DERWENT LONDON

Interim Results 2022 Announcement

DERWENT
LONDON

11 August 2022

Derwent London plc ("Derwent London" / "the Group")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022
CONTINUING FLIGHT TO QUALITY

Paul Williams, Chief Executive of Derwent London, said:

"We are seeing good demand for our distinctive brand of high quality offices, with short supply of prime space in our core locations. Despite the uncertain macro environment, the continuing flight to quality combined with our strong financial position gives us confidence that we are well placed with a pipeline of value-adding opportunities."

Financial highlights

- Total return of 3.0%, up from 2.7% in H1 2021
- EPRA[1] NTA 4,023p per share, up 1.6% from 3,959p at December 2021
- Net rental income £93.9m, up 4.2% from £90.1m in H1 2021
- EPRA earnings 53.13p per share, down 1.7% from 54.04p in H1 2021
- IFRS profit before tax of £137.1m, up 13.2% from £121.1m in H1 2021
- Interim dividend raised 4.3% to 24.0p from 23.0p in H1 2021
- EPRA loan-to-value ratio 23.7% (December 2021: 22.3%); interest cover 419% (FY 2021: 464%)
- Net debt of £1.36bn (December 2021: £1.25bn)
- Undrawn facilities and cash of £452m (December 2021: £608m)

First half activity

- Lettings of £7.1m at 9.3% above December 2021 ERV
- Renewals and regears of £6.2m, 8.0% above December 2021 ERV
- Reviews of £5.5m, 6.2% above December 2021 ERV
- Principal acquisitions of £130.2m and disposals of £65.9m (excludes post-H1 transactions)
- Completion of developments at Soho Place W1 and The Featherstone Building EC1
    - Soho Place 88% let or sold
    - First leases signed at The Featherstone Building (22% let), 10% above ERV
- 25 Baker Street W1 (298,000 sq ft) demolition complete with 80% of total construction costs fixed
- Network W1 (137,000 sq ft) committed with demolition underway
- Portfolio energy intensity 61kWh/sqm in H1, 18% below three-year average

Portfolio update

- Portfolio valued at £5.9bn; underlying valuation increase of 1.7% including developments up 8.5%
- True equivalent yield 4.46% (December 2021: 4.50%)
- 0.9% increase in portfolio ERV
- EPRA vacancy rate 6.5% (December 2021: 1.6%) reflecting development completions
- Bush House WC2 and 2 & 4 Soho Place W1 disposals completed in July for £123.6m

Guidance

- Unchanged ERV guidance of 0% to +3% for 2022 average growth across our portfolio
- Upward pressure on property yields; our portfolio expected to be more resilient

[1] Explanations of how EPRA figures are derived from IFRS are shown in note 25

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

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CHIEF EXECUTIVE'S STATEMENT

Overview

Rents and yields in the London office market were stable through H1 2022 with prime buildings continuing their outperformance in both occupational and investment markets. Geopolitical events caused the macroeconomic environment to deteriorate through the period leading to rising inflation and interest rates, with upward pressure on yields emerging since the half year. Despite this, the Group is well positioned with a high quality portfolio and strong balance sheet.

Results overview

The Group's total return for the period was 3.0%, against 2.7% for the first half of 2021 and 5.8% for the full year 2021. This return comes from the dividend of 53.5p per share paid in June 2022 plus the 64p increase in EPRA net tangible assets (NTA) per share to 4,023p during the period.

The Group's IFRS profit before tax increased 13.2% to £137.1m for the first six months of 2022 against £121.1m for H1 2021. The increase is principally a revaluation surplus (net of accounting adjustments) of £74.1m, higher than the £58.1m recognised in H1 2021. After adjusting for fair value movements, EPRA earnings were 53.13p per share, 1.7% lower than the 54.04p reported last year. Net property and other income of £96.5m was 1.5% higher than the first half of 2021 and administrative expenses £1.6m lower, but finance costs increased by £4.5m to £18.7m on higher borrowings. Our annual dividend remains well covered and we have increased the interim by 1.0p or 4.3% to 24.0p per share.

We remained net investors in the portfolio in H1 2022, including the payment made to TfL plus costs of £71.9m on completion of Soho Place W1. As a result, borrowings increased to £1.37bn from £1.25bn in December. Our gearing ratios remain low, with the newly defined EPRA loan-to-value (LTV) ratio at 23.7% against 22.3% at year end.

The balance sheet remains very strong with 90% of our borrowings at fixed rates, undrawn facilities and cash of £452m and only £83m of debt to refinance prior to June 2025. Following the sales of Bush House WC2 and 2 & 4 Soho Place W1 in July 2022, our debt levels reduced by c.£126m.

Continuing flight to quality and London's enduring appeal

Offices have an important role for companies in attracting and retaining talent. An increasing number of businesses have actively re-engaged with their long-term occupational requirements as Covid restrictions have lifted which translated into high market take-up in H1. However, leasing transactions are taking longer to complete as decision making timescales are being extended. The supply of top quality buildings remains relatively constrained and established businesses with large requirements continue to enter into early pre-let discussions. In addition, we may see some development deferrals as market conditions lead to a re-appraisal of schemes.

Despite some of the large Tech companies pulling back on their space expansion plans, there remains a broad range of businesses with active requirements. A variety of international companies continue to choose London for their UK or European HQ.

CBRE reported a net withdrawal of tenant-controlled space in H1 across central London. Combined with strong take-up, market vacancy has reduced to 8.2% (December 2021: 8.8%) although this masks the ongoing divergence between the West End at 4.3% (now back in line with the long-term average since 2000 of 4.2%) and the City at 12.3% (long-term average 6.6%). Space under offer is close to record levels at 4.3m sq ft, 1.7m sq ft of which is in the West End.

Adaptability and amenity

Businesses want a combination of adaptable space and high quality amenity in innovative and sustainable buildings. Our customer-focused approach led us to initiatives such as DL/78, which opened last year and which is proving popular with both existing and new customers. Based on its success, we are exploring the potential to open an equivalent amenity in The Featherstone Building EC1.

Occupier needs cover a broad spectrum from very flexible to long-term leases. We deliver bespoke solutions which recognise the differing demands of our diverse customer base. For larger occupiers, typically on longer leases, this might mean a combination of core and flex space with some optionality. For smaller occupiers looking for greater flexibility, our 'Furnished + Flexible' product provides an attractive solution, achieving a premium rent.

Portfolio activity

Leasing in H1 was strong with £7.1m of new rent signed on average 9.3% above December 2021 ERV. Five leases comprised 71% of the total, including the first two lettings at The Featherstone Building EC1 and two occupiers expanding at White Collar Factory EC1, altogether 10% above ERV. In addition, several leases elsewhere have been extended on terms ahead of ERV.

Given the flight to quality, we have been retaining large recently completed developments for longer and have sold buildings where we expect lower returns or where we do not believe they can be economically upgraded into the next generation of prime product. Proceeds are being reinvested into our pipeline of larger net zero schemes.

Portfolio reshaping and pipeline restocking activity continued in 2022 with major acquisitions of £130.2m, principally 230 Blackfriars Road SE1 and the final payments at Soho Place W1. In H1, we sold New River Yard EC1 for £65.9m. Since the start of H2, we have completed the disposal of Bush House WC2 and the forward-sale of 2 & 4 Soho Place W1 for a combined £123.6m.

The Group also exchanged a conditional contract to acquire the 2.5 acre Old Street Quarter EC1, the site of the Moorfields Eye Hospital. Plans are being evaluated for a major 750,000+ sq ft campus for the longer-term. Subject to relocation of the hospital and subsequent receipt of vacant possession, the £239m acquisition is expected to complete in 2027, when the site payment will be made.

Our developments at Soho Place W1 (offices 100% pre-let) and The Featherstone Building EC1 have now completed, adding £20.0m of contracted rent with a further £9.9m of ERV to capture from vacant space. As a result, the EPRA vacancy rate increased to 6.5% (December 2021: 1.6%).

At 25 Baker Street W1, following appointment of the main contractor in January 2022, 97% of the office construction costs (80% of total) have been fixed. Demolition has completed and ground works are underway. At Network W1, demolition has commenced under a fixed price contract and we have selected our preferred tier one contractor for the main construction package. These two projects have a combined ERV of £30.3m. In addition, there are a number of smaller projects underway, including EPC upgrading activity.

Creating value responsibly

In July 2020, Derwent London became the first UK REIT to publish its Net Zero Carbon 2030 pathway. We have set ourselves science-based targets, aligned with a 1.5ºC climate scenario, for reductions in energy usage and embodied carbon.

Between our 2019 baseline and the end of 2021, energy intensity across our managed portfolio, which encompasses Scope 1, 2 & tenant emissions in Scope 3, reduced 17% to 134kWh/sqm, beating our targets. Despite a rise in building occupation in H1 2022, we are on track to again exceed our target for this year. The roll-out and integration of our Intelligent Building platform will help deliver further efficiencies over the coming years.

Our EPC profile now comprises 62.3% ‘A’ or ‘B’ ratings by ERV (including projects) with a further 17.9% rated ‘C’. The results of the third-party costed EPC survey we commissioned in 2021 have been integrated into our plans and a series of actions set to ensure we remain compliant with evolving legislation.

We are working with our stakeholders to deliver buildings that minimise the Group’s environmental impact through delivery and in operation. Local authorities are challenging developers to meet stretching targets for embodied carbon. At the same time, occupiers are setting their own sustainability agendas for their operational energy usage, conscious of the role real estate has in helping them achieve these ambitions.

Embodied carbon is a substantial contributor to our Scope 3 emissions, with our current estimates for the recently completed schemes at 1 Soho Place W1 of 550kgCO_2e/sqm and for The Featherstone Building EC1 of c.540kgCO_2e/sqm. Our on-site developments at 25 Baker Street W1 and Network W1 are being designed as low carbon buildings, aligning with our 2025 target of ≤600kgCO_2e/sqm which reflects the Greater London Authority’s ambitious requirement.

In addition to buying energy on green tariffs, we have been looking at a number of sustainability initiatives, including the self-generation of renewable energy, with our Scottish land presenting a number of opportunities. In July 2022, the Group received resolution to grant planning consent for a 107 acre, 18.4MW solar park. This marks a significant stage in our renewable energy generation plans with our appraisals showing this could deliver more than 40% of the electricity used across our managed London portfolio.

Guidance and outlook

We expect the flight to quality to continue. We maintain guidance for 2022 of average ERV growth in our portfolio of 0% to +3%, following 0.9% growth in H1.

Following a strong start to the year, the macroeconomic environment has weakened. The substantial increase in financing costs and inflation, among other factors, is bringing upward yield pressure across the real estate sector. London continues to have global appeal and we believe our portfolio will prove more resilient given the location and scarcity of our high quality portfolio.

Derwent London creates best-in-class, adaptable and sustainable offices that appeal to a diverse group of occupiers. The Group has a strong balance sheet supported by a long weighted average unexpired debt term. Combined with a large and predominantly income-producing portfolio, we believe we are well-placed with a deep pipeline of value-adding opportunities which we expect will enhance our future growth.

CENTRAL LONDON OFFICE MARKET

Occupational market

Take-up in H1 was 16% above the 10-year first half average with letting activity of 6.4m sq ft. Both the West End and City were significantly above long-term averages while Docklands lagged. Demand is broad-based with banking & finance the most active sector at 24% followed by professional services and creative industries, both at 19%.

Space under offer of 4.3m sq ft (December 2021: 4.4m sq ft) is 26% ahead of the 10-year average, reflecting re-engagement by businesses with their occupational strategies. The vacancy rate across London reduced by 0.6% in H1 to 8.2%, but this masks the wide divergence between the West End which is back to the long-term average (4.3%, down 0.6% in H1) and City which remains elevated (12.3%, down 0.3% in H1). There has been a net withdrawal of tenant-controlled space to 6.5m sq ft (27% of total vacancy), 22% lower than the peak in Q1 2021.

The first half saw 1.8m sq ft of development completions across central London. The committed pipeline stands at 13.7m sq ft for delivery by 2026. The availability of top tier property is expected to remain constrained for the foreseeable future and occupiers continue to engage in pre-let discussions. Currently 35% of the London committed pipeline is pre-let or under offer.

Investment market

According to CBRE, investment transaction volumes in H1 totalled £8.3bn, of which £5.6bn was in Q1 making it one of the highest quarterly figures on record. Through H1, investors from Asia were the most active at 47%, followed by North America and the UK at 24% and 21% respectively. In particular, there was appetite for well-let properties with strong sustainability credentials. However, activity has slowed since the half year.

London remains an attractive office market globally. Yields compare favourably to those in Europe which were marked to record low levels but have now started to reverse. Prime yields in the West End and City were, according to CBRE, unchanged through H1 at 3.25% and 3.75%, respectively. This compares to Savills and JLL which both moved yields in the City up by 25bp in Q2. CBRE estimates there is £37bn of potential investment demand targeting London offices (December 2021: £40bn) and at June there was £3.8bn of property under offer. However, deals are taking longer to complete and more recently we have seen some buildings being withdrawn from the market.

