Derwent London plc

Interim results
2013 announcement

DERWENT
LONDON

15 August 2013

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

PRE-LETTINGS AND SALES DRIVE STRONG VALUATION OUTPERFORMANCE

Financial highlights

- EPRA net asset value per share increased by 8.9% to 2,054p from 1,886p at 31 December 2012 and by 16.0% from 30 June 2012
- EPRA profit before tax of £28.0m (H1 2012: £26.5m)
- EPRA earnings per share of 25.95p (H1 2012: 25.06p)
- Interim dividend per share of 10.75p (H1 2012: 9.95p), an increase of 8.0%
- Strong balance sheet with loan-to-value ratio of 29.6% (31 December 2012: 30.0%)
- £150m convertible bond issue in July at coupon of 1.125% and conversion price of £33.35

Performance

- 498,700 sq ft (46,330m^2) let in H1 at £15.5m pa, 7.3% above 31 December 2012 ERV
- Includes 155,600 sq ft (14,460m^2) pre-let at Turnmill EC1 and 40 Chancery Lane WC2 to Publicis at a 9.6% premium to 31 December 2012 ERV
- Valuation surplus of 6.3% in H1 2013 (H2 2012: 4.1%), outperforming IPD Central London Office Index which rose 3.1%
- Valuation surplus on principal developments of 24.7%
- Underlying rental values increased by 2.6%

Projects

- The Buckley Building EC1: 85,000 sq ft (7,900m^2) completed in H1 and now 81% let
- 1 Page Street SW1: 127,000 sq ft (11,800m^2) completed and delivered to Burberry
- Currently on site with 279,700 sq ft (25,990m^2) of principal projects of which 62% pre-let
- 345,500 sq ft (32,050m^2) of projects to start in the next twelve months, including White Collar Factory, Old Street EC1
- Total pipeline of 2.5 million sq ft (233,000m^2)

Acquisitions and disposals

- Acquired Mark Square House, 1 Mark Square, Shoreditch EC2, 61,700 sq ft (5,730m^2) of offices for £29.6m including costs at a net initial yield of 5.0%
- Sold remaining interest in 1-5 Grosvenor Place SW1 in July for £132.5m before costs, a 70% premium to 31 December 2012 valuation

Robert Rayne, Chairman, commented:

"Though there are now signs of more general improvement, London's ever-evolving economy continues to outperform that of the rest of the UK. The capital is an attractive place for some of the world's most innovative businesses and has broad appeal to real estate investors globally. Against this background, Derwent London's many business and community initiatives provide a firm foundation for the continued strong performance of the Group."

John Burns, Chief Executive Officer, commented:

"Derwent London has had an excellent first half. We secured a record level of lettings and rising rents at our brand of well-designed office space. We are seeing particular interest from the UK's expanding creative industries and TMT companies, most notably in London's 'Tech Belt'. The success of our recent convertible bond issue reflects the market's confidence in the Group's strategy with our extensive project pipeline providing many opportunities for future value creation."

Webcast and conference call

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

To participate in the call, please dial the following number: +44 (0)20 3059 8125
Please say "Derwent" when asked for the participant code.

A recording of the results presentation will also be made available later in the day on www.derwentlondon.com.

For further information, please contact:

Derwent London Tel: +44 (0)20 7659 3000	John Burns, Chief Executive Officer Damian Wisniewski, Finance Director Louise Rich, Head of Investor Relations
Brunswick Group Tel: +44 (0)20 7404 5959	Simon Sporborg Elizabeth Adams Sheena Shah

Business and finance review

Overview

In the first half of 2013 we have seen robust tenant and investor demand in our markets. The TMT and creative industries, a core part of our portfolio of tenants, continue to account for many of our lettings, particularly in London's Tech Belt.

We let 498,700 sq ft (46,330m^2) at £15.5m pa in the first six months, a record for the Group. This includes all of the office space at 40 Chancery Lane WC2 and Turnmill, 63 Clerkenwell Road EC1, totalling 155,600 sq ft (14,460m^2), which was pre-let to Publicis at rents well ahead of the estimated rental value (ERV) at December 2012.

In July, we completed the sale of our long-held interest in 1-5 Grosvenor Place SW1 for £132.5m before costs, a level 70% in excess of the December 2012 book value. This has secured nearly all of the gain that we expected from the redevelopment of the site prior to the submission of a planning application, and five to six years ahead of the earliest expected completion date.

These transactions, together with 62% of our current projects now pre-let, provide us with further confidence to expedite our development programme. There is a wealth of opportunities in our current development pipeline which could deliver 2.5 million sq ft (232,300m^2) of space by 2020. In the next 12 months we have 345,500 sq ft (32,050m^2) scheduled to start, including the White Collar Factory, Old Street EC1 where construction will commence early next year.

The weight of investment money coming into our markets, particularly from overseas, together with investors' desire to retain income-producing assets, enhances property values. We continue to look for opportunities to expand our pipeline and have added Mark Square House, 1 Mark Square EC2, in the heart of the Tech Belt, to the portfolio.

With the highly reversionary nature of our portfolio and over 550 tenants, we have a wide range of asset management opportunities. For example, we have been successful in building on our relationships with existing tenants such as Publicis and Burberry by providing them with new accommodation.

In July, we launched our second convertible bond, taking advantage of favourable conditions in the capital markets. This was heavily oversubscribed and raised £150m for a six-year term with a coupon of 1.125% and a conversion price of £33.35, 35% above the then prevailing share price. The level of demand provides good evidence of the market's confidence in the Group's property and financing strategy. This bond issue was the first step in moving towards a larger proportion of unsecured financing for the Group.

Market overview

The business environment is beginning to improve modestly across the country, with London continuing to lead. Latest figures show that national GDP rose 0.3% in the first quarter and 0.6% in the second. In addition the UK service sector has seen seven consecutive months of growth, according to the Markit Purchasing Managers' Index, with the largest staffing increase and largest backlog of work for all businesses in six years.

