vacancy Rate**

Estimated rental value (ERV) of immediately available space divided by the ERV of the EPRA portfolio.

- **EPRA like-for-like rental income growth**

The growth in rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period and properties acquired or disposed of in either period.

Fair value adjustment
An accounting adjustment to change the book value of an asset or liability to its market value.

Ground rent
The rent payable by the Group for its leasehold properties. Under IFRS, a liability is recognised using the discounted payments due. Fixed lease payments made are allocated between the interest payable and the reduction in the outstanding liability. Any variable payments are recognised in the income statement in the period to which it relates.

Headroom
This is the amount left to draw under the Group's loan facilities (i.e. the total loan facilities less amounts already drawn).

Interest rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating rate debt to fixed rates.

Key Performance Indicators (KPIs)
Activities and behaviours, aligned to both business objectives and individual goals, against which the performance of the Group is annually assessed.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent free or half rent period, stepped rents, or a cash contribution to fit-out or similar costs.

Loan-to-value ratio (LTV)
Drawn debt net of cash divided by the fair value of the property portfolio. Drawn debt is equal to drawn facilities less cash and the unamortised equity element of the convertible bonds.

Mark-to-market
The difference between the book value of an asset or liability and its market value.

MSCI Inc. (MSCI IPD)
MSCI Inc. is a company that produces independent benchmarks of property returns. The Group measures its performance against both the Central London Offices Index and the UK All Property Index.

National Australian Built Environment Rating System (NABERS)
This is a building performance rating system, introduced into the UK, which provides an energy performance benchmark using a simple star rating system on a 1-6 scale. This helps property owners understand and communicate a building's performance versus other similar buildings to occupiers. Ratings are validated on an annual basis.

NAV gearing
Net debt divided by net assets.

Net assets per share or net asset value (NAV)
Equity shareholders' funds divided by the number of ordinary shares in issue at the balance sheet date.

Net debt
Borrowings plus bank overdraft less unrestricted cash and cash equivalents.

Net interest cover ratio
Net property income, excluding all non-core items divided by interest payable on borrowings and non-utilisation fees.

Property income distribution (PID)
Dividends from profits of the Group's tax-exempt property rental business under the REIT regulations.

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

Real Estate Investment Trust (REIT)
The UK Real Estate Investment Trust ("REIT") regime was launched on 1 January 2007. On 1 July 2007, Derwent London plc elected to convert to REIT status.

The REIT legislation was introduced to provide a structure which closely mirrors the tax outcomes of direct ownership in property and removes tax inequalities between different real estate investors. It provides a liquid and publicly available vehicle which opens the property market to a wide range of investors.

A REIT is exempt from corporation tax on qualifying income and gains of its property rental business providing various conditions are met. It remains subject to corporation tax on non-exempt income and gains e.g. interest income, trading activity and development fees.

REITs must distribute at least 90% of the Group's income profits from its tax exempt property rental business, by way of dividend, known as a property income distribution. These distributions can be subject to withholding tax at 20%.

If the Group distributes profits from the non-tax exempt business, the distribution will be taxed as an ordinary dividend in the hands of the investors (non-PID).

Rent reviews
Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards only rent reviews, the rent will either remain at the same level or increase (if market rents are higher) at the review date.

Reversion
The reversion is the amount by which ERV is higher than the rent roll of a property or portfolio. The reversion is derived from contractual rental increases, rent reviews, lease renewals and the letting of space that is vacant and available to occupy or under development or refurbishment.

Scrip dividend
Derwent London plc sometimes offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a scrip dividend.

Task Force on Climate-related Financial Disclosures (TCFD)
Set up by the Financial Stability Board (FSB) in response to the G20 Finance Ministers and Central Bank Governors request for greater levels of decision-useful, climate-related information; the TCFD was asked to develop climate-related disclosures that could promote more informed investment, credit (or lending), and insurance underwriting decisions. In turn, this would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

'Topped-up' rent
Annualised rents generated by the portfolio plus rent contracted from expiry of rent free periods and uplifts agreed at the balance sheet date.