VALUATION

Under our Valuer Appointment Policy, Knight Frank were appointed to value at least half of our London assets as at H1 2022, with CBRE, our current valuer, undertaking the balance. This followed a ‘shadowing’ exercise by Knight Frank in 2021 which revealed no material differences. For the December 2022 valuation, Knight Frank will be appointed on all the London assets. Our Scottish land, under 1% of the portfolio, continues to be valued by Savills.

The Group’s investment portfolio was valued at £5.9bn on 30 June 2022. There was a surplus of £87.5m in the first half which, after accounting adjustments of £13.4m (see note 11), produced an uplift of £74.1m. This was an underlying valuation increase of 1.7%. By location, our central London properties, which represent 99% of the portfolio, were up 1.7% with the West End 1.7% and City Borders 1.5%. The balance of the portfolio, our Scottish holdings, was marginally down at -0.1%.

Our portfolio’s capital growth outperformed the MSCI[1] Quarterly Index for Central London Offices, at 0.8%. The wider UK All Property Index increased by 5.7%.

The further pick-up in leasing activity in H1, with occupiers focused on high quality, environmentally attractive space, was reflected in our EPRA rental values moving up 0.9%, an improvement on the 0.1% growth in H2 2021.

The portfolio’s true equivalent yield tightened 4bp from 4.50% to 4.46% over the first half. The initial yield is 3.1% (December 2021: 3.3%) which, after allowing for the expiry of rent frees and contractual uplifts, rises to 4.2% on a ‘topped-up’ basis (December 2021: 4.4%). These movements in the yield profile are partly attributable to the inclusion of Soho Place W1 and The Featherstone Building EC1 within the EPRA calculation, following their recent completion, where the leases are in rent free or there is available space.

The total property return for the first six months was 3.3%, which compares to the MSCI[1] Index of 2.5% for Central London Offices and 7.8% for UK All Property.

During the first half we completed developments at Soho Place and The Featherstone Building. These two projects were 68% let or sold. The Group has two on-site developments at 25 Baker Street W1 and Network W1. The latter commenced in June 2022. These are both due to finish in 2025 and require £346m of capital expenditure to complete. Together the four schemes were valued at £843m at June 2022 and delivered an 8.5% valuation uplift, after capital expenditure. Excluding these developments, the portfolio valuation increased 0.6% on an underlying basis, which includes an uplift on Bush House WC2 prior to disposal.

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 as at 30 June 2022 was £179.4m, a 0.6% increase over six months. With a portfolio ERV of £303.3m there is £123.9m of potential reversion. Within this, £71.0m is contracted through rent-frees, fixed uplifts and pre-lets, the majority of which is already straight-lined in the income statement under IFRS accounting standards. On-site developments and refurbishments could add £33.5m. The ERV of available space is £17.3m. The majority of this is at our newly completed developments: £6.7m at The Featherstone Building, which is 22% let, and £3.2m at the retail space at Soho Place. The balance of the potential reversion of £2.1m comes from future reviews and expiries less future fixed uplifts.

[1] MSCI Central London Offices Quarterly Index

ASSET MANAGEMENT & INVESTMENT ACTIVITY

Letting activity – £7.1m of new rent at 9.3% above ERV

Letting activity in H1 2022 continued to strengthen compared to 2021. 24 new leases totalling £7.1m pa were signed on 109,300 sq ft at an average 9.3% above December 2021 ERV. With a relative shortage of top tier space, many occupiers are prepared to pay premium rents for space that meets their requirements. Five deals comprised 71% of the new rent achieved in H1. Since the start of H2, £1.1m of new leases have been signed.

Leasing activity in H1 2022

	Let		Performance against Dec 21 ERV (%)	
	Area sq ft	Income £m pa	Open market	Overall[1]
Q1	55,900	3.5	6.8	6.8
Q2	53,400	3.6	11.8	11.8
H1 2022	**109,300**	**7.1**	**9.3**	**9.3**

[1] Includes short-term lettings at properties earmarked for redevelopment

At The Featherstone Building EC1, Dept Agency, a global digital solutions and marketing business, leased 11,450 sq ft on the ninth and tenth floors at an annual rent of £1.0m. Meanwhile, Marshmallow, a tech-based insurance business, leased 16,220 sq ft on the first floor at an annual rent of £1.2m. On average, these leases were 10% ahead of December 2021 ERV. Both occupiers signed 10-year leases with breaks at year 5 and 6, respectively.

At White Collar Factory EC1, two occupiers have expanded. Brainlabs leased an additional 11,540 sq ft for six years, expiring in line with their existing term in 2028, nearly doubling their overall space. Adobe leased a further 10,180 sq ft on a 10-year term, increasing its floor area in the building 23%. On average, the two leases were at 10% premium to December 2021 ERV.

Michael Kors signed a new 10-year lease on 18,850 sq ft at 90 Whitfield Street W1. The rent of £72.50 per sq ft is 7.5% above ERV. Our nearby occupier community space, DL/78, played an important role in achieving this letting.

Principal lettings in H1 2022

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
Q1							
90 Whitfield Street W1	Michael Kors	18,850	72.50	1.4	10	-	24
White Collar Factory EC1	Brainlabs	11,540	71.70	0.8	6	-	10.4
80 Charlotte Street W1	NewRiver REIT	4,090	70.00	0.3	5	-	11
Holden House W1	Talon Outdoor	5,120	49.50	0.3	5	3.5	6
Q2							
The Featherstone Building EC1	Marshmallow	16,220	71.50	1.2	10	6	15, plus 9 if no break
The Featherstone Building EC1	Dept Agency	11,450	85.25	1.0	10	5	11.5, plus 11.5 if no break
White Collar Factory EC1	Adobe	10,180	70.00	0.7	10	6	12, plus 10 if no break
230 Blackfriars Road SE1	Wandle Housing Association	7,290	49.50	0.4	7.5	4	7, plus 6 if no break
Sub-total		**84,740**	**72.00**	**6.1**			
Other		24,560	40.70	1.0			
Total		**109,300**	**64.80**	**7.1**			

Asset management progress – reducing income risk and beating ERV

Lease renewals were agreed 12.9% above December 2021 ERV and 17.1% above the previous rent, while regears were on average 1.5% below December 2021 ERV and 4.6% below the previous rent. This excludes the impact of a development facilitation deal which involved the insertion of a near-term landlord break option. In aggregate, 63% of breaks/expiries were retained or re-let prior to the end of H1 excluding space taken back for projects and disposals.

Rent reviews averaged 6.2% above December 2021 ERV and 9.0% above the previous rent. Income at risk in 2022 has reduced from 9% at the start of the year to 3%. The vacancy rate increased to 6.5% at H1 from 1.6% at December 2021, with development completions at The Featherstone Building EC1 and Soho Place W1 comprising 3.7%.

The main asset management transaction in the period was the extension of Morningstar's lease at Oliver's Yard EC1 to June 2027, following a short-term regear agreed through Covid. Morningstar has agreed a rental uplift reflecting an 18.8% premium to the previous rent and 14.2% above the net effective ERV. As well as improving income duration, this also had a positive impact on valuation with the valuers factoring in a longer lease to a strong occupier covenant.

Asset management activity in H1 2022

	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	New rent vs Dec 21 ERV %
Rent reviews	83.7	5.0	5.5	9.0	6.2
Lease renewals	61.6	3.0	3.5	17.1	12.9
Lease regears[1]	21.1	1.4	1.3	(4.6)	(1.5)
Total	**166.4**	**9.4**	**10.3**	**9.6**	**7.3**

[1] Excludes single development-linked regear

Rent collection – broadly back to pre-Covid levels

For the June quarter, we have now collected 96% of rent, with offices at 97% and retail/hospitality at 83%. In relation to the two previous quarters, we have received 99% of rent for both the December and March quarter days.

Investment activity – further portfolio upgrading

Over the last three and a half years, the Group has undertaken significant capital recycling with over £700m of disposals and £1.1bn of acquisitions and capex. Disposals have mainly comprised properties that no longer meet our forward return criteria or which we do not believe can be upgraded into the next generation of prime buildings. We continue to explore further disposal opportunities for some of our smaller assets.

Acquisitions

230 Blackfriars Road SE1 was acquired in H1 for £58.3m, adding to our longer-term development pipeline. Our current appraisal shows a potential uplift in floor area from 60,300 sq ft to over 200,000 sq ft. Two new leases have been agreed post-acquisition totalling 9,400 sq ft on average 21% above acquisition ERV, increasing the income yield and extending the building's income profile.

At Soho Place W1, following completion of the development the headlease premium has now been paid to TfL, along with associated SDLT, totalling £71.9m.

In May 2022, we exchanged a conditional contract for the long-dated acquisition of Old Street Quarter EC1 (formerly known as The Moorfields Estate EC1). This 400,000 sq ft freehold estate, located on a 2.5 acre site, has potential for redevelopment into a 750,000+ sq ft mixed-use campus. This £239m acquisition is expected to complete in 2027, subject to receipt of final Treasury approval (expected in H2 2022), delivery of the new eye hospital at St Pancras and subsequent vacant possession of the existing Moorfields Eye Hospital.

Major acquisitions

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa	Net rental income £ psf
230 Blackfriars Road SE1	Q1	60,300	58.3	3.5	2.1	41.00
Soho Place W1 headlease	Q1	-	71.9	-	-	-
Total acquisitions		**60,300**	**130.2**	**-**	**2.1**	**-**

Disposals

In H1, we completed the disposal of New River Yard EC1 for £65.9m.

In H2, the sale of Bush House WC2 exchanged and completed in July 2022 for £83.9m, a significant 41% premium to December 2021 book value. In addition, the forward-sale of the long leasehold interest in 2 & 4 Soho Place W1 for £39.7m completed following delivery of the new theatre to Nimax Theatres.

Major disposals

Property	Date	Area sq ft	Net proceeds £m	Net yield %	Net rental income £m pa
H1 2022					
New River Yard EC1	Q2	70,700	65.9[1]	4.5	3.3
Total H1 disposals		**70,700**	**65.9**	**4.5**	**3.3**
H2 2022					
2 & 4 Soho Place W1	Q3	18,400[2]	39.7	-	-
Bush House WC2	Q3	103,700	83.9	-	-
Total H2 disposals to date		**122,100**	**123.6**	**-**	**-**

[1] After deduction of rental top-ups and sale costs [2] Office space

DEVELOPMENTS

H1 2022 completions

Soho Place W1, a net zero carbon development, comprised two buildings, 1 Soho Place and 2 & 4 Soho Place. The 192,100 sq ft office element at 1 Soho Place was fully pre-let to Apollo Group and G-Research in 2019 with a combined contracted rent of £17.7m, reflecting an average rent of c.£93 per sq ft. Following completion, the marketing campaign for the 34,000 sq ft retail element was launched. With the Elizabeth line now open and footfall across central London approaching pre-Covid levels supported by the ongoing recovery in international tourism, we remain confident in the long-term attractions of this prime retail location.

The embodied carbon intensity for 1 Soho Place is 550kgCO_2e/sqm beating our 2025 and the GLA targets. A BREEAM 'Outstanding' rating is being targeted.

The embodied carbon intensity at 2 & 4 Soho Place is higher at 880kgCO_2e/sqm principally due to the nature of theatre construction and the relatively small floor area. The forward-sale of this building has completed since the end of H1.

The Featherstone Building EC1, which is net zero carbon, is now 22% let by floorspace. The embodied carbon intensity of the development is c.540kgCO_2e/sqm. The scheme incorporates our 'Intelligent Building' infrastructure. We are targeting a BREEAM 'Outstanding' rating.

On-site projects

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 (£m)	346	241[2]	105
Total cost[1] (£m)	697	463	234
ERV (c.£ psf)	-	90	87.5
ERV (£m pa)	30.3	18.4[3]	11.9
Pre-let/sold area (sq ft)	31,000	31,000	-

[1] Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. Baker Street includes a 3.1% profit share payaway to freeholder The Portman Estate
[2] Includes potential profit share to The Portman Estate
[3] Long leasehold, net of 2.5% ground rent

The refurbishment of Francis House SW1 completes in H2 2022. The 38,200 sq ft scheme was pre-let to Edelman in 2021 on a 15-year lease with a break at year 10, at a rent of £2.9m (£76 per sq ft) reflecting a premium of 15% to ERV. The building's EPC rating improved from 'C' to 'B'.

At 25 Baker Street W1 demolition works have completed and ground works are progressing well. The scheme totals 298,000 sq ft, which comprises 218,000 sq ft of offices, 28,000 sq ft of retail and 52,000 sq ft of residential. The scheme is 10% pre-sold to The Portman Estate.

97% of the construction costs on the office element (80% of total) have been fixed effectively mitigating our exposure to further build cost inflation. Capex to complete is estimated at £241m including the potential profit share to The Portman Estate. We are targeting BREEAM 'Outstanding' and NABERS 4 Star ratings.

Our most recent development at Network W1 commenced in June 2022. We have committed to deliver the 137,000 sq ft office-led scheme on a speculative basis given the strength of occupier demand in Fitzrovia. Demolition costs have been fixed in line with budget and we are in discussions with our preferred contractor on the main build contract. Capex to complete is estimated at £105m. A BREEAM 'Outstanding' rating and NABERS 4 Star ratings are targeted.

Longer-term pipeline

We have a further 1.9m sq ft of space which forms part of our longer-term pipeline (33% of current portfolio). This excludes the 750,000+ sq ft Old Street Quarter EC1 project where the acquisition is scheduled to complete in 2027.