The London economy continues to outperform the rest of the UK, with employment in London growing by 2.2% over the 12 months to March 2013 according to government statistics and with office-based industries seeing 4.4% growth in employment over the same period. UK employment growth was 0.5%.

A recent UK survey by accountants UHY Hacker Young concluded that London dominated start-up activity in the year to March 2013, with 17 of the top 20 areas for new business creation being in the capital. The EC1V postcode, which surrounds the Old Street roundabout and where our White Collar Factory will be built, topped the list. Whilst the typical Derwent London tenant is more established, they are attracted by similar attributes: affordable, exciting space, a business-friendly environment, good transport links, and vibrant locations that draw in the talent these businesses need to thrive.

The desire for many businesses to be based in central London was reflected in the take-up of office space. According to CBRE, first half take-up was 6.0 million sq ft (561,000m^2), 29% above the equivalent period last year and just ahead of the 10-year average. The TMT sector accounted for over a third of this figure.

The number of speculative office developments is increasing, with central London development completions for 2013 due to reach 4.0 million sq ft (372,000m^2). This is still 7% below the 10-year average and we expect this space to be comfortably absorbed by the current strong level of demand. The vacancy rate of immediately available space at the half year remained stable at 5.3% according to CBRE, well below the 10-year average.

With limited supply in the investment market, coupled with strong investor demand and a healthy margin between the return on property and that on gilts or cash, yields remain firm. Central London property has the added attraction to investors of rising rents, which have shown encouraging growth in the first half. CBRE reports that prime office yields in the West End were unchanged at 4.0%. City prime yields have tightened 25 basis points and are now around 4.75%. CBRE estimated that there were £6.9bn of central London office transactions in the first half of 2013, similar to the £6.8bn seen in the second half of last year and 22% above the 10-year average.

Property performance

The Group's property portfolio was valued at £3.1bn as at 30 June 2013. Over the first half of the year there was a valuation surplus of £178.5m before deducting lease incentive adjustments of £3.0m, giving a net movement of £175.5m, an underlying valuation increase of 6.3%. The valuation performance benefitted from continued rental growth, high project returns, a slight tightening of valuation yields and asset management activity. It also included the revaluation of 1-5 Grosvenor Place SW1 which has now been sold. Excluding this property, the underlying increase was 4.7%. Both uplifts exceeded the 4.1% recorded in the second half of 2012. In addition, the portfolio significantly outperformed our benchmarks; the IPD Index for central London offices of 3.1% and the broader IPD All UK Property Index, which rose only marginally by 0.1%.

Central London properties comprise 97% of our portfolio and increased in value by 6.6% in the first half. Within this, the West End rose by 5.6% and the City borders by 9.8% with the latter, comprising approximately 22% of the portfolio, enjoying stronger rental growth over the period. The balance of the portfolio, our non-core Scottish holdings, saw a slight valuation increase of 0.1%.

Underlying ERV growth, using EPRA guidelines, was 2.6% over the half year as demand for our central London space remained strong. The rapidly improving areas around the City borders, which include Shoreditch, Clerkenwell and Old Street, saw rental growth of 4.7% following buoyant occupational demand from the TMT sector. This was greater than the rise of 2.0% seen in the West End.

Within the portfolio a number of developments and phased refurbishments are underway. During the first half of the year, we were on site with five developments (The Buckley Building EC1, 1 Page Street SW1, 40 Chancery Lane WC2, Turnmill EC1 and Queens, Bishop's Bridge Road W2). These were valued at £234.9m at 30 June 2013 and delivered a strong valuation performance, rising 24.7% net of capital expenditure over the six months. The drivers of this were the letting activity at The Buckley Building and the pre-letting of the office space at 40 Chancery Lane and Turnmill, all at rental levels above December 2012 ERV.

Our two phased refurbishments where we were on site in the period, Morelands Buildings EC1 and 1-2 Stephen Street W1, were valued at £217.8m and saw a valuation uplift of 4.9% net of capital expenditure.

Combined, these seven projects rose in value by 14.3% and contributed 30% of the valuation surplus. Following the recent completion of The Buckley Building, 1 Page Street and Morelands Buildings, the four projects where we are currently on site were valued at £261.6m. Over the next 12 months we are starting construction on three further projects. These are the White Collar Factory development at Old Street roundabout in London's fast growing Tech Belt and, in the West End, a residential development at 73 Charlotte Street W1 as well as the retail phase at 18-30 Tottenham Court Road W1, part of 1-2 Stephen Street.

On an EPRA basis, the net initial yield was 4.2% at 30 June 2013, and on a 'topped-up' basis, following the expiry of contracted rental uplifts and rent free periods, this would rise to 5.0%. The true equivalent valuation yield tightened over the first half of 2013 by 3 basis points to 5.52%, a similar movement to that seen in the second half of 2012.

The portfolio's total property return was 8.3% in the first half, an outperformance against the IPD Total Return Index for central London offices of 5.2% and the All UK Property Index of 3.0%.

Portfolio management

The strong letting market that the Group enjoyed throughout 2012 has become even more vigorous in 2013. In the first half 498,700 sq ft (46,330m^2) was let at an annual rental income of £15.5m with rents on average 7.3% above the December 2012 ERV. The additional rental income is a six-month period record for Derwent London and is more than that achieved in the whole of 2012, itself a very successful year. Open market lettings, which represented over 97% of the total, were 8.0% above December 2012 ERV.

Our most significant lettings in the period were as follows:

Turnmill EC1 and 40 Chancery Lane WC2

Over half of the letting income secured in the first half was from the 155,600 sq ft (14,460m^2) pre-let of the entire office element at Turnmill, 63 Clerkenwell Road and 40 Chancery Lane, to Publicis Groupe, including the advertising agency Saatchi & Saatchi. It will pay a rent of £8.8m pa on a 20-year term with rent reviews every five years and a rent free period equivalent to 32 months. There is a tenant break in year 18 which, if exercised, will result in a penalty becoming payable.