Total property return (TPR)
Total property return is a performance measure calculated by the MSCI IPD and defined in the MSCI Global Methodology Standards for Real Estate Investment as 'the percentage value change plus net income accrual, relative to the capital employed'.

Total return
The movement in EPRA Net Tangible Assets per share on a diluted basis between the beginning and the end of each financial period plus the dividend per share paid during the period expressed as a percentage of the EPRA Net Tangible Assets per share on a diluted basis at the beginning of the year.

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

Transmission and distribution (T&D)
The emissions associated with the transmission and distribution losses in the grid from the transportation of electricity from its generation source.

Underlying portfolio
Properties that have been held for the whole of the period (i.e. excluding any acquisitions or disposals made during the period).

Underlying valuation increase
The valuation increase on the underlying portfolio.

Well to tank (WTT)
The emissions associate with extracting, refining and transporting raw fuel to the vehicle, asset or process under scrutiny.

Yields

- **Net initial yield**

Annualised rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased by estimated purchasers' costs.

- **Reversionary yield**

The anticipated yield, which the net initial yield will rise to once the rent reaches the estimated rental values.

- **True equivalent yield**

The constant capitalisation rate which, if applied to all cash flows from the portfolio, including current rent, reversions to valuers' estimated rental value and such items as voids and expenditures, equates to the valuation having taken into account notional purchasers' costs. Rent is assumed to be received quarterly in advance.

- **Yield shift**

A movement in the yield of a property asset, or like-for-like portfolio, over a given period. Yield compression is a commonly-used term for a reduction in yields.

28. Copies of this announcement will be available on the company's website, www.derwentlondon.com, from the date of this statement. Copies will also be available from the Company Secretary, Derwent London plc, 25 Savile Row, London, W1S 2ER.

Independent review report to Derwent London plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Derwent London plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results 2023 Announcement of Derwent London plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Group Condensed Balance Sheet as at 30 June 2023;
- the Group Condensed Income Statement and Group Condensed Statement of Comprehensive Income for the period then ended;
- the Group Condensed Cash Flow Statement for the period then ended;
- the Group Condensed Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results 2023 Announcement of Derwent London plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results 2023 Announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern..

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results 2023 Announcement, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Results 2023 Announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results 2023 Announcement, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results 2023 Announcement based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 August 2023

Notes to editors

Derwent London plc

Derwent London plc owns 66 buildings in a commercial real estate portfolio predominantly in central London valued at £5.2 billion as at 30 June 2023, making it the largest London office-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via development or refurbishment, effective asset management and capital recycling.

We typically acquire central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or the Tech Belt. We capitalise on the unique qualities of each of our properties – taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design.

Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

As part of our commitment to lead the industry in mitigating climate change, Derwent London has committed to becoming a net zero carbon business by 2030, publishing its pathway to achieving this goal in July 2020. In 2019 the Group became the first UK REIT to sign a Revolving Credit Facility with a 'green' tranche. At the same time, we also launched our Green Finance Framework and signed the Better Buildings Partnership's climate change commitment. The Group is a member of the 'RE100' which recognises Derwent London as an influential company, committed to 100% renewable power by purchasing renewable energy, a key step in becoming a net zero carbon business. Derwent London is one of the property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).

Landmark buildings in our 5.4 million sq ft portfolio include 1 Soho Place W1, 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In January 2022 we were proud to announce that we had achieved the National Equality Standard – the UK's highest benchmark for equality, diversity and inclusion. In May 2023 we were recognised on the Sunday Times Best Places to Work List 2023 within the medium-sized organisation category and in the following month we won two OAS awards – West End New Build for Soho Place W1 and Developer of the Year whilst we were also highly commended for The Featherstone Building in the City New Build category. In March 2023 we placed in the top three of the Property Sector in Management Today's Britain's Most Admired Companies awards 2022. In October 2022, 80 Charlotte Street won the BCO's Best National Commercial Workplace award 2022. In 2013 the Company launched a voluntary Community Fund which has to date supported over 150 community projects in the West End and the Tech Belt. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER.

For further information see www.derwentlondon.com or follow us on Twitter at @derwentlondon

Forward-looking statements

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

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