FINANCIAL REVIEW

Gross property and other income increased to £122.3m in the first half of 2022 from £120.4m in H1 2021. The prior period benefitted from £3.9m of surrender premiums compared with only £0.4m in H1 2022 so the underlying increase was 4.6%. Gross rental income was up by 3.7% to £101.7m with net rental income growing from £90.1m in H1 2021 to £93.9m in H1 2022. Net property and other income increased to £96.5m from £95.1m a year earlier, the comparative figure also including the surrender premiums noted above. With rent collection now almost back to pre-Covid levels, we have seen impairments partially reversing giving rise to a credit of £0.6m in H1 2022 compared with a charge of £1.4m in H1 2021.

IFRS profit from operations rose to £152.6m for the six months to 30 June 2022 against £134.1m for the half year to June 2021. The main reason for this was an increase in the overall revaluation surplus for our investment properties (after accounting adjustments for incentives) in the first half of 2022 to £73.4m from £57.8m in H1 2021. Administrative expenses were also £1.6m below H1 2021 at £17.8m as lower provisions for variable pay more than offset higher base staff salaries.

We have continued to invest in our portfolio and borrowings have grown as a result, ending June 2022 at £1.37bn. This has increased gross interest costs to £23.4m for the half year against £19.6m for the six months to 30 June 2021. Interest capitalised was a little lower in H1 2022 at £4.7m against £5.4m in H1 2021, the result of development completions at Soho Place W1 and The Featherstone Building EC1 during the first half. Derivative financial instruments showed an overall gain of £2.9m in H1 2022 (H1 2021: £1.2m uplift) following the significant rise in interest rates over the period. Our share of the results at our new 50 Baker Street W1 joint venture was only £0.1m, the net income of £1.2m almost offset by a revaluation deficit of £1.1m.

The resulting IFRS profit before tax was up 13.2% to £137.1m for the half year to 30 June 2022 against £121.1m in H1 2021. EPRA earnings, which exclude fair value movements, fell marginally (1.7%) to 53.13p per share from 54.04p a year earlier but would have shown a small increase after adjusting for the surrender premiums.

EPRA like-for-like gross rental income, which excludes the effect of acquisitions, disposals and developments, was up 1.1% compared to H2 2021 and like-for-like net rental income was up 2.5% compared with H2 2021, helped by the reversal of impairments mentioned earlier.

The partial reversal of impairments has also brought our EPRA cost ratio (including direct vacancy costs) down to 23.3% in H1 2022 against 25.7% in H1 2021 and 24.3% for the whole of 2021. Excluding direct vacancy costs, it was 20.4% (H1 2021: 23.1%).

The Group's total return over the six-month period, including the 53.5p dividend paid, was 3.0% compared to 2.7% for H1 2021 and 5.8% for the full year 2021. The increase in our London office values in the first half of 2022 took the Group's EPRA Net Tangible Asset value per share above £40 for the first time, ending at 4,023p against 3,864p at 30 June 2021 and 3,959p at 31 December 2021. With the substantial rise in interest rates providing a large reduction in the fair value of our fixed rate debt, the Group's EPRA Net Disposal Value has risen more significantly, up 185p per share or 4.8% to 4,069p from 3,884p as at 31 December 2021.

Capital expenditure totalled £69.2m in H1 2022, below the level seen in H1 2021 after the completion of two major schemes. In addition, our share of capital expenditure in the 50 Baker Street W1 joint venture was £0.9m. At our 25 Baker Street W1 site groundworks are progressing well and, with a number of smaller projects, which include EPC upgrade works, and demolition starting at Network W1, we anticipate incurring around £70m of capital expenditure in the second half. Including acquisitions made in H1, the total invested in the portfolio in the first half was over £200m, considerably higher than the £68m from trading and investment property disposals. The main property sold in H1 was the New River Yard EC1 complex for net proceeds of £65m and Bush House WC2, which completed in July 2022, was transferred to 'assets held for sale' in our 30 June 2022 balance sheet. 2 & 4 Soho Place W1 was already within this category and the sale of this building also completed in July 2022. First half acquisitions included the £68m headlease payment to

TfL for Soho Place together with £4m of SDLT. As a result, the grossing up of headlease and other liabilities has seen a combined decrease of £66.1m.

We have started to incur initial planning and design costs and fees in relation to the long-term project at Old Street Quarter EC1, with the site acquisition due to complete no earlier than 2027. For the time being, as we do not own the site, we are showing these costs as prepayments within the balance sheet.

Financing and net debt

The last six months have been marked by a sharp increase in interest rates following many years of exceptionally low rates. The market impact of this has just started to be felt and has had only a marginal impact on our first half results. We are relatively well protected against rising rates with 90% of our debt at fixed rates as at 30 June 2022 and with an additional £75m forward start interest rate swap at 1.36% up to April 2025. Helped by the £350m 10-year unsecured green bond issued in November last year, our debt is also relatively long dated with a weighted average term of 6.5 years, bank facilities extending until at least Q4 2026 and only one loan expiry of £83m prior to June 2025.

As noted above, our debt levels have increased through H1 to bring net debt to £1.36bn as at 30 June 2022 against £1.25bn at the 2021 year end. Total borrowings were £1.37bn as at 30 June 2022. Full details are set out in note 19 to the balance sheet. This is equivalent to a loan-to-value ratio, calculated on the new basis set out by EPRA (which includes our share of the 50 Baker Street W1 joint venture and which is close to the basis we adopted previously) of 23.7% against 22.3% as at 31 December 2021. We have also set out in note 26 the calculations for the old basis used (22.9% for the Group LTV ratio and 22.7% including our 50% share of the Baker Street joint venture). The Group's NAV gearing (the ratio of net debt to net assets) was 30.1% as at 30 June 2022 against 28.2% as at the 2021 year end.

As at 30 June 2022, the Group had £452m of cash and undrawn facilities (31 December 2021: £608m).

The disposals which completed in July 2022 have reduced our debt by about £126m and, on a proforma basis, would have reduced the June 2022 EPRA LTV ratio to 22.0% with a corresponding increase in cash and undrawn facilities.

Interest cover remains very strong at 419% including proportional consolidation of our joint ventures but has fallen back from the 464% seen in the 2021 full year, due mainly to the higher debt levels. Our main interest cover debt covenant is 145% so there remains very substantial headroom.

Looking at the cash flow position, rents received were £93.8m in H1 2022, up from £84.6m in H1 2021 and the first half was impacted by the funding of insurance payments of £4.2m which will subsequently be collected from tenants.

The higher level of bank borrowing at 30 June 2022 has brought our weighted average interest cost down to 3.06% (31 December 2021: 3.14%) on a cash basis and 3.18% (31 December 2021: 3.27%) including the IFRS adjustment on the convertible and green bonds. The £175m convertible bonds mature in June 2025 with a current conversion price of 4,496p so are not dilutive at the prevailing share price.

Qualifying expenditure under the Green Finance Framework

The qualifying expenditure as at 30 June 2022 for each project is set out in the table below. This includes an element of 'look back' capital expenditure on recent projects. The 25 Baker Street W1 scheme commenced in Q4 2021 and practical completion is expected in H1 2025.

The cumulative qualifying expenditure on Eligible Green Projects (EGP) at 30 June 2022 was £597.6m, with £34.8m of this being incurred in H1 2022.

Cumulative spend on each EGP as at 30 June 2022:

		Subsequent spend		
	Look back spend	Q4 19 – FY 2021	H1 2022 spend	Cumulative spend
Project/EGP	**£m**	**£m**	**£m**	**£m**
80 Charlotte Street W1	185.6	51.6	0.4	237.6
Soho Place W1	66.3	137.6	14.6	218.5
The Featherstone Building EC1	29.1	60.3	5.9	95.3
25 Baker Street W1	26.5	5.8	13.9	46.2
	307.5	**255.3**	**34.8**	**597.6**

At 30 June 2022, following the issuance of the Green Bonds in November 2021, total drawn borrowings from Green Financing Transactions were £455m. This includes £105m from the green tranche of the Group's RCF and the £350m Green Bonds.

Dividend

After considering our many stakeholder obligations, a 4.3% increase in the interim dividend is proposed, taking it to 24.0p per share from 23.0p last year. It will be paid as a PID on 14 October 2022 to shareholders on the register as at 9 September 2022.

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. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board in August 2022. The Group's approach to the management and mitigation of these risks is included in the 2021 Report & Accounts. The Board has confirmed that its risk appetite and key risk indicators remain appropriate.

Since the release of our 2021 year-end results in February 2022, there is greater economic uncertainty globally. In the UK, inflation has risen substantially to 9.4% and the Bank of England has subsequently increased base interest rates from 0.50% to 1.75%, with expectations of further rises. The potential adverse impact of these factors on property yields has heightened the risk of a fall in property values over the next six months. Consequently, the Board has reinstated 'Fall in property values' as a principal risk for the Group.

The main challenges facing the wider economy are material/labour shortages, rising interest rates, inflation, and the increasing risk of recession. The conflict in Ukraine has contributed to global supply chain disruption and commodity price inflation, which will make our ability to secure fixed price construction contracts more challenging in the medium-term. In respect of our managed portfolio, the majority of costs are rechargeable through the service charge to our occupiers. The impact of rising interest rates on Derwent London will be marginal in the short-term, as over 90% of our debt is fixed or hedged. 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 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

That 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 must respond and/or adapt appropriately to economic cycles as the London office market has generally been cyclical in recent decades, with strong growth followed by sharp economic downturns precipitated by rising interest rates coinciding with significant oversupply. The Group's success depends on implementing its strategy and responding appropriately to internal or external factors including responding to changing work practices, occupational demand, and London's global appeal. Should the Group fail to respond and adapt to such cycles or execute the projects that underpin its strategy, this may have a negative impact on the Group's expected growth and financial performance. Since the UK exited the European Union, there has been no material impact on the Group's operations. The main risk to the Group posed by Brexit is that economic growth in the UK may be negatively impacted which may in turn affect London's growth and demand for office space.	• The Group's development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances. • The Group seeks generally to maintain income from properties until development commences and has an ongoing strategy to extend income through lease renewals and regears. • The Group aims to de-risk the development programme through pre-lets, typically during the construction period. • The Group conducts an annual strategic review, prepares a budget and provides two-year rolling forecasts three times a year. • The Board considers the sensitivity of the Group KPIs to changes in the assumptions underlying our forecasts in light of anticipated economic conditions. If considered necessary, modifications are made. • The Group maintains sufficient headroom in all the Group's key ratios and financial covenants with a particular focus on interest cover. • The Group focuses on properties in good locations that are less susceptible to reductions in tenant demand. The Group's average 'topped-up' office rent is only £59.92 per sq ft.

	• International trade negotiations are being monitored and potential outcomes discussed with external advisers. • The Credit Committee, chaired by either the CEO or CFO, assesses and monitors the financial strength of potential and existing tenants. The Group's diverse and high quality tenant base provides resilience against tenant default. • We maintain close and frequent contact with our tenants. • The Group develops properties in locations where there is good potential for future demand, such as near Crossrail stations. We do not have any properties in the City or Docklands.

Financial risks

Significant steps have been taken in recent years to reduce or mitigate the Group's 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 tenants defaulting or tenant failure	
The majority of the Group's revenues are comprised of rent received from its tenants 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 tenants went into default, we could incur additional impairment charges and write-offs of IFRS 16 lease incentive receivable balances which arise from the accounting requirement to spread any rent-free incentives given to a tenant over the respective lease term. Due to the current economic conditions, our occupiers could be facing increased financial difficulty. Footfall at restaurants, retail and leisure properties could reduce which could impact on the revenues and operations of such tenants. It should be noted that restaurants and hospitality tenants account for approximately 8% of the Group's portfolio income.	• Detailed reviews of all prospective tenants are performed. • A "tenants on watch" register is maintained and regularly reviewed by the Executive Committee and the Board. • The Credit Committee, chaired by either the CEO or CFO, assesses and monitors the financial strength of potential and existing tenants. • Rent deposits are held where considered appropriate; the balance at 30 June 2022 was £22m. • The lease incentive receivable balance at 30 June 2022 was £179.8m after impairment provisions. • Active rent collection with regular reports to the Executive Committee on day 1, 7, 14 and 21. • We maintain close and frequent contact with our tenants.

3. Income decline

Changes in macroeconomic factors may adversely affect London's office market. The Group is exposed to external factors which are outside its control, such as future demand for office space, the 'grey' market in office space (i.e. tenant controlled vacant space), weaknesses in retail and hospitality businesses, increase in homeworking and the depth of any future recession and subsequent rise in unemployment and/or interest rates. Such macroeconomic conditions may lead to a general property market contraction, a decline in rental values, decline in Group income and potentially property values.

The impact of a potential recession caused by global supply chain disruption and commodity price inflation resulting from the conflict in Ukraine is being monitored by the Executive Committee and the Board. Although not likely to impact on the Group and our tenants in the short-term, a recession could lead to some of our occupiers facing a more challenging financial situation. Restaurants and hospitality tenants account for approximately 8% of the Group's portfolio income. Footfall at restaurants, retail and leisure properties is likely to reduce, as consumer spending slows, which could impact on the revenues and operations of such tenants.