At 40 Chancery Lane, the rent is £5.7m pa on 97,400 sq ft (9,050m^2), 6.5% ahead of the December 2012 ERV, with £65 per sq ft (£700 per m^2) on the top three floors. After deducting a ground rent, Derwent London's share of the office rent will be £4.7m pa.

At Turnmill, the rent is £3.1m pa on 58,200 sq ft (5,410m^2), a 15.7% premium to the December 2012 ERV with £55 per sq ft (£592 per m^2) on the first to fifth floors.

Both 40 Chancery Lane and Turnmill are under construction and are due to be handed over to the tenant for fit out in Q3 2014. Whilst they are being completed, Saatchi & Saatchi and other Publicis agencies will continue to occupy our property at 80 Charlotte Street W1. Therefore, the redevelopment of the property, which was scheduled for later in 2013, will now commence in the first half of 2015 with completion due in the second half of 2017.

The Buckley Building EC1

This newly refurbished building has attracted much occupier interest. It is well placed in London's Tech Belt, facing Clerkenwell Green and close to Farringdon station which will have a Crossrail interchange.

In the first half Hill+Knowlton Strategies, a subsidiary of WPP, took 26,400 sq ft (2,450m^2) on the top two floors paying £1.3m pa for a 15-year lease, with a tenant break at year 12 and incentives equivalent to a 24-month rent free period. The rent achieved is a 7.0% premium to the December 2012 ERV with a rent on the top floor of £52.50 psf (£565 per m^2).

Since the end of June, European online lottery provider Tipp24 has taken 16,100 sq ft (1,500m^2) on the second floor paying a rent of £0.8m pa, which equates to £52.50 psf (£565 per m^2). This letting was achieved at the same rate as on the top floor, 18.3% above the December 2012 ERV on a 15-year lease with a break at year 12 and incentives equivalent to a 20-month rent free period.

With other lettings, including that of the ground and lower ground floor offices to Unilever in late 2012, The Buckley Building was 81% let within three months of practical completion and we have received offers on the remaining floor.

Additional letting activity

The Group made a number of other key lettings in the first six months of 2013:

- At 132-142 Hampstead Road NW1, UCL (University College London) took the entire 217,000 sq ft (20,160m^2) at a total rent of £1.6m pa. As well as providing rental income this letting reduces our void cost by £1.0m pa and, most importantly, preserves our development options at this site until the uncertainty caused by the proposed HS2 rail project is resolved.
- There were five lettings at the Tea Building, Shoreditch High Street E1, which remains a flagship for TMT companies, generating a rent of £0.9m pa on a total floorspace of 26,000 sq ft (2,420m^2). This represents an average of £35.75 per sq ft (£385 per m^2) which is 8.3% above December 2012 ERV.
- At the Charlotte Building, 17 Gresse Street W1, advertising agency CHI&Partners is taking 12,400 sq ft (1,150m^2), which includes the space that BrandOpus will vacate when it moves to newly refurbished space at our 1-2 Stephen Street W1 property in Q1 2014. They will pay £0.7m pa which equates to £60 per sq ft (£646 per m^2), an uplift of 31% on the current rental level, which is encouraging for the adjacent Stephen Street property when the initial phases of its refurbishment complete.
- VCCP, an advertising agency, took a further 10,600 sq ft (980m^2) at Greencoat House SW1 for £0.5m pa.

The EPRA vacancy rate, calculated as the rental value of immediately available space, was 2.4% at the end of June, up from just 1.6% at the start of the year. The Buckley Building represents almost half of this with two empty floors, one of which has been let since the period end as noted above. After adjusting for this letting, the vacancy rate falls to 1.8%. By floorspace the vacancy rate rose from 1.7% to 2.0%. Since the end of June the Group has let 28,600 sq ft (2,660m^2) of space at a rent of £1.4m pa, and has a further 21,600 sq ft (2,010m^2) under offer at £0.6m pa.

In the first half, £7.6m pa of the portfolio's rental income was subject to lease expiries and breaks. After excluding space taken back for identified projects, 81% of this income was retained and 13% re-let within the period.

The Group concluded 61 lease renewals, rent reviews and regears in the period on a total area of 340,300 sq ft (31,610m^2), generating income of £10.5m pa, an uplift of 6.6% on the previous figure.

Rent collection was prompt with 98% collected within 14 days of the due date for the June quarter day.

Projects

Derwent London continues to make excellent progress in advancing its extensive development pipeline, with 2.5 million sq ft (233,000m^2) of space that could be delivered by 2020. Having completed The Buckley Building, the rooftop scheme at Morelands Buildings EC1 and 1 Page Street SW1 in the year to date, the Group is now on site at principal projects totalling 279,700 sq ft (25,990m^2) of which 62% is pre-let. We expect to start construction on 345,500 sq ft (32,050m^2) in the next twelve months with an additional 620,000 sq ft (57,600m^2) commencing in 2015/16. Looking further ahead we have 355,000 sq ft (32,900m^2) of other consented projects as well as appraisal studies, which if developed could deliver 0.9 million sq ft (84,900m^2).

Projects completed

In 2013 we have completed three principal projects:

- *The Buckley Building, 49 Clerkenwell Green EC1.* The refurbishment and extension of this 85,000 sq ft (7,900m^2) building was completed in early 2013. This building is 81% let and was discussed earlier under 'Portfolio management'.

- *Morelands Buildings, 5-27 Old Street EC1*. The refurbishment of an existing floor and creation of a penthouse floor to provide 17,800 sq ft (1,650m^2) of office space was completed in early 2013. This had already been pre-let to architects AHMM.

- *1 Page Street SW1.* In July the refurbishment and extension of this property was completed to provide 127,000 sq ft (11,800m^2) of offices for Burberry, which had pre-let the entire building.