- The Credit Committee receives detailed reviews of all prospective tenants.
- A "tenants on watch" register is maintained and regularly reviewed by the Executive Committee and the Board.
- Ongoing dialogue and proactive internal management is maintained with tenants to understand their concerns and requirements.
- The Group's low loan-to-value ratio and significant interest cover ratio reduces the likelihood that falls in rental income and/or property values would lead to a breach in our financial covenants.

4. Fall in property values

Since February 2022, the Bank of England has increased base interest rates to 1.75%, with expectations of further rises. The potential adverse impact of these factors on property yields has heightened the risk of a fall in property values.

The underlying value of our portfolio has remained resilient, increasing by 1.7% in H1 2022, after adjusting for capital expenditure, despite the continuing economic uncertainties.

- 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 are monitored regularly and are subject to sensitivity analysis to ensure that adequate headroom is preserved.
- The Group's mainly unsecured financing makes the management of our financial covenants straightforward.
- The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant operational impact on our business.

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. The Ukraine conflict is the third major disruption to the UK construction industry following Brexit and the Covid pandemic. Energy prices in the UK have been directly impacted by supply constraints to Europe of gas and oil from Russia and the increased cost of energy is driving significant inflation on many products – steel, cement, bricks, blocks and glass. We have secured a fixed price for 97% of the costs for the office element of our 25 Baker Street W1 development. However, our ability to secure fixed price construction contracts in 2022 has been more challenging and it is likely that only part of future contracts will be fixed. Delivery of programmes will be subjected to materials and component shortages. Our experience of early ordering including off-site storage, with strong supply chain relationships due to our early payment terms, should mitigate any major delivery programme issues, however some delays will be unavoidable. The Board is monitoring the potential impact of a tighter planning environment on our strategy and development returns. In addition to the proposed new Infrastructure Levy, which is likely to create additional costs for the Group in the medium-term, local authorities are requiring an ever-increasing level of justification for demolition instead of refurbishment.	• Detailed reviews are performed on construction projects to ensure that programme forecasts predicted by our contractors are aligned with our views. • The procurement process used by the Group includes the use of highly regarded firms of quantity surveyors and is designed to minimise uncertainty regarding costs. • 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. • Procedures carried out before starting work on site, such as site investigations, historical research of the property and surveys conducted as part of the planning application, reduce the risk of unidentified issues causing delays once on site. • Investment appraisals, which include contingencies and inflationary cost increases, 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

Risk of project delays and/or cost overruns caused by unidentified issues. For example, if the Group fails to:

- adequately appraise investments prior to starting work on-site, including through taking into account contingencies and inflationary cost increases;
- use a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors;
- benchmark development costs;
- conduct thorough site investigations to reduce the risk of unidentified issues such as asbestos;
- implement its pre-letting strategy; or
- conduct detailed reviews on construction projects to evaluate programme forecasts made by contractors, development projects may be significantly delayed and we could face a loss of rental income and penalties.

Inflationary pressures resulting largely from the conflict in Ukraine and associated global supply chain disruption is putting future construction budgets under pressure.

- Regular monitoring of our contractors' project 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.
- Prior to construction beginning on site, we conduct site investigations including the building's history and various surveys to identify any potential issues.
- Monthly reviews of supply chain issues for each of our major projects, including in respect to potential labour shortages.
- Strict Covid-19 protocols at all of our on-site developments, in accordance with Site Operating Procedures (published by the Construction Leadership Council).

C. Contractor/subcontractor default

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

There is an increased risk of insolvencies in the construction industry as a result of rising inflation and construction costs, which under fixed price contracts are a risk for the contractor. We have engaged with our principal contractors to ensure they have sufficient headroom under the fixed contracts to cope with rising costs. In respect to the Network Building, we have liaised with our contractor, subcontractors and supply chain at an earlier design stage so that the developments programme and costs can be agreed collaboratively. We will continue to actively monitor the financial health of our main contractors and subcontractors.

- Regular monitoring of our contractors, including their project cash flows, is carried out.
- Key construction packages are acquired early in each 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.
- We use known contractors with whom we have established long-term working relationships.
- Contractors are paid promptly and are encouraged to pay subcontractors promptly.

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.

There has been a heightened risk of cyber attacks amid escalating tensions over the conflict in Ukraine. To date, Derwent London has not experienced a significant increase in cyber attacks. The IT team have been proactive in providing regular guidance and refresher training to all employees on cyber security matters.

- The Group's Business Continuity Plan is 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 exists for remote access to our systems.
- Incident response and remediation processes are in place, which are regularly reviewed and tested.
- The Group's data is regularly backed up and replicated off-site.
- Our IT systems are protected by anti-virus software, security anomaly detection and firewalls that are frequently updated.
- Frequent staff awareness and training programmes.
- Security measures are regularly reviewed by the IT department.
- The Group has been awarded the 'Cyber Essentials' accreditation which demonstrates our commitment to cyber security.

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

Our Intelligent Building project has completed its 'Proof of Concept' phase and roll-out of Phase 1 has commenced. The project involves considerable input from various teams across the business including the IT team. We have worked alongside our portfolio IT partner to conduct network and IT asset inventories and cyber security assessments.

- Each building has incident management procedures which are regularly reviewed and tested.
- Physical segregation between the building's core IT infrastructure and tenants' corporate IT networks.
- Physical segregation of IT infrastructure between buildings across the portfolio.
- Inclusion of Building Managers in any cyber security awareness training and phishing simulations.

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, tenant failures or reduced rental income, share price volatility or loss of key suppliers.

Although not classified as a significant business interruption for Derwent London, the war in Ukraine, among other issues, has caused global supply chain and market volatility.

- 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.
- Government health guidelines are maintained at all of our construction sites.
- 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 has invested significantly in developing a well-regarded and respected brand. 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 the overall financial position of the Group. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing.

With the increased reporting requirements on ESG-related matters, the risk of reputational and/or litigation has risen if disclosures are misleading, or we are non-compliant.

- Close involvement of senior management in day-to-day operations and established procedures for approving all external announcements.
- All new members of staff benefit from an induction programme and are issued with our Group staff handbook.
- The Group employs a Head of Investor and Corporate Communications and retains services of an external PR agency, both of whom maintain regular contact with external media sources.
- A Group whistleblowing system for staff is maintained to report wrongdoing anonymously.
- Social media channels are monitored.
- 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 damage to our reputation, loss of income and/or property values and loss of our licence to operate. In addition, there is a risk that the cost of construction materials and providing energy, water and other services to tenants will rise as a consequence of climate change.

The UK Government continues to introduce more legislative aspects linked to climate risk e.g. from 2022 certain listed entities will have to disclose in line with the TCFD and the latest energy white paper is setting out higher standards for energy efficiency in commercial and residential properties.

- The Board and Executive Committee 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.
- The Group monitors its ESG (environmental, social and governance) reporting against various industry benchmarks.
- Production of an annual Responsibility Report with key data and performance points which are externally assured.
- In 2017 we adopted independently verified science-based carbon targets which have been approved by the Science-Based Targets Initiative (SBTi).
- Undertake periodic multi-scenario climate risk assessments (physical and transition risk).

9. Non-compliance with regulation

A. Non-compliance with health and safety legislation

An incident or breach of health, safety and fire legislation leading to a risk to life, reputational damage and/or loss of our licence to operate. For example, a major health and safety incident could cause significant business interruption for the Group.

The health and safety-related risks arising from the Covid-19 pandemic have reduced during 2022. The health and safety team have continued to promote health and wellbeing alongside safety. The business has prepared for the implementation of a new Fire Safety Management System aligned with the requirements of the Fire Safety and Building Safety Acts. Refresher training on health and safety matters will be provided to the Executive Committee and Risk Committee in September.

- 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 annual property health checks.
- The Managed Portfolio Health and Safety Manager with the support of internal and external stakeholders supports our Portfolio and Building Managers to ensure statutory compliance.
- The Construction Health and Safety Manager, with the support of internal and external stakeholders, ensures our Construction (Design and Management) Regulations (CDM) client duties are executed and monitored and reviews health, safety and welfare on each construction site on a monthly basis.
- The Board and Executive Committee receive frequent updates and presentations on key health and safety matters, including both physical and mental health.

B. Other regulatory non-compliance

Should the Group breach 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 are monitoring the potential impacts of proposed new legislation which could impact on Derwent London, including the Levelling-up and Regeneration Bill and Corporate Governance and Audit reform. A revised UK Corporate Governance Code is expected, which is likely to become applicable to Derwent London from 1 January 2024. Geopolitical risks have become more pronounced with the Ukraine crisis and the international response to the war. The significant and rapidly expanding sanction list has given rise to compliance risks. With the increased reporting requirements on ESG-related matters, the risk of reputational and/or litigation has risen if disclosures are misleading, or we are non-compliant.

- 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.
- Staff training and awareness programmes. As part of staff performance appraisals, all employees are required to confirm they have reviewed and understood Group policies.
- Group policies and procedures dealing with all key legislation are available on the Group's intranet.
- A Group whistleblowing system for staff is maintained to report wrongdoing anonymously.
- Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs).

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 23.7% as at 30 June 2022 but remains modest.

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.

The impact of Covid-19 has given rise to higher estimated probabilities of default for some of the Group's occupiers though the estimated risk is considered lower than in 2021. 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 top 74 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 2022, the proportion of fixed debt held by the Group was above this range at 90% (31 December 2021: 99%). During both 2022 and 2021, 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 2022, the Group's strategy, which was unchanged from 2021, 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 26.

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 £5.1bn of uncharged property as at 30 June 2022.

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 2021 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

10 August 2022

GROUP CONDENSED INCOME STATEMENT

	Note	**Half year to 30.06.2022 Unaudited £m**	Half year to 30.06.2021 Unaudited £m	Year to 31.12.2021 Audited £m
Gross property and other income	5	**122.3**	120.4	240.2
Net property and other income[1]	5	**96.5**	95.1	187.5
Administrative expenses		**(17.8)**	(19.4)	(37.1)
Revaluation surplus	11	**73.4**	57.8	130.8
Profit on disposal	6	**0.5**	0.6	10.4
Profit from operations		**152.6**	134.1	291.6
Finance income	7	**0.2**	-	-
Finance costs	7	**(18.7)**	(14.2)	(28.1)
Movement in fair value of derivative financial instruments		**3.5**	2.2	4.8
Financial derivative termination costs	8	**(0.6)**	(1.0)	(1.9)
Share of results of joint ventures	9	**0.1**	-	(13.9)
Profit before tax		**137.1**	121.1	252.5
Tax (charge)/credit	10	**(1.8)**	(0.6)	1.3
Profit for the period		**135.3**	120.5	253.8
Attributable to:				
- Equity shareholders		**135.3**	120.2	252.3
- Non-controlling interest		**-**	0.3	1.5
		135.3	120.5	253.8
Basic earnings per share	25	**120.61p**	107.20p	224.99p
Diluted earnings per share	25	**120.35p**	106.94p	224.44p

[1] Net property and other income includes a net credit of £0.6m in relation to the write-off/movement in impairment of receivables (half year to 30 June 2021: net charge of £1.4m; year to 31 December 2021: net charge of £0.8m). See note 3 for additional information.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Half year to 30.06.2022 Unaudited £m**	Half year to 30.06.2021 Unaudited £m	Year to 31.12.2021 Audited £m
Profit for the period		**135.3**	120.5	253.8
Actuarial (loss)/gains on defined benefit pension scheme		**(0.2)**	1.8	2.7
Deferred tax charge on pension	20	**-**	(0.3)	(0.4)
Revaluation surplus of owner-occupied property	11	**0.7**	1.0	3.7
Deferred tax charge on revaluation	20	**(0.2)**	(0.2)	(1.3)
Other comprehensive income that will not be reclassified to profit or loss		**0.3**	2.3	4.7
Total comprehensive income relating to the period		**135.6**	122.8	258.5
Attributable to:				
- Equity shareholders		**135.6**	122.5	257.0
- Non-controlling interest		**-**	0.3	1.5
		135.6	122.8	258.5

GROUP CONDENSED BALANCE SHEET

	Note	**30.06.2022 Unaudited £m**	30.06.2021 Unaudited £m	31.12.2021 Audited £m
Non-current assets				
Investment property	11	**5,495.9**	5,068.6	5,359.9
Property, plant and equipment	12	**54.5**	51.6	54.0
Investments	14	**51.3**	0.9	51.1
Derivative financial instruments	19	**2.7**	-	-
Deferred tax	20	**-**	-	0.3
Pension scheme surplus		**1.7**	-	1.8
Other receivables	15	**175.8**	155.3	159.3
		5,781.9	5,276.4	5,626.4
Current assets				
Trading property	11	**31.3**	9.2	32.2
Trading stock	13	**1.2**	-	0.4
Trade and other receivables	16	**78.9**	75.5	61.7
Cash and cash equivalents	22	**32.8**	60.0	68.5
		144.2	144.7	162.8
Non-current assets held for sale	17	**115.4**	163.1	102.8
Total assets		**6,041.5**	5,584.2	5,892.0
Current liabilities				
Leasehold liabilities	19	**-**	-	51.2
Borrowings	19	**14.6**	-	12.3
Derivative financial instruments	19	**-**	-	0.4
Trade and other payables	18	**126.5**	135.3	128.3
Corporation tax liability		**1.2**	0.6	0.5
Provisions		**0.2**	0.5	0.3
		142.5	136.4	193.0
Non-current liabilities				
Borrowings	19	**1,359.3**	992.3	1,237.1
Derivative financial instruments	19	**-**	3.4	0.4
Leasehold liabilities	19	**19.6**	67.4	19.4
Provisions		**0.2**	0.3	0.3
Pension scheme deficit		**-**	0.4	-
Deferred tax	20	**1.1**	1.1	-
		1,380.2	1,064.9	1,257.2
Total liabilities		**1,522.7**	1,201.3	1,450.2
Total net assets		**4,518.8**	4,382.9	4,441.8
Equity				
Share capital		**5.6**	5.6	5.6
Share premium		**196.6**	194.4	195.4
Other reserves		**940.8**	938.5	941.1
Retained earnings		**3,375.8**	3,192.2	3,299.7
Equity shareholders’ funds		**4,518.8**	4,330.7	4,441.8
Non-controlling interest		**-**	52.2	-
Total equity		**4,518.8**	4,382.9	4,441.8

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2022	5.6	195.4	941.1	3,299.7	4,441.8	-	4,441.8
Profit for the period	-	-	-	135.3	135.3	-	135.3
Other comprehensive income/(expense)	-	-	0.5	(0.2)	0.3	-	0.3
Share-based payments	-	1.2	(0.8)	1.1	1.5	-	1.5
Dividends paid	-	-	-	(60.1)	(60.1)	-	(60.1)
At 30 June 2022 (unaudited)	**5.6**	**196.6**	**940.8**	**3,375.8**	**4,518.8**	**-**	**4,518.8**
At 1 January 2021	5.6	193.7	939.4	3,124.5	4,263.2	51.9	4,315.1
Profit for the period	-	-	-	120.2	120.2	0.3	120.5
Other comprehensive income	-	-	0.8	1.5	2.3	-	2.3
Share-based payments	-	0.7	(1.7)	4.8	3.8	-	3.8
Dividends paid	-	-	-	(58.8)	(58.8)	-	(58.8)
At 30 June 2021 (unaudited)	5.6	194.4	938.5	3,192.2	4,330.7	52.2	4,382.9
At 1 January 2021	5.6	193.7	939.4	3,124.5	4,263.2	51.9	4,315.1
Profit for the year	-	-	-	252.3	252.3	1.5	253.8
Other comprehensive income	-	-	2.4	2.3	4.7	-	4.7
Share-based payments	-	1.7	(0.7)	5.2	6.2	-	6.2
Dividends paid	-	-	-	(84.6)	(84.6)	-	(84.6)
Acquisition of non-controlling interest	-	-	-	-	-	(53.4)	(53.4)
At 31 December 2021 (audited)	5.6	195.4	941.1	3,299.7	4,441.8	-	4,441.8

GROUP CONDENSED CASH FLOW STATEMENT

	Note	**Half year to 30.06.2022 Unaudited £m**	Half year to 30.06.2021 Unaudited £m	Year to 31.12.2021 Audited £m
Operating activities				
Rents received		**93.8**	84.6	187.0
Surrender premiums and other property income		**0.4**	3.6	5.7
Property expenses		**(8.4)**	(7.7)	(14.3)
Cash paid to and on behalf of employees		**(14.0)**	(14.9)	(26.9)
Other administrative expenses		**(4.7)**	(3.6)	(7.8)
Interest received	7	**0.2**	-	-
Interest paid	7	**(12.4)**	(11.4)	(21.9)
Other finance costs	7	**(1.5)**	(1.5)	(3.1)
Other income		**1.5**	2.1	4.1
Costs recoverable from tenants		**(4.2)**	-	-
Disposal of trading properties		**3.0**	3.6	5.0
Expenditure on trading properties/stock		**(1.5)**	(0.2)	(1.6)
Tax (payment)/receipt in respect of operating activities		**(0.7)**	0.1	(0.5)
Net cash from operating activities		**51.5**	54.7	125.7
Investing activities				
Acquisition of properties		**(137.2)**	(23.6)	(251.8)
Capital expenditure on the property portfolio	7	**(67.7)**	(87.2)	(172.1)
Disposal of investment properties		**65.0**	166.5	297.3
Investment in joint ventures		**(0.3)**	-	(64.1)
Settlement of shareholder loan		**-**	-	2.0
Purchase of property, plant and equipment		**(0.9)**	(0.8)	(1.6)
Disposal of property, plant and equipment		**-**	-	0.2
VAT (paid)/received		**(11.8)**	0.1	7.5
Net (used in)/cash from investing activities		**(152.9)**	55.0	(182.6)
Financing activities				
Net proceeds of green bond issue		**-**	-	346.0
Net movement in revolving bank loans		**121.0**	(43.4)	(117.8)
Proceeds from other loan		**2.3**	-	12.3
Repayment of secured bank loan		**-**	-	(28.0)
Financial derivative termination costs	8	**(0.6)**	(1.0)	(1.9)
Acquisition of non-controlling interest		**-**	-	(53.4)
Net proceeds of share issues		**1.2**	0.7	1.8
Dividends paid	21	**(58.2)**	(56.7)	(84.3)
Net cash from/(used in) financing activities		**65.7**	(100.4)	74.7
(Decrease)/increase in cash and cash equivalents in the period		**(35.7)**	9.3	17.8
Cash and cash equivalents at the beginning of the period		**68.5**	50.7	50.7
Cash and cash equivalents at the end of the period	22	**32.8**	60.0	68.5

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information for the half year to 30 June 2022 and the half year to 30 June 2021 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 2021 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 2021 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 2021, 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 25.

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 2023, 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 23.7%, the interest cover ratio of 419%, the £452m total of undrawn facilities and cash and the fact that the average maturity of borrowings was 6.5 years at 30 June 2022. The impact of the Covid-19 pandemic on the business and its occupiers has been considered. The impact in 2022 was considerably less than in 2021 as evidenced by a partial reversal in impairment charges and rent collection rates now close to that seen pre-pandemic. Office occupation rates are also gradually recovering. The likely impact of climate change has been incorporated into the Group's forecasts and it continues to review the impact of EPC upgrades across the portfolio. The Group's latest rolling forecast has taken into account the higher than usual level of political and economic uncertainty arising from events in Europe and the inflationary price increases being seen particularly for commodity and energy. Based on the Group's forecasts, rental income would need to decline by 65% or property values would need to fall by 61% 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 2021, 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.

References to the Conceptual Framework in IFRSs (amended);
IFRS 16 (amended) – Covid-19-Related Rent Concessions beyond 30 June 2021;
IAS 37 (amended) – Onerous Contracts – Cost of Fulfilling a Contract;
Annual Improvements to IFRS Standards 2018-2020;
IAS 16 (amended) – Property, Plant and Equipment: Proceeds before Intended Use.

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.

IFRS 17 (amended) – Insurance Contracts;
IAS 1 (amended) – Classification of liabilities as current or non-current;
IAS 1 and IFRS Practice Statement 2 (amended) – Disclosure of Accounting Policies;
IAS 8 (amended) – Definition of Accounting Estimate;
IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
IAS 12 (amended) – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

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.

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 at least half of the property portfolio as at 30 June 2022. More information is provided in note 11.

Impairment testing of trade receivables and other financial assets
Trade receivables and accrued rental income recognised in advance of receipt are subject to impairment testing. This accrued rental income arises due to the spreading of rent free and reduced rent periods, capital contributions and contracted rent uplifts in accordance with IFRS 16 Leases.

Impairment calculations have been carried out using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. The impact of the Covid-19 pandemic on the Group's business and its occupiers has been considered and in 2022 the severity of the impact was considerably less than in 2021 as evidenced by a partial reversal in impairment charges and rent collection rates now close to that seen pre-pandemic. The result is a £1.9m reduction in the provision for the half year to 30 June 2022 and after adding receivable balances written off of £1.3m, the total credit to the income statement for the half year to 30 June 2022 was £0.6m, compared to the £1.4m charge recognised for the half year to 30 June 2021. In arriving at the estimates, the Group considered the tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA, the top 74 tenants by size and has also considered the remaining balances classified by sector.

The impairment provisions are included within ‘Other receivables (non-current)’ (see note 15) and ‘Trade and other receivables’ (see note 16) as shown below:

	Other receivables (non-current) £m	Trade and other receivables (current) £m	**Total £m**
Lease incentive receivables before impairment	165.1	19.2	**184.3**
Impairment of lease incentive receivables	(3.2)	(1.0)	**(4.2)**
Write-off	(0.2)	(0.1)	**(0.3)**
Net lease incentive included within accrued income	161.7	18.1	**179.8**
Trade receivables before impairment	-	9.3	**9.3**
Impairment of trade receivables	-	(3.1)	**(3.1)**
Service charge provision	-	(0.3)	**(0.3)**
Write-off	-	(1.0)	**(1.0)**
Net trade receivables	-	4.9	**4.9**

The assessment considered the risk of tenant failures and defaults using information on tenants’ payment history, deposits held, the latest known financial position together with forecast information where available, ongoing dialogue with tenants as well as other information such as the sector in which they operate. Following this, tenants were classified as either low, medium or high risk and the table below provides further information. The impairment against the lease incentive receivable balance was £4.2m and against the trade receivables balance was £3.4m.

	Lease incentive receivables (non-current) £m	Lease incentive receivables (current) £m	Trade receivables (current) £m
Balance before impairment			
Low risk	151.8	14.3	3.8
Medium risk	7.1	2.8	1.3
High risk	6.0	2.0	3.2
	164.9	19.1	8.3
Impairment			
Low risk	-	-	-
Medium risk	(0.4)	(0.2)	(0.2)
High risk	(2.8)	(0.8)	(3.2)
	(3.2)	(1.0)	(3.4)
	161.7	18.1	4.9

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

Compliance with the real estate investment trust (REIT) taxation regime.

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 eight 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 25. 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 2021: 98%; 31 December 2021: 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 2021: 2%; 31 December 2021: 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 2022			
West End central	57.3	0.8	**58.1**
West End borders/other	8.2	-	**8.2**
City borders	33.2	0.2	**33.4**
Provincial	-	2.4	**2.4**
Gross property income (excl. joint venture)	98.7	3.4	**102.1**
Share of joint venture gross property income	1.3	-	**1.3**
Total	**100.0**	**3.4**	**103.4**
Half year to 30 June 2021			
West End central	56.3	-	56.3
West End borders/other	10.2	-	10.2
City borders	32.8	0.2	33.0
Provincial	-	2.2	2.2
Gross property income (excl. joint venture)	99.3	2.4	101.7
Share of joint venture gross property income	-	-	-
Total	99.3	2.4	101.7

	Office buildings £m	Other £m	Total £m
Year to 31 December 2021			
West End central	108.4	0.3	108.7
West End borders/other	18.5	-	18.5
City borders	67.6	0.5	68.1
Provincial	-	4.5	4.5
Gross property income (excl. joint venture)	194.5	5.3	199.8
Share of joint venture gross property income	0.4	-	0.4
Total	194.9	5.3	200.2

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

Included in the table above is £1.3m (half year to 30 June 2021: £nil; year to 31 December 2021: £0.4m) of the Group's share of gross property income in relation to the joint venture located within West End central. See note 9.

Property portfolio

	Carrying value			Fair value		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	**Total £m**
30 June 2022						
West End central	3,444.8	80.2	**3,525.0**	3,562.5	80.9	**3,643.4**
West End borders/other	400.5	-	**400.5**	422.0	-	**422.0**
City borders	1,676.4	8.1	**1,684.5**	1,716.5	8.1	**1,724.6**
Provincial	-	82.6	**82.6**	-	83.4	**83.4**
Group (excl. joint venture)	5,521.7	170.9	**5,692.6**	5,701.0	172.4	**5,873.4**
Share of joint venture	50.1	-	**50.1**	50.0	-	**50.0**
Total	**5,571.8**	**170.9**	**5,742.7**	**5,751.0**	**172.4**	**5,923.4**
30 June 2021						
West End central	3,064.6	40.8	3,105.4	3,091.0	41.9	3,132.9
West End borders/other	490.0	-	490.0	517.0	-	517.0
City borders	1,602.9	8.2	1,611.1	1,644.0	8.2	1,652.2
Provincial	-	81.0	81.0	-	81.5	81.5
Group (excl. joint venture)	5,157.5	130.0	5,287.5	5,252.0	131.6	5,383.6
Share of joint venture	-	-	-	-	-	-
Total	5,157.5	130.0	5,287.5	5,252.0	131.6	5,383.6
31 December 2021						
West End central	3,313.6	82.2	3,395.8	3,348.9	84.2	3,433.1
West End borders/other	408.1	-	408.1	431.4	-	431.4
City borders	1,649.7	8.4	1,658.1	1,690.4	8.4	1,698.8
Provincial	-	82.2	82.2	-	83.0	83.0
Group (excl. joint venture)	5,371.4	172.8	5,544.2	5,470.7	175.6	5,646.3
Share of joint venture	50.2	-	50.2	50.0	-	50.0
Total	5,421.6	172.8	5,594.4	5,520.7	175.6	5,696.3

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

Included in the table above is property in relation to the Group's share of the joint venture located within West End central, with a carrying value of £50.1m (half year to 30 June 2021: £nil; year to 31 December 2021: £50.2m) and a fair value of £50.0m (half year to 30 June 2021: £nil; year to 31 December 2021: £50.0m). See notes 11 and 14.