Projects currently under construction

Following the completion of 1 Page Street, the following principal projects are now under construction:

	Nature of project	Size of project sq ft	m²	Capital expenditure to complete £m	Completion date	Pre-let
Developments						
Turnmill, 63 Clerkenwell Road EC1	Offices/ Retail	70,500	6,550	16	Q3 2014	83% to Publicis
40 Chancery Lane WC2	Offices/ Retail	101,800	9,460	29	Q3 2014	96% to Publicis
Queens, 96-98 Bishop's Bridge Road W2	Residential	21,400	1,990	11	Q4 2014	
Phased refurbishments						
1-2 Stephen Street W1	Offices	86,000	7,990	16	2013/14	21% to BrandOpus
Total		**279,700**	**25,990**	**72**		**62%**

Projects starting in the next twelve months

The depth of occupier requirements gives us the confidence to start construction of a further 345,500 sq ft (32,050m^2) over the next 12 months comprising:

	Nature of project	Size of project sq ft	m²	Capital expenditure to complete £m	Start date	Completion date
Developments						
73 Charlotte Street W1	Residential/ Offices	15,500	1,440	8	Q4 2013	Q2 2015
White Collar Factory, Old Street EC1	Office-led development	289,000	26,800	100	Q1 2014	Q3 2016
Phased refurbishments						
18-30 Tottenham Court Road W1	Retail	41,000	3,810	11	Q2 2014	Q2 2015
Total		**345,500**	**32,050**	**119**		

73 Charlotte Street W1
We expect to obtain vacant possession of this property in September 2013 to allow redevelopment to create 11 residential units and 1,900 sq ft (180m^2) of offices.

White Collar Factory, Old Street EC1
We have had considerable interest in our White Collar Factory concept where the live suite is now operational. It features concrete core cooling, generous 3.5m floor to ceiling heights, opening windows and façades that are tailored to levels of sun exposure. This innovative product provides appealing, flexible and sustainable office space.

We are completing the design of this development and will obtain vacant possession by the end of this year, before starting work on site in January 2014.

18-30 Tottenham Court Road W1
We gain vacant possession of the retail units on Tottenham Court Road that form part of the 1-2 Stephen Street complex in Q2 2014. This will allow us to extend them and to provide a new frontage, transforming this area as a retail destination.

<u>Medium-term projects</u>
Looking further ahead the major projects scheduled to start in 2015/16 are:

Property	**Nature of project**	**Proposed area**		**Potential start date**	**Completion date**
		sq ft	**m^2**		
80 Charlotte Street W1	Offices/ Residential	380,000	35,300	H1 2015	H2 2017
55-65 North Wharf Road W2	Offices	240,000	22,300	2015/16	c.2018
Total		**620,000**	**57,600**		

80 Charlotte Street W1
As noted under 'Portfolio management', whilst Turnmill and 40 Chancery Lane are being completed, Publicis will continue to occupy its existing offices at 80 Charlotte Street. As a result the start of the Group's 380,000 sq ft (35,300m^2) regeneration of this property is now due in the first half of 2015 with completion scheduled for the second half of 2017. The figures above have been adjusted by 5,000 sq ft (500m^2) to reflect the sale of Suffolk House, 1 Whitfield Place W1 where a third party will build this part of the affordable housing element.

55-65 North Wharf Road W2
Early in 2013, Derwent London entered into an option agreement with the freeholder and the head leaseholder of this site, thereby unlocking the development of 240,000 sq ft (22,300m^2) of consented offices. Derwent London is able to gain vacant possession of this site from mid-2015 and is now progressing the detailed design. This is a prime location adjacent to Paddington station where a Crossrail interchange will join the existing main line and underground links in 2018, the same year in which we expect to complete the scheme.

<u>Other projects</u>
We have a further 355,000 sq ft (32,900m^2) of other consented schemes, 275,000 sq ft (25,500m^2) of which relates to 1 Oxford Street W1. This mixed-use scheme lies directly above Tottenham Court Road station. It is our intention to exercise our option to reacquire this site following the completion of Crossrail works at this location. Construction is likely to commence in early 2018 with completion in 2020.

Looking to the longer term, we continue to add to the development pipeline, undertaking appraisal studies at a number of properties such as 19-35 Baker Street W1, Network Building W1, 25 and 29 Berners Street W1, 9 Prescot Street E1 and Monmouth House EC1.

Acquisitions
In June the Group acquired Mark Square House, 1 Mark Square EC2 in Shoreditch for £29.6m including costs on a net initial yield of 5.0%. This 61,700 sq ft (5,730m^2) office building is let to Thomson Reuters, an existing tenant of Derwent London. The lease runs until December 2017 at a passing rent of £1.5m pa, which equates to £24.25 per sq ft (£261 per m^2).

The property, built in 1990, presents a number of opportunities for the Group. It offers excellent natural light, regular floor plates of 11,000 sq ft (1,020m^2) and has the potential to extend the floor area, with income from a valued existing tenant running for the next four and a half years.

Disposals
In the first half we completed £17.4m of disposals after costs. This included £16.7m for our Commercial Road E1 holdings, where we had secured planning permission for a student accommodation block, as set out in the 2012 full year results.

<u>1-5 Grosvenor Place SW1</u>
In July the sale of our 50% leasehold interest to Peninsula Hotels was completed for £132.5m before costs. This represents a 70% premium to the book value as at 31 December 2012 and takes proceeds from the disposal of this property to almost £200m since the beginning of 2012.

The 168,000 sq ft (15,600m^2) of buildings were acquired in a number of transactions starting in 1993 and have generated an annual rate of return since that date of 15.3%.

Through this sale, the Group has secured most of the gain anticipated from the redevelopment of this site five to six years ahead of the earliest expected completion date. This has been achieved prior to the submission of a planning application and without incurring the significant capital cost of site preparation and construction.

Financial review
Driven mainly by the Group's exceptional pre-letting performance, development uplifts and the realisation of our interest at 1-5 Grosvenor Place, EPRA net asset value per share increased during the first half of 2013 to 2,054p from 1,886p at 31 December 2012. The increase in the first half of 2013 was therefore 8.9%, significantly more than the 4.1% rise in the first half of 2012. Over the twelve months to 30 June 2013, the increase in net asset value per share was a full 16.0%.