5. Property and other income

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Gross rental income	**101.7**	98.1	194.2
Surrender premiums received	**0.4**	3.9	3.6
Write-off of associated rents previously recognised in advance	**-**	(0.3)	-
Other property income	**-**	-	2.0
Gross property income	**102.1**	101.7	199.8
Trading property sales proceeds[1]	**1.6**	3.6	6.7
Service charge income[1]	**16.8**	13.6	30.2
Other income[1]	**1.8**	1.5	3.5
Gross property and other income	**122.3**	120.4	240.2
Gross rental income	**101.7**	98.1	194.2
Movement in impairment of receivables	**0.6**	(1.4)	(0.8)
Service charge income[1]	**16.8**	13.6	30.2
Service charge expenses	**(18.3)**	(15.1)	(33.6)
	(1.5)	(1.5)	(3.4)
Property costs	**(6.9)**	(5.1)	(11.8)
Net rental income	**93.9**	90.1	178.2
Trading property sales proceeds[1]	**1.6**	3.6	6.7
Trading property cost of sales	**(1.3)**	(3.1)	(6.0)
Profit on disposal of trading properties	**0.3**	0.5	0.7
Other property income	**-**	-	2.0
Other income	**1.8**	1.5	3.5
Net surrender premiums received	**0.4**	3.6	3.6
Dilapidation receipts	**0.1**	0.1	0.9
Write-down of trading property	**-**	(0.7)	(1.4)
Net property and other income	**96.5**	95.1	187.5

[1] In line with IFRS 15 Revenue from Contracts with Customers, the Group recognised a total £20.2m (half year to 30 June 2021: £18.7m; year to 31 December 2021: £40.4m) of other income, trading property sales proceeds and service charge income, which relates to expenditure that is directly recoverable from tenants, within gross property and other income.

Gross rental income includes £10.9m (half year to 30 June 2021: £9.6m; year to 31 December 2021: £20.2m) 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.

The impairment review has been carried out using the expected credit loss model within IFRS 9 Financial Instruments (see notes 3 and 16 for additional information). Included in this provision is a charge of £0.4m against trade receivables relating to rental income for the 24 June 2022 quarter day. Most of this income is deferred and has not yet been recognised in the income statement. A 10% increase/decrease to the absolute probability rates of tenant default in the year would result in a £1.8m decrease and £1.7m increase respectively, in the Group's profit for the period. This sensitivity has been performed on the medium to high risk tenants as the significant estimation uncertainty is wholly related to these.

6. Profit on disposal

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Investment property			
Gross disposal proceeds	**67.3**	168.6	402.4
Costs of disposal	**(1.4)**	(2.1)	(3.7)
Net disposal proceeds	**65.9**	166.5	398.7
Carrying value	**(65.4)**	(165.9)	(387.5)
Adjustment for lease costs and rents recognised in advance	**-**	-	(0.7)
Profit on disposal of investment property	**0.5**	0.6	10.5
Artwork			
Carrying value	**-**	-	(0.1)
Profit on disposal of artwork	**-**	-	(0.1)
Profit on disposal	**0.5**	0.6	10.4

Included within gross disposal proceeds is £67.2m relating to the disposal of the Group's freehold interest in New River Yard EC1 in June 2022, which was classified as a non-current asset held for sale at 31 December 2021.

7. Finance income and finance costs

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Finance income			
Other	**0.2**	-	-
Finance income	**0.2**	-	-
Finance costs			
Bank loans	**0.9**	0.3	0.9
Non-utilisation fees	**1.0**	1.1	2.1
Unsecured convertible bonds	**1.9**	1.9	3.9
Unsecured green bonds	**3.3**	-	0.8
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**	1.2	2.5
Amortisation of the fair value of the secured bonds	**(0.6)**	(0.7)	(1.3)
Obligations under headleases	**0.4**	0.4	0.7
Other	**-**	0.2	0.2
Gross interest costs	**23.4**	19.6	40.1
Less: interest capitalised	**(4.7)**	(5.4)	(12.0)
Finance costs	**18.7**	14.2	28.1

Finance costs of £4.7m (half year to 30 June 2021: £5.4m; year to 31 December 2021: £12.0m) 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 2022 were £18.6m (half year to 30 June 2021: £18.3m; year to 31 December 2021: £37.0m) of which £4.7m (half year to 30 June 2021: £5.4m; year to 31 December 2021: £12.0m) was included in the £67.7m (half year to 30 June 2021: £87.2m; year to 31 December 2021: £172.1m) capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination costs

The Group incurred costs of £0.6m in the half year to 30 June 2022 (half year to 30 June 2021: £1.0m; year to 31 December 2021: £1.9m) deferring interest rate swaps, of which £0.2m (half year to 30 June 2021: £nil; year to 31 December 2021: £nil) relates to swaps maturing in the current financial year.

9. Share of results of joint ventures

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Income	**1.3**	-	0.4
Administrative expenses	**(0.1)**	-	(0.1)
Revaluation deficit	**(1.1)**	-	(10.2)
	0.1	-	(9.9)
Joint venture acquisition costs incurred	**-**	-	(4.0)
Share of results of joint ventures	**0.1**	-	(13.9)

The share of results of joint ventures for the period ended 30 June 2022 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/(credit)

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Corporation tax			
UK corporation tax and income tax in respect of result for the period	**1.3**	-	0.9
Other adjustments in respect of prior years' tax	**-**	-	(0.4)
Corporation tax charge	**1.3**	-	0.5
Deferred tax			
Origination and reversal of temporary differences	**0.5**	0.6	(1.1)
Adjustment for changes in estimates	**-**	-	(0.7)
Deferred tax charge/(credit)	**0.5**	0.6	(1.8)
Tax charge/(credit)	**1.8**	0.6	(1.3)

In addition to the tax charge of £1.8m (half year to 30 June 2021: charge of £0.6m; year to 31 December 2021: credit of £1.3m) that passed through the Group income statement, a deferred tax charge of £0.2m (half year to 30 June 2021: charge of £0.5m; year to 31 December of 2021: charge of £1.7m) was recognised in the Group statement of comprehensive income and a deferred tax charge of £0.7m (half year to 30 June 2021: credit of £0.5m; year to 31 December 2021: credit of £0.7m) 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 2022 is lower (half year to 30 June 2021: lower; year to 31 December 2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Profit before tax	**137.1**	121.1	252.5
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)[1]	**26.0**	23.0	48.0
Difference between tax and accounting profit on disposals	**0.1**	(0.1)	(0.7)
REIT exempt income	**(7.2)**	(6.9)	(14.9)
Revaluation surplus attributable to REIT properties	**(14.3)**	(12.2)	(32.2)
Expenses and fair value adjustments not allowable for tax purposes	**(0.2)**	(1.0)	4.6
Capital allowances	**(3.0)**	(2.7)	(4.3)
Other differences	**0.4**	0.5	(1.4)
Tax on current period's profit	**1.8**	0.6	(0.9)
Adjustments in respect of prior years' tax	**-**	-	(0.4)
Tax charge/(credit)	**1.8**	0.6	(1.3)

[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 2022	4,139.1	1,220.8	5,359.9	49.3	102.8	32.2	5,544.2
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	39.4	32.0	71.4	0.7	2.0	-	74.1
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	**4,143.6**	**1,352.3**	**5,495.9**	**50.0**	**115.4**	**31.3**	**5,692.6**
At 1 January 2021	3,893.5	1,135.6	5,029.1	45.6	165.0	12.9	5,252.6
Acquisitions	-	23.7	23.7	-	-	-	23.7
Capital expenditure	45.0	55.7	100.7	-	-	-	100.7
Interest capitalisation	1.1	4.3	5.4	-	-	-	5.4
Additions	46.1	83.7	129.8	-	-	-	129.8
Disposals	(0.9)	-	(0.9)	-	(165.0)	(3.0)	(168.9)
Transfers	(83.9)	(78.9)	(162.8)	-	162.8	-	-
Revaluation	39.4	18.4	57.8	1.0	-	-	58.8
Write-down of trading property	-	-	-	-	-	(0.7)	(0.7)
Transfer from prepayments and accrued income	-	-	-	-	0.3	-	0.3
Movement in grossing up of headlease liabilities	-	0.7	0.7	-	-	-	0.7
Movement in grossing up of other liabilities	-	14.9	14.9	-	-	-	14.9
At 30 June 2021	3,894.2	1,174.4	5,068.6	46.6	163.1	9.2	5,287.5
At 1 January 2021	3,893.5	1,135.6	5,029.1	45.6	165.0	12.9	5,252.6
Acquisitions	214.6	139.0	353.6	-	-	-	353.6
Capital expenditure	76.6	88.4	165.0	-	-	1.1	166.1
Interest capitalisation	2.4	9.6	12.0	-	-	-	12.0
Additions	293.6	237.0	530.6	-	-	1.1	531.7
Disposals	(75.8)	(146.7)	(222.5)	-	(165.0)	(5.9)	(393.4)
Transfers	(63.7)	(63.0)	(126.7)	-	101.2	25.5	-
Revaluation	91.5	39.3	130.8	3.7	-	-	134.5
Write-down of trading property	-	-	-	-	-	(1.4)	(1.4)
Transfer from prepayments and accrued income	-	-	-	-	1.6	-	1.6
Movement in grossing up of headlease liabilities	-	3.8	3.8	-	-	-	3.8
Movement in grossing up of other liabilities	-	14.8	14.8	-	-	-	14.8
At 31 December 2021	4,139.1	1,220.8	5,359.9	49.3	102.8	32.2	5,544.2

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 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	(162.3)	(34.0)	(196.3)	-	-	-	(196.3)
Grossing up of headlease liabilities	-	19.1	19.1	-	-	-	19.1
Carrying value	**4,143.6**	**1,352.3**	**5,495.9**	**50.0**	**115.4**	**31.3**	**5,692.6**
At 30 June 2021							
Fair value	4,044.1	1,116.6	5,160.7	46.6	166.2	10.1	5,383.6
Selling costs relating to assets held for sale	-	-	-	-	(3.1)	-	(3.1)
Revaluation of trading property	-	-	-	-	-	(0.9)	(0.9)
Lease incentives and costs included in receivables	(149.9)	(24.2)	(174.1)	-	-	-	(174.1)
Grossing up of headlease liabilities	-	67.1	67.1	-	-	-	67.1
Grossing up of other liabilities	-	14.9	14.9	-	-	-	14.9
Carrying value	3,894.2	1,174.4	5,068.6	46.6	163.1	9.2	5,287.5
At 31 December 2021							
Fair value	4,296.2	1,161.9	5,458.1	49.3	104.8	34.1	5,646.3
Selling costs relating to assets held for sale	-	-	-	-	(2.0)	-	(2.0)
Revaluation of trading property	-	-	-	-	-	(1.9)	(1.9)
Lease incentives and costs included in receivables	(157.1)	(26.3)	(183.4)	-	-	-	(183.4)
Grossing up of headlease liabilities	-	70.4	70.4	-	-	-	70.4
Grossing up of other liabilities	-	14.8	14.8	-	-	-	14.8
Carrying value	4,139.1	1,220.8	5,359.9	49.3	102.8	32.2	5,544.2

Reconciliation of fair value

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Portfolio including the Group's share of joint ventures	**5,923.4**	5,383.6	5,696.3
Less: joint ventures	**(50.0)**	-	(50.0)
IFRS property portfolio	**5,873.4**	5,383.6	5,646.3

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2022 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.

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 2022 were carried out by CBRE Limited and Knight Frank LLP. Knight Frank have been appointed to value 100% of the London-based portfolio in December 2022.

CBRE valued the properties at £2,680.4m (30 June 2021: £5,348.6m; 31 December 2021: £5,610.8m), Knight Frank at £3,156.9m (30 June 2021: £nil; 31 December 2021: £nil) and other valuers at £36.1m (30 June 2021: £35.0m; 31 December 2021: £35.5m). The combined value was £5,873.4m (30 June 2021: £5,383.6m; 31 December 2021: £5,646.3m). Of the properties revalued, £50.0m (30 June 2021: £46.6m; 31 December 2021: £49.3m) relating to owner-occupied property was included within property, plant and equipment, £118.8m (30 June 2021: £166.2m; 31 December 2021: £104.8m) was included within non-current assets held for sale and £31.5m (30 June 2021: £10.1m; 31 December 2021: £34.1m) 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.

At 31 December 2021, the grossing up of headlease liabilities included a net £51.3m for the discounted headlease liabilities in relation to Soho Place W1. In March 2022, the Group acquired the headlease from TfL for a premium of £68.0m subject to an intermediary long leasehold interest and as a result, the headlease liability was reversed. At 30 June 2022, the value of this intermediary long leasehold interest was £16.8m. At the same date, the estimated profit share to TfL for the development of Soho Place W1 has been accrued and included within capital expenditure and £14.8m previously included in 'grossing up of other liabilities' has been reversed.