The portfolio valuation surplus for the first half of 2013 totalled £175.5m after deducting lease incentive adjustments of £3.0m. The equivalent figures for H1 2012 were £77.6m and £4.9m respectively. The 2013 surplus was buoyed by a contribution of £51.7m from our interest in 1-5 Grosvenor Place, reflecting most of the uplift from the recently completed sale. However, even if this transaction is excluded, the underlying valuation performance was still stronger in H1 2013 than in H1 2012.

The overall property portfolio fair value increased to £3,103.7m at 30 June 2013. This was split between the main investment property portfolio at £2,944.4m, the part of 25 Savile Row that is occupied by the Group at £18.1m, assets held for sale at 30 June 2013 comprising 1-5 Grosvenor Place at £130.0m and the residential development at Queens, Bishop's Bridge Road at £11.2m. As the intention is to market the units at Queens for sale, the property was transferred to trading stock during the first half of the year. Reconciliations from fair values to the Group's carrying values are shown in note 13.

Acquisition activity during the period totalled £29.6m relating to Mark Square House and net disposal proceeds, mainly at Commercial Road, totalled £17.4m. Capital expenditure in the period increased to £53.1m, including £3.4m of capitalised interest compared with £27.7m and £2.2m, respectively, in the first half of 2012. We are expecting to incur a further £75m on project capital expenditure in the second half of 2013.

The mark-to-market cost of the Group's interest rate hedging derivatives fell by £17.0m in the period. This was mainly as a result of the rapid increase in medium and long-term interest rates in June 2013 following speculation about the likely impact of a slow-down in quantitative easing in the USA and elsewhere.

EPRA profit before tax for the half year to 30 June 2013 increased by 5.7% to £28.0m from £26.5m in the first half of 2012. Gross property income rose to £64.0m from £62.3m in H1 2012 and net property and other income increased to £59.5m. Both administrative expenses and net finance costs were almost unchanged from the equivalent period last year.

The profit before tax, which includes asset and derivative revaluation movements as well as the profit on disposals, more than doubled to £219.8m compared with £102.4m for the first six months of 2012.

Financing, net debt and cash flow

The Group has seen considerable refinancing activity since we last reported to shareholders. A new £150m convertible bond was launched on 17 July 2013 and attracted very strong interest. The structure was designed to be similar to our first convertible bond issued in June 2011. Demand for this second issue was such that the coupon settled at 1.125% for a six-year term. The conversion price was set at £33.35, a 35% premium to the share price on the launch date. This represents a 62% premium to the EPRA net asset value per share reported today and we understand that the coupon represents the lowest ever achieved for a sterling denominated convertible bond in the public markets.

The bond was rated BBB by Standard & Poor's, the same as our corporate credit rating, and forms the first part of a strategic move towards positioning the Group's debt onto a largely unsecured basis. The second element is the refinancing of the Group's main bank facilities. In August 2013 we agreed credit-approved terms with our four principal relationship banks for a new five-year £550m revolving unsecured bank facility. Together with the £150m convertible bond, this will refinance the £650m of existing secured bank facilities expiring between April 2014 and January 2017. Further details will be provided once the new facility has been completed. The transition to more unsecured borrowing will free up a larger pool of unencumbered assets for the Group and bring us greater operational flexibility in relation to individual properties. We believe it will also strengthen our access to funding from the capital markets.

As at 30 June 2013, the Group had £368m of interest rate swaps in place plus a £65m 'forward start' swap. The latter was deferred for a further three months in July 2013 for a cost of £0.2m. The issue of the new convertible bonds increases the Group's fixed rate debt by £150m and we therefore took steps in July 2013 to terminate and restructure some of the existing swaps. A £40m swap at a contracted rate of 4.02% expiring in January 2015 and a further £40m 4.68% swap expiring in August 2018 were both terminated. In addition, a £70m swap at 3.99% has been deferred so that it becomes a forward start swap effective from 30 June 2014 and another £40m swap expiring in June 2017 has had the coupon reduced from 3.58% to 3.00%. As a result, this leaves £218m of swaps plus £135m of forward start swaps. The cost of reorganising these swaps was £13m which is almost equivalent to the equity uplift that arises from the 'bifurcation' of the new convertible bond into its debt and equity portions.

Available undrawn bank facilities totalled £273m at 30 June 2013 and there was £727m of uncharged property at the same date. The convertible bond issue and the sale of 1-5 Grosvenor Place, both of which completed in July 2013 and together raising about £277m after costs, increase the level of undrawn facilities significantly and provide the Group with substantial funding for the development pipeline and potential new acquisitions. The security released once the new bank facilities are in place will also increase our unencumbered assets to about £1,840m on a proforma basis as at 30 June 2013 after adjusting for the sale of 1-5 Grosvenor Place.

Due mainly to the level of capital expenditure in the period, net debt increased to £935.7m at 30 June 2013 from £874.8m at 31 December 2012. However, the strong growth in our property values meant that the overall Group loan-to-value ("LTV") ratio fell to 29.6% from 30.0% at the last year end and net asset gearing also fell to 44.2%. Following the sale of 1-5 Grosvenor Place, the proforma LTV ratio has fallen further to about 27%.

Interest cover for the first half of 2013 was 352% on a gross basis and 296% after adding back capitalised interest. The equivalent figures for the first half of 2012 were 356% and 316%, respectively. The weighted average interest rate as at 30 June 2013 on an IFRS basis fell slightly to 4.74% against 4.88% at 31 December 2012. On a cash basis, the rate fell to 4.50% from 4.63%. Taking account of the new convertible bond, the changes to the swaps noted above and the new unsecured bank facility, the proforma 30 June 2013 interest rates would fall to about 4.13% on an IFRS basis and to 3.66% using the cash coupon payable under both convertible bonds.

Dividend

The Group had a particularly strong performance in the first half. We are therefore increasing the interim dividend by 8.0% from 9.95p to 10.75p per share, at which level the dividend is comfortably covered. The dividend will be paid on 24 October 2013 to shareholders on the register on 20 September 2013, with 6.0p paid as a PID under the UK REIT regime. As with previous dividends, there will be a scrip alternative.