The Group published its pathway to net zero carbon in July 2020 and has set 2030 as its target date to achieve this. £34.8m (half year to 30 June 2021: £70.0m; year to 31 December 2021: £116.6m) of eligible 'green' capital expenditure, in accordance with the Group's Green Finance Framework, was incurred in the half year to 30 June 2022 on the major developments at 80 Charlotte Street W1, Soho Place W1, The Featherstone Building EC1 and 25 Baker Street W1. In addition, the Group continues to hold carbon credits to support certain externally validated green projects to offset embodied carbon.

In 2021, the Group commissioned a third-party report to determine the costs of achieving EPC compliance across the portfolio by 2030. The study indicated an estimated cost of c.£97m to upgrade the Group's properties to EPC 'B' or above. As at 30 June 2022, part of these costs have been taken into account in the property portfolio valuations. The Group have also considered the estimated amount of capital expenditure recoverable through service charges or not already included within future planned refurbishment projects.

Reconciliation of revaluation surplus

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Total revaluation surplus	**87.5**	70.1	142.9
Share of joint ventures	**1.0**	-	13.9
Lease incentives and costs	**(12.9)**	(8.4)	(19.7)
Trading property revaluation adjustment	**1.1**	(0.5)	(2.0)
Assets held for sale selling costs	**(2.6)**	(3.1)	(2.0)
IFRS revaluation surplus	**74.1**	58.1	133.1
Reported in the:			
Revaluation surplus	**73.4**	57.8	130.8
Write-down of trading property	**-**	(0.7)	(1.4)
Group income statement	**73.4**	57.1	129.4
Group statement of comprehensive income	**0.7**	1.0	3.7
	74.1	58.1	133.1

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	(5.6%)	(4.9%)	(5.1%)	(3.0%)	(5.3%)
-25bp	6.3%	5.4%	5.7%	3.2%	5.9%
ERV					
+£2.50 psf	4.2%	4.8%	4.7%	17.4%	4.6%
-£2.50 psf	(4.2%)	(4.8%)	(4.7%)	(17.4%)	(4.6%)

12. Property, plant and equipment

	Owner-occupied property £m	Other £m	Total £m
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 2021	45.6	4.6	50.2
Additions	-	0.8	0.8
Depreciation	-	(0.4)	(0.4)
Revaluation	1.0	-	1.0
At 30 June 2021	46.6	5.0	51.6
At 1 January 2021	45.6	4.6	50.2
Additions	-	1.3	1.3
Disposals	-	(0.2)	(0.2)
Depreciation	-	(0.9)	(0.9)
Revaluation	3.7	(0.1)	3.6
At 31 December 2021	49.3	4.7	54.0
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	46.6	9.1	55.7
Accumulated depreciation	-	(4.1)	(4.1)
At 30 June 2021	46.6	5.0	51.6
Net book value			
Cost or valuation	49.3	8.8	58.1
Accumulated depreciation	-	(4.1)	(4.1)
At 31 December 2021	49.3	4.7	54.0

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

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Trading stock	**1.2**	-	0.4
	1.2	-	0.4

Trading stock relates to development expenditure which is due to be disposed of to third parties under development agreements.

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.

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
At 1 January	**51.1**	0.9	0.9
Additions	**0.1**	-	64.1
Joint venture acquisition costs	**-**	-	(4.0)
Revaluation deficit (see note 9)	**(1.1)**	-	(10.2)
Other profit from operations (see note 9)	**1.2**	-	0.3
	51.3	0.9	51.1

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		
	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m	**30.06.2022 £m**	30.06.2021 £m	31.12.2021 £m
Non-current assets	**100.2**	-	100.5	**50.1**	-	50.2
Current assets	**5.0**	1.2	3.7	**2.5**	0.6	1.9
Current liabilities	**(3.4)**	(0.7)	(2.7)	**(1.7)**	(0.3)	(1.3)
Non-current liabilities	**(120.9)**	-	(120.8)	**(60.4)**	-	(60.4)
Net assets	**(19.1)**	0.5	(19.3)	**(9.5)**	0.3	(9.6)
Loans provided to joint ventures				**60.8**	0.6	60.7
Total investment in joint ventures				**51.3**	0.9	51.1

15. Other receivables (non-current)

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Prepayments and accrued income			
Rents recognised in advance	**161.7**	142.3	147.0
Initial direct letting costs	**14.1**	13.0	12.3
	175.8	155.3	159.3

Prepayments and accrued income include £161.7m (30 June 2021: £142.3m; 31 December 2021: £147.0m) after impairments (see note 3) 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, £14.1m (30 June 2021: £13.0m; 31 December 2021: £12.3m) relates to the spreading effect of the initial direct costs of letting over the same term. Together with £20.5m (30 June 2021: £18.8m; 31 December 2021: £24.1m), which was included as accrued income within trade and other receivables (see note 16), these amounts totalled £196.3m at 30 June 2022 (30 June 2021: £174.1m; 31 December 2021: £183.4m).

The total movement in tenant lease incentives is shown below:

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
At 1 January	**168.2**	149.7	149.7
Amounts taken to income statement	**10.7**	9.3	19.9
Capital incentives granted	**-**	-	0.7
Lease incentive impairment	**1.2**	0.1	0.3
Adjustment for non-current asset held for sale	**-**	(0.3)	(1.6)
Disposal of investment properties	**-**	-	(0.5)
Write off to bad debt	**(0.3)**	-	(0.3)
	179.8	158.8	168.2
Amounts included in trade and other receivables (see note 16)	**(18.1)**	(16.5)	(21.2)
At period end	**161.7**	142.3	147.0

16. Trade and other receivables

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Trade receivables	**4.9**	26.1	6.9
Other receivables	**8.5**	4.3	3.7
Prepayments	**37.8**	24.9	24.7
Other taxes	**6.0**	-	-
Accrued income			
Rents recognised in advance	**18.1**	16.5	21.2
Initial direct letting costs	**2.4**	2.3	2.9
Other	**1.2**	1.4	2.3
	78.9	75.5	61.7

Trade receivables are split as follows:			
less than three months due	**4.9**	23.1	6.8
between three and six months due	**-**	2.9	0.1
between six and twelve months due	**-**	0.1	-
	4.9	26.1	6.9

The Group has £7.6m (30 June 2021: £10.7m; 31 December 2021: £9.5m) of provision for bad debts as shown below. £3.4m are included in trade receivables, £1.0m in accrued income and £3.2m in prepayments and accrued income within other receivables (non-current). See notes 3 and 15.

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Provision for bad debts			
At 1 January	**9.5**	9.3	9.3
Lease incentive provision	**0.2**	(0.1)	(0.2)
Trade receivables provision	**(0.8)**	1.3	0.8
Service charge provision	**-**	0.2	0.1
Released	**(1.3)**	-	(0.5)
At period end	**7.6**	10.7	9.5
The provision for bad debts are split as follows:			
less than three months due	**3.6**	5.2	4.3
between three and six months due	**0.2**	0.4	0.2
between six and twelve months due	**0.5**	0.5	0.3
greater than twelve months due	**3.3**	4.6	4.7
	7.6	10.7	9.5

17. Non-current assets held for sale

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Prior period transfer from investment property	**39.5**	-	-
Transfer from investment property (see note 11)	**75.9**	162.8	101.2
Transfer from prepayments and accrued income	**-**	0.3	1.6
	115.4	163.1	102.8

In July 2022, the Group exchanged contracts and completed on the sale of its freehold interest in Bush House, South West Wing WC2. The property was valued at £77.0m at 30 June 2022. In accordance with IFRS 5 Non-current Assets Held for Sale, this property was recognised as a non-current asset held for sale and, after deducting selling costs of £1.1m, the carrying value at 30 June 2022 was £75.9m.

In July 2020, the Group exchanged contracts on the sale of its leasehold interest in 2 & 4 Soho Place W1, with completion occurring in July 2022. The property was valued at £41.8m at 30 June 2022. In accordance with IFRS 5 Non-current Assets Held for Sale, this property was recognised as a non-current asset held for sale and, after deducting selling costs of £2.3m, the carrying value at 30 June 2022 was £39.5m.

18. Trade and other payables

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Trade payables	**7.3**	4.9	3.2
Other payables	**37.5**	35.1	38.0
Other taxes	**-**	3.4	8.0
Accruals	**38.3**	49.5	37.2
Deferred income	**43.4**	42.4	41.9
	126.5	135.3	128.3

Deferred income primarily related to rents received in advance.

19. Net debt and derivative financial instruments

	30.06.2022		30.06.2021		31.12.2021	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
Other loans	**14.6**	**14.6**	-	-	12.3	12.3
	14.6	**14.6**	-	-	12.3	12.3
Non-current liabilities						
1.5% unsecured convertible bonds 2025	**169.2**	**156.2**	167.3	171.5	168.3	174.0
6.5% secured bonds 2026	**181.7**	**192.2**	183.0	212.8	182.4	205.7
1.875% unsecured green bonds 2031	**346.2**	**285.3**	-	-	346.0	344.6
Unsecured private placement notes 2026 - 2034	**453.2**	**452.4**	453.0	502.7	453.0	493.1
3.99% secured loan 2024	**82.6**	**85.1**	82.4	87.4	82.5	85.6
Unsecured bank loans	**126.4**	**131.0**	78.7	83.0	4.9	10.0
Secured bank loan	**-**	**-**	27.9	28.0	-	-
	1,359.3	**1,302.2**	992.3	1,085.4	1,237.1	1,313.0
Borrowings	**1,373.9**	**1,316.8**	992.3	1,085.4	1,249.4	1,325.3
Derivative financial instruments expiring in						
less than one year	**-**	**-**	-	-	0.4	0.4
greater than one year	**(2.7)**	**(2.7)**	3.4	3.4	0.4	0.4
Total borrowings and derivative financial instruments	**1,371.2**	**1,314.1**	995.7	1,088.8	1,250.2	1,326.1

Reconciliation to net debt:			
Borrowings and derivative financial instruments	**1,371.2**	995.7	1,250.2
Adjustments for:			
Leasehold liabilities	**19.6**	67.4	70.6
Derivative financial instruments	**2.7**	(3.4)	(0.8)
Cash and cash equivalents	**(32.8)**	(60.0)	(68.5)
Net debt	**1,360.7**	999.7	1,251.5

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 2022 or 2021.

The Group's secured bank loan was settled during the previous year in advance of the acquisition of the non-controlling interest from The Portman Estate. The loan was previously secured by a fixed charge over £110.0m of the Group's properties as at 30 June 2021. The 3.99% secured loan 2024 was secured by a fixed charge over £302.7m (30 June 2021: £310.9m; 31 December 2021: £305.2m) 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 £502.6m (30 June 2021: £576.2m; 31 December 2021: £571.8m) of the Group's properties.

Other loans consist of a £14.6m 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 2022 (30 June 2021: £nil; 31 December 2021: £nil). The carrying value of the loan at 30 June 2022 was £14.6m (30 June 2021: £nil; 31 December 2021: £12.3m).

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 surplus £m	Other £m	Total £m
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 2021	3.5	(3.0)	0.5
Charged to the income statement	0.2	0.4	0.6
Charged to other comprehensive income	0.2	0.3	0.5
Credited to equity	-	(0.5)	(0.5)
At 30 June 2021	3.9	(2.8)	1.1
At 1 January 2021	3.5	(3.0)	0.5
(Credited)/charged to the income statement	(1.6)	0.5	(1.1)
Change in tax rates in the income statement	0.1	(0.8)	(0.7)
Charged to other comprehensive income	0.9	0.5	1.4
Change in tax rates in other comprehensive income	0.4	(0.1)	0.3
Credited to equity	-	(0.7)	(0.7)
At 31 December 2021	3.3	(3.6)	(0.3)

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 p	Non-PID p	Total p	**Half year to 30.06.2022 £m**	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Current period							
2022 interim dividend	14 October 2022	24.00	-	24.00	**-**	-	-
Prior year							
2021 final dividend	1 June 2022	35.50	18.00	53.50	**60.1**	-	-
2021 interim dividend	15 October 2021	23.00	-	23.00	**-**	-	25.8
		58.50	18.00	76.50			
2020 final dividend	4 June 2021	35.00	17.45	52.45	**-**	58.8	58.8
Dividends as reported in the Group statement of changes in equity					**60.1**	58.8	84.6
2021 final dividend withholding tax	14 July 2022				**(5.4)**	-	-
2021 interim dividend withholding tax	14 January 2022				**3.5**	-	(3.5)
2020 final dividend withholding tax	14 July 2021				**-**	(5.3)	-
2020 interim dividend withholding tax	14 January 2021				**-**	3.2	3.2
Dividends paid as reported in the Group cash flow statement					**58.2**	56.7	84.3

22. Cash and cash equivalents

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Cash at bank	**32.8**	60.0	68.5
	32.8	60.0	68.5

23. Post balance sheet events

In July 2022, the Group exchanged and completed the disposal of its freehold interest in Bush House, South West Wing WC2 for £85.0m before costs.

In July 2022, the Group completed the disposal of its leasehold interest in 2 & 4 Soho Place W1, for £40.5m before costs.

In August 2022, the Group received £16.8m following the completion of the grant of an intermediary long leasehold interest as per the Soho Place W1 development agreement.

24. Related party disclosure

There have been no related party transactions during the half year to 30 June 2022 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 2021.

25. 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		
	30.06.2022 '000	30.06.2021 '000	31.12.2021 '000	**30.06.2022 '000**	30.06.2021 '000	31.12.2021 '000
For use in basic measures	**112,179**	112,129	112,139	**112,291**	112,174	112,209
Dilutive effect of share-based payments	**244**	275	273	**203**	292	308
For use in other diluted measures	**112,423**	112,404	112,412	**112,494**	112,466	112,517

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 2021 and 2022 and for the year ended 31 December 2021, 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 and non-controlling interest.
B – Revaluation movement on investment property and in joint ventures, write-down of trading property and associated deferred tax and non-controlling interest.
C – Fair value movement and termination costs relating to derivative financial instruments and associated non-controlling interest.

Earnings and earnings per share

		Adjustments			EPRA
	IFRS	A	B	C	basis
	£m	£m	£m	£m	£m
Half year to 30 June 2022					
Net property and other income	96.5	(0.3)	-	-	96.2
Administrative expenses	(17.8)	-	-	-	(17.8)
Revaluation surplus	73.4	-	(73.4)	-	-
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)	(72.3)	(3.3)	60.7
Tax charge	(1.8)	0.4	0.3	-	(1.1)
Profit for the period	135.3	(0.4)	(72.0)	(3.3)	59.6
Earnings attributable to equity shareholders	**135.3**	**(0.4)**	**(72.0)**	**(3.3)**	**59.6**
Earnings per share	**120.61p**				**53.13p**
Diluted earnings per share	120.35p				53.01p
Half year to 30 June 2021					
Net property and other income	95.1	(0.5)	0.7	-	95.3
Administrative expenses	(19.4)	-	-	-	(19.4)
Revaluation surplus	57.8	-	(57.8)	-	-
Profit on disposal of investments	0.6	(0.6)	-	-	-
Net finance costs	(14.2)	-	-	-	(14.2)
Movement in fair value of derivative financial instruments	2.2	-	-	(2.2)	-
Financial derivative termination costs	(1.0)	-	-	1.0	-
Profit before tax	121.1	(1.1)	(57.1)	(1.2)	61.7
Tax charge	(0.6)	-	0.2	-	(0.4)
Profit for the period	120.5	(1.1)	(56.9)	(1.2)	61.3
Non-controlling interest	(0.3)	-	(0.4)	-	(0.7)
Earnings attributable to equity shareholders	120.2	(1.1)	(57.3)	(1.2)	60.6
Earnings per share	107.20p				54.04p
Diluted earnings per share	106.94p				53.91p

		Adjustments			EPRA
	IFRS	A	B	C	basis
	£m	£m	£m	£m	£m
Year to 31 December 2021					
Net property and other income	187.5	(0.7)	1.4	-	188.2
Administrative expenses	(37.1)	-	-	-	(37.1)
Revaluation surplus	130.8	-	(130.8)	-	-
Profit on disposal of investments	10.4	(10.4)	-	-	-
Net finance costs	(28.1)	-	-	-	(28.1)
Movement in fair value of derivative financial instruments	4.8	-	-	(4.8)	-
Financial derivative termination costs	(1.9)	-	-	1.9	-
Share of results of joint ventures	(13.9)	-	14.2	-	0.3
Profit before tax	252.5	(11.1)	(115.2)	(2.9)	123.3
Tax credit/(charge)	1.3	-	(1.5)	-	(0.2)
Profit for the year	253.8	(11.1)	(116.7)	(2.9)	123.1
Non-controlling interest	(1.5)	-	0.4	-	(1.1)
Earnings attributable to equity shareholders	252.3	(11.1)	(116.3)	(2.9)	122.0
Earnings per share	224.99p				108.79p
Diluted earnings per share	224.44p				108.53p

EPRA net asset value metrics

	30.06.2022 £m	30.06.2021 £m	31.12.2021 £m
Net assets attributable to equity shareholders	4,518.8	4,330.7	4,441.8
Adjustments for:			
Revaluation of trading properties	0.2	0.9	1.9
Deferred tax on revaluation surplus[1]	1.9	2.0	1.7
Fair value of derivative financial instruments	(2.7)	3.4	0.8
Fair value adjustment to secured bonds	7.3	8.7	8.0
Non-controlling interest in respect of the above[1]	-	(0.4)	-
EPRA Net Tangible Assets	**4,525.5**	4,345.3	4,454.2
Per share measure - diluted	**4,023p**	3,864p	3,959p
Net assets attributable to equity shareholders	4,518.8	4,330.7	4,441.8
Adjustments for:			
Revaluation of trading properties	0.2	0.9	1.9
Fair value adjustment to secured bonds	7.3	8.7	8.0
Mark-to-market of fixed rate debt	62.9	(91.6)	(69.5)
Unamortised issue and arrangement costs	(11.3)	(10.2)	(12.6)
EPRA Net Disposal Value	**4,577.9**	4,238.5	4,369.6
Per share measure - diluted	**4,069p**	3,769p	3,884p
Net assets attributable to equity shareholders	4,518.8	4,330.7	4,441.8
Adjustments for:			
Revaluation of trading properties	0.2	0.9	1.9
Deferred tax on revaluation surplus	3.8	3.9	3.3
Fair value of derivative financial instruments	(2.7)	3.4	0.8
Fair value adjustment to secured bonds	7.3	8.7	8.0
Non-controlling interest in respect of the above	-	(0.7)	-
Purchasers' costs[2]	399.4	366.1	383.9
EPRA Net Reinstatement Value	**4,926.8**	4,713.0	4,839.7
Per share measure - diluted	**4,380p**	4,191p	4,301p

[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

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Administrative expenses	**17.8**	19.4	37.1
Write-off/impairment of receivables	**(0.6)**	1.4	0.8
Other property costs	**6.4**	4.7	10.4
Dilapidation receipts	**(0.1)**	(0.1)	(0.9)
Net service charge costs	**1.5**	1.5	3.4
Service charge costs recovered through rents but not separately invoiced	**(0.3)**	(0.4)	(0.6)
Management fees received less estimated profit element	**(1.8)**	(1.5)	(3.5)
Share of joint ventures' expenses	**0.3**	-	(0.1)
EPRA Costs (including direct vacancy costs) (A)	**23.2**	25.0	46.6
Direct vacancy costs	**(2.9)**	(2.5)	(6.1)
EPRA Costs (excluding direct vacancy costs) (B)	**20.3**	22.5	40.5
Gross rental income	**101.7**	98.1	194.2
Ground rent	**(0.5)**	(0.4)	(1.4)
Service charge components of rental income	**(0.3)**	(0.4)	(0.5)
Share of joint ventures' rental income less ground rent	**(1.3)**	-	(0.5)
Adjusted gross rental income (C)	**99.6**	97.3	191.8
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**23.3%**	25.7%	24.3%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**20.4%**	23.1%	21.1%

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)	**5,873.4**	5,383.6	5,646.3
Portfolio cost ratio (A/D) - annualised	**0.8%**	0.9%	0.8%

The Group has not capitalised any overhead or operating expenses in either 2022 or 2021.

Property-related capital expenditure

	Half year to 30.06.2022 £m	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Group (excluding joint ventures)			
Acquisitions	**133.0**	23.7	353.6
Development	**57.4**	85.3	146.6
Investment properties			
Incremental lettable space	**0.1**	-	0.1
No incremental lettable space	**11.7**	12.7	16.7
Tenant incentives	**0.1**	2.7	2.5
Capitalised Interest	**4.7**	5.4	12.0
Joint ventures (50% share)			
Acquisitions	**-**	-	60.0
Development	**1.0**	-	0.2
Total capital expenditure	**208.0**	129.8	591.7
Conversion from accrual to cash basis			
Group (excluding joint ventures)	**(0.5)**	-	(107.6)
Joint ventures (50% share)	**(0.1)**	(18.8)	(0.2)
Total capital expenditure on a cash basis	**207.4**	111.0	483.9

26. Gearing and interest cover

NAV gearing

	Note	**30.06.2022 £m**	30.06.2021 £m	31.12.2021 £m
Net debt	19	**1,360.7**	999.7	1,251.5
Net assets		**4,518.8**	4,382.9	4,441.8
NAV gearing		**30.1%**	22.8%	28.2%

Loan-to-value ratio

	Note	**30.06.2022 £m**	30.06.2021 £m	31.12.2021 £m
Group loan-to-value				
Net debt	19	**1,360.7**	999.7	1,251.5
Fair value adjustment of secured bonds		**(7.3)**	(8.7)	(8.0)
Unamortised discount on unsecured green bonds		**1.8**	-	1.8
Unamortised issue and arrangement costs		**11.3**	10.2	12.6
Leasehold liabilities	19	**(19.6)**	(67.4)	(70.6)
Drawn debt net of cash (A)		**1,346.9**	933.8	1,187.3
Fair value of property portfolio (B)	11	**5,873.4**	5,383.6	5,646.3
Loan-to-value ratio (A/B)		**22.9%**	17.3%	21.0%
Proportionally consolidated loan-to-value				
Drawn debt net of cash (A)		**1,346.9**	933.8	1,187.3
Share of cash and cash equivalents in joint ventures		**(1.5)**	(0.5)	(1.2)
Drawn debt net of cash including Group's share of joint ventures (C)		**1,345.4**	933.3	1,186.1
Fair value of property portfolio (B)		**5,873.4**	5,383.6	5,646.3
Share of fair value of property portfolio of joint venture		**50.0**	-	50.0
Fair value of property portfolio including Group's share of joint venture (D)		**5,923.4**	5,383.6	5,696.3
Proportionally consolidated loan-to-value (C/D)		**22.7%**	17.3%	20.8%
EPRA loan-to-value				
Drawn debt net of cash including Group's share of joint ventures (C)		**1,345.4**	933.3	1,186.1
Debt with equity characteristics		**(14.6)**	-	(12.3)
Adjustment for hybrid debt instruments		**3.9**	5.2	4.5
Net payables adjustment		**69.1**	78.5	91.7
Adjusted debt (E)		**1,403.8**	1,017.0	1,270.0
Fair value of property portfolio including Group's share of joint venture (D)		**5,923.4**	5,383.6	5,696.3
EPRA loan-to-value (E/D)		**23.7%**	18.9%	22.3%

Net interest cover ratio

	Note	**Half year to 30.06.2022 £m**	Half year to 30.06.2021 £m	Year to 31.12.2021 £m
Group net interest cover ratio				
Net property and other income	5	**96.5**	95.1	187.5
Adjustments for:				
Other income	5	**(1.8)**	(1.5)	(3.5)
Other property income	5	**-**	-	(2.0)
Net surrender premiums	5	**(0.4)**	(3.6)	(3.6)
Write-down of trading property	5	**-**	0.7	1.4
Profit on disposal of trading properties	5	**(0.3)**	(0.5)	(0.7)
Adjusted net property income		**94.0**	90.2	179.1
Finance income	7	**(0.2)**	-	-
Finance costs	7	**18.7**	14.2	28.1
		18.5	14.2	28.1
Adjustments for:				
Finance income	7	**0.2**	-	-
Other finance costs	7	**-**	(0.2)	(0.2)
Amortisation of fair value adjustment to secured bonds	7	**0.6**	0.7	1.3
Amortisation of issue and arrangement costs	7	**(1.3)**	(1.2)	(2.5)
Finance costs capitalised	7	**4.7**	5.4	12.0
		22.7	18.9	38.7
Net interest cover ratio		**414%**	477%	463%
Proportionally consolidated net interest cover ratio				
Adjusted net property income		94.0	90.2	179.1
Share of joint ventures' net property income		1.1	-	0.4
Adjusted net property income including share of joint ventures		95.1	90.2	179.5
Net interest payable		22.7	18.9	38.7
Proportionally consolidated net interest cover ratio		**419%**	477%	464%

27. Total return

	Half year to 30.06.2022 p	Half year to 30.06.2021 p	Year to 31.12.2021 p
EPRA Net Tangible Assets on a diluted basis			
At end of period	**4,023**	3,864	3,959
At start of period	**(3,959)**	(3,812)	(3,812)
Increase	**64**	52	147
Dividend per share	**54**	52	75
Increase including dividend	**118**	104	222
Total return	**3.0%**	2.7%	5.8%

28. 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 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 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.

29. 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 2022 Announcement of Derwent London plc for the 6 month period ended 30 June 2022 (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 2022;
- 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 2022 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. 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 2022 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 this ISRE. 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 2022 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 2022 Announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results 2022 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 2022 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
10 August 2022

Notes to editors

Derwent London plc

Derwent London plc owns 75 buildings in a commercial real estate portfolio predominantly in central London valued at £5.9 billion as at 30 June 2022, making it the largest London-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 only a few property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).

Landmark buildings in our 5.6 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 April 2022, Derwent London won the BCO Best Commercial Workplace award for 80 Charlotte Street. In October 2021, the Group won EG's UK Company of the Year award and in January 2022 came top of the Property Sector and 38th position overall in Management Today's Britain's Most Admired Companies awards 2021. In 2020 the Group won several awards for Brunel Building with the most prominent being the BCO Best Commercial Workplace award. In 2013 the Company launched a voluntary Community Fund which has to date supported well over 100 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.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.