Board

On 6 August 2013 we were pleased to welcome Richard Dakin to the Board as an independent non-executive Director. Richard is Managing Director and Head of Corporate Real Estate Business Support Unit at Lloyds Bank, responsible for UK and Europe. We look forward to benefitting from his extensive experience of property finance across a number of real estate subsectors.

Outlook

The momentum enjoyed by the London property market looks set to continue and the UK's improving economy should add further impetus. Rents have grown steadily in our markets during the year to date, especially in London's Tech Belt, and we believe they will comfortably meet the 4-6% annual growth rate that we predicted earlier in the year. In addition, we expect property yields to remain firm in the coming months after hardening marginally in the first half.

In February we set out a number of objectives for 2013 and are well ahead of target after some exceptional transactions over recent months. We are now focused on delivering our current developments and embarking on the next phase of projects. Our current and medium-term schemes total over 1.2 million sq ft (115,640m^2) with associated capital expenditure to complete of over £400m. We have a further 0.4 million sq ft (32,900m^2) with planning consent and an additional 0.9 million sq ft (84,900m^2) of projects under appraisal. In addition, we continue to seek suitable acquisitions.

This extensive development activity, together with the reversionary potential of our well-located and innovative space backed by a favourable market background, augurs well for the future. The Group's financial position has been further enhanced, particularly by our well-received convertible bond issue. We believe that combining our portfolio's strong growth potential with efficient financing provides a sound platform from which to continue to deliver above average returns to our shareholders.

Robert A. Rayne	John D. Burns
Chairman	Chief Executive Officer

15 August 2013

Notes to editors

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £3.1bn as at 30 June 2013, making us the largest London-focused real estate investment trust (REIT).

Our experienced team has a proven record of value creation through development, refurbishment and asset management activities. We take a fresh approach to each building, adopting a design-led and tenant-led philosophy. We focus on buildings with reversionary mid-market rents, particularly those in improving locations around the West End and the City borders.

The business is grounded on a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in our portfolio of 5.5 million sq ft (510,600m^2) as at 30 June 2013 include Angel Building EC1, The Buckley Building EC1, Qube W1, Horseferry House SW1 and Tea Building E1.

In 2013 to date Derwent London has won the 'West End Deal of the Year' for our letting to Burberry at 1 Page Street SW1 and 'City Development of the Year' for our 4 & 10 Pentonville Road N1 scheme at the OAS Development Awards as well as 'Developer of the Year' at the New Energy & Cleantech Awards.

Derwent London came seventh overall in the 2012 Management Today awards for 'Britain's Most Admired Companies', topping the real estate sector for the third year in a row. Earlier in 2012 the Group won the Estates Gazette 'Property Company of the Year – Offices' award. Last year the Tea Building also won a RIBA regional award and an AJ Retrofit award for the 'Green Tea' refurbishment to improve the environmental performance of the building.

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

Responsibility statement

The Directors confirm to the best of their knowledge:

- the unaudited condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and

- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the UK Financial Services Authority.

The business and finance review refers to important events which have taken place in the period.

The principal risks and uncertainties facing the business are discussed in note 26.

A list of the current Directors is maintained on the Derwent London plc website: www.derwentlondon.com.

On behalf of the Board

John D. Burns Chief Executive Officer	Damian M.A. Wisniewski Finance Director

15 August 2013

GROUP CONDENSED INCOME STATEMENT (UNAUDITED)

	Note	**Half year to 30.06.2013 £m**	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Gross property and other income	5	**77.8**	74.5	150.6
Net property and other income	5	**59.5**	58.1	117.0
Administrative expenses		**(11.8)**	(11.6)	(24.5)
Movement in valuation of cash-settled share options		**(0.2)**	(0.4)	(0.6)
Total administrative expenses		**(12.0)**	(12.0)	(25.1)
Revaluation surplus	13	**175.3**	77.3	174.4
Profit on disposal of investment property	6	**0.3**	0.2	6.9
Profit on disposal of investment	7	**-**	3.9	3.9
Profit from operations		**223.1**	127.5	277.1
Finance income	8	**-**	0.3	0.4
Finance costs	8	**(20.7)**	(20.7)	(41.2)
Movement in fair value of derivative financial instruments		**17.0**	1.2	(2.4)
Financial derivative termination costs	9	**(0.3)**	(6.3)	(6.9)
Share of results of joint ventures	10	**0.7**	0.4	1.1
Profit before tax		**219.8**	102.4	228.1
Tax (charge)/credit	11	**(1.2)**	0.4	4.6
Profit for the period		**218.6**	102.8	232.7
Attributable to:				
- Equity shareholders		**214.7**	100.8	226.9
- Minority interest		**3.9**	2.0	5.8
		218.6	102.8	232.7
Earnings per share	12	**210.22p**	99.08p	222.76p
Diluted earnings per share	12	**197.31p**	94.55p	211.82p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	**Half year to 30.06.2013 £m**	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Profit for the period		**218.6**	102.8	232.7
Actuarial gains/(losses) on defined benefit pension scheme		**0.4**	(1.5)	1.2
Revaluation surplus of owner-occupied property	13	**0.2**	0.3	0.9
Deferred tax on revaluation surplus	11	**-**	0.4	0.3
Items that will not be reclassified to profit or loss		**0.6**	(0.8)	2.4
Foreign currency translation	8	**-**	(0.3)	(0.3)
Reclassification of exchange differences to income statement	7	**-**	(3.9)	(3.9)
Items that may be reclassified subsequently to profit or loss		**-**	(4.2)	(4.2)
Other comprehensive income/(expense)		**0.6**	(5.0)	(1.8)
Total comprehensive income relating to the period		**219.2**	97.8	230.9
Attributable to:				
- Equity shareholders		**215.3**	95.8	225.1
- Minority interest		**3.9**	2.0	5.8
		219.2	97.8	230.9

GROUP CONDENSED BALANCE SHEET (UNAUDITED)

	Note	**30.06.2013 £m**	30.06.2012 £m	31.12.2012 £m
Non-current assets				
Investment property	13	**2,888.5**	2,565.9	2,772.6
Property, plant and equipment	14	**20.5**	19.8	20.3
Investments		**10.5**	10.0	10.2
Deferred tax	20	**-**	-	0.5
Pension scheme surplus		**0.5**	-	0.2
Other receivables	15	**63.8**	58.7	60.9
		2,983.8	2,654.4	2,864.7
Current assets				
Trading properties	13	**11.2**	-	-
Trade and other receivables	16	**55.0**	47.3	50.8
Cash and cash equivalents		**5.5**	2.9	4.4
		71.7	50.2	55.2
Non-current assets held for sale	17	**130.2**	92.6	16.5
Total assets		**3,185.7**	2,797.2	2,936.4
Current liabilities				
Bank overdraft and loans	19	**124.9**	95.0	-
Derivative financial instruments	19	**-**	0.6	-
Trade and other payables	18	**85.4**	70.0	80.5
Corporation tax liability		**1.9**	1.7	1.9
Provisions		**1.4**	1.2	1.7
		213.6	168.5	84.1
Non-current liabilities				
Borrowings	19	**816.3**	778.1	879.2
Derivative financial instruments	19	**37.3**	50.2	54.3
Provisions		**0.2**	0.2	0.8
Pension scheme deficit		**-**	3.0	-
Deferred tax	20	**0.1**	4.3	-
		853.9	835.8	934.3
Total liabilities		**1,067.5**	1,004.3	1,018.4
Total net assets		**2,118.2**	1,792.9	1,918.0
Equity				
Share capital		**5.0**	5.0	5.0
Share premium		**169.1**	164.5	165.3
Other reserves		**933.3**	932.2	934.0
Retained earnings		**949.3**	637.4	756.1
Equity shareholders' funds		**2,056.7**	1,739.1	1,860.4
Minority interest		**61.5**	53.8	57.6
Total equity		**2,118.2**	1,792.9	1,918.0

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1 January 2013	5.0	165.3	934.0	756.1	1,860.4	57.6	1,918.0
Profit for the period	-	-	-	214.7	214.7	3.9	218.6
Other comprehensive income	-	-	0.2	0.4	0.6	-	0.6
Share-based payments	-	0.3	(0.9)	2.4	1.8	-	1.8
Dividends paid	-	-	-	(20.8)	(20.8)	-	(20.8)
Scrip dividends	-	3.5	-	(3.5)	-	-	-
At 30 June 2013	**5.0**	**169.1**	**933.3**	**949.3**	**2,056.7**	**61.5**	**2,118.2**
At 1 January 2012	5.0	162.9	936.6	558.2	1,662.7	51.8	1,714.5
Profit for the period	-	-	-	100.8	100.8	2.0	102.8
Other comprehensive income	-	-	(3.5)	(1.5)	(5.0)	-	(5.0)
Share-based payments	-	0.3	(0.9)	2.2	1.6	-	1.6
Dividends paid	-	-	-	(21.0)	(21.0)	-	(21.0)
Scrip dividends	-	1.3	-	(1.3)	-	-	-
At 30 June 2012	5.0	164.5	932.2	637.4	1,739.1	53.8	1,792.9
At 1 January 2012	5.0	162.9	936.6	558.2	1,662.7	51.8	1,714.5
Profit for the year	-	-	-	226.9	226.9	5.8	232.7
Other comprehensive income	-	-	(3.0)	1.2	(1.8)	-	(1.8)
Share-based payments	-	0.4	0.4	2.3	3.1	-	3.1
Dividends paid	-	-	-	(30.5)	(30.5)	-	(30.5)
Scrip dividends	-	2.0	-	(2.0)	-	-	-
At 31 December 2012	5.0	165.3	934.0	756.1	1,860.4	57.6	1,918.0

GROUP CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	Note	**Half year to 30.06.2013 £m**	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Operating activities				
Property income		**62.0**	59.4	118.1
Property expenses		**(5.5)**	(5.4)	(9.9)
Cash paid to and on behalf of employees		**(10.6)**	(10.3)	(17.8)
Other administrative expenses		**(2.7)**	(2.9)	(4.3)
Interest received		**-**	0.1	0.1
Interest paid	8	**(16.3)**	(17.1)	(33.3)
Other finance costs		**(1.9)**	(1.8)	(3.4)
Other income		**1.7**	0.9	2.5
Tax (paid)/received in respect of operating activities		**(0.7)**	0.3	(0.2)
Net cash from operating activities		**26.0**	23.2	51.8
Investing activities				
Acquisition of investment properties		**(29.7)**	(37.1)	(99.8)
Capital expenditure on properties	8	**(51.8)**	(29.0)	(78.6)
Disposal of investment properties		**17.4**	66.8	161.0
Purchase of property, plant and equipment		**(0.2)**	(0.3)	(0.4)
Distributions received from joint ventures		**0.4**	0.2	0.7
Advances to minority interest holder		**(1.5)**	(2.4)	(2.4)
Tax paid in respect of investing activities		**-**	(0.5)	-
Net cash used in investing activities		**(65.4)**	(2.3)	(19.5)
Financing activities				
Repayment of revolving bank loan		**-**	-	(123.0)
Drawdown of new revolving bank loan		**-**	73.0	73.0
Net movement in other revolving bank loans		**60.0**	89.0	133.5
Repayment of non-revolving bank loans		**-**	(156.4)	(158.5)
Drawdown of non-revolving loan		**-**	-	81.6
Repayment of loan notes		**-**	(1.1)	(1.1)
Financial derivative termination costs		**(0.3)**	(6.3)	(6.9)
Net proceeds of share issues		**0.3**	-	0.4
Dividends paid	21	**(19.5)**	(19.7)	(30.4)
Net cash from/(used in) financing activities		**40.5**	(21.5)	(31.4)
Increase/(decrease) in cash and cash equivalents in the period		**1.1**	(0.6)	0.9
Cash and cash equivalents at the beginning of the period		**4.4**	3.5	3.5
Cash and cash equivalents at the end of the period	24	**5.5**	2.9	4.4

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information for the half years ended 30 June 2013 and 30 June 2012 have neither been subject to an audit nor a review in accordance with the International Standard on Review Engagements 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 ended 31 December 2012 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year ended 31 December 2012 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial information in these condensed 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. It has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual report and accounts for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

2. Changes in accounting policies

The accounting policies applied by the Group in these condensed financial statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2012 with the exception of the new standards adopted during 2013 and the additional policy for trading property as shown below.

New standards adopted during the period
The new standards adopted during the half year to 30 June 2013 are outlined below:

IFRS 7 (amended) – Offsetting Financial Assets and Financial Liabilities;
IFRS 13 Fair Value Measurement;
IAS 1 (amended) – Presentation of Items of Other Comprehensive Income;
IAS 12 (amended) – Deferred tax: Recovery of Underlying Assets; and
IAS 19 (revised) – Employee Benefits.

These had no material impact on the financial statements, but the adoption of IFRS 13 Fair Value Measurement resulted in additional disclosure.

During the half year to 30 June 2013, the Group transferred, at market value, a property previously held for investment to trading property as it became the Group's intention to redevelop and sell this property. As a result, the Group adopted the following accounting policy:

Trading property
In accordance with IAS 2 Inventories, trading property is measured at the lower of cost and net realisable value. The amount of any write-down of trading property to net realisable value and any trading property losses are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of trading property, arising from an increase in the realisable value, is recognised as a reduction in the amount of trading property recognised as an expense in the period in which the reversal occurs.

Standards and interpretations in issue but not yet effective
The following standards and guidelines relevant to the Group were in issue at the date of approval of the condensed consolidated financial statements but were not yet effective for the current accounting period and have not been adopted early.

The following standards are deemed not relevant to the Group or to have no material impact on the financial statements of the Group when the relevant standards become effective:

IFRS 9 Financial Instruments;
IFRS 12 Disclosure of Interests in Other Entities;
IAS 27 (revised) – Separate Financial Statements;
IAS 28 (revised) – Investments in Associates and Joint Ventures;
IAS 32 (amended) – Offsetting Financial Assets and Financial Liabilities; and
Annual Improvements to IFRSs (2009-2011 Cycle).

The following standards will affect the accounting for any future joint arrangements entered into by the Group:

IFRS 10 Consolidated Financial Statements; and
IFRS 11 Joint Arrangements.

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. These are the same policies identified at the previous year end and a full discussion of these policies is included in the 2012 financial statements.

- Trade receivables;
- Property portfolio valuation;
- Outstanding rent reviews; and
- Compliance with the real estate investment trust (REIT) taxation regime.

4. Segmental reporting

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 is the Executive Committee comprising the six executive Directors and four senior managers) 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 per share, net asset value and profit figures. Reconciliations of each of these figures to their statutory equivalents are detailed in note 12. Additionally, information is provided to the Executive Committee showing the gross property income and investment 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, assets held for sale and trading property and comprises 94% office buildings* by value (30 June 2012: 92%; 31 December 2012: 93%). The Directors consider that these properties have similar economic characteristics. Therefore, these individual properties have been aggregated into a single operating segment. The remaining 6% (30 June 2012: 8%; 31 December 2012: 7%) represents a mixture of retail, hotel, residential and light industrial properties, as well as land, each of which is de minimis in its own right. Accordingly, the Directors are of the view that it is appropriate to disclose two reportable segments, 'office buildings' and 'other', by reference to gross property income and property value.

No tenant accounted for more than 10% of gross property income and no individual property accounted for more than 10% of the value of the property portfolio in either the half year to 30 June 2013, the half year to 30 June 2012, or the year ended 31 December 2012.

All of the Group's properties are based in the UK. The Group also has a joint venture in Prague which represents 0.1% of the Group's assets and is excluded from this analysis. 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 regarding the areas contained in the business review.

* 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 2013			
West End central	38.7	1.2	**39.9**
West End borders	6.7	0.1	**6.8**
City borders	14.7	0.1	**14.8**
Provincial	-	2.5	**2.5**
	60.1	**3.9**	**64.0**
Half year to 30 June 2012			
West End central	38.9	1.0	39.9
West End borders	5.7	0.1	5.8
City borders	13.4	0.1	13.5
Provincial	-	3.1	3.1
	58.0	4.3	62.3
Year to 31 December 2012			
West End central	78.0	1.9	79.9
West End borders	11.5	0.2	11.7
City borders	27.3	0.1	27.4
Provincial	-	5.8	5.8
	116.8	8.0	124.8

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

Property portfolio

	Carrying value			Fair value		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	**Total £m**
30 June 2013						
West End central	1,919.2	90.4	**2,009.6**	1,944.0	90.6	**2,034.6**
West End borders	254.2	10.5	**264.7**	270.6	10.5	**281.1**
City borders	680.8	4.5	**685.3**	690.5	4.5	**695.0**
Provincial	-	88.4	**88.4**	-	93.0	**93.0**
	2,854.2	**193.8**	**3,048.0**	**2,905.1**	**198.6**	**3,103.7**
30 June 2012						
West End central	1,737.4	80.9	1,818.3	1,760.1	81.1	1,841.2
West End borders	223.6	9.9	233.5	237.7	9.8	247.5
City borders	512.8	2.8	515.6	523.9	2.8	526.7
Provincial	-	108.4	108.4	-	113.0	113.0
	2,473.8	202.0	2,675.8	2,521.7	206.7	2,728.4
31 December 2012						
West End central	1,782.9	86.1	1,869.0	1,806.4	86.2	1,892.6
West End borders	244.5	9.9	254.4	259.7	9.9	269.6
City borders	590.2	4.5	594.7	599.4	4.5	603.9
Provincial	-	88.9	88.9	-	93.5	93.5
	2,617.6	189.4	2,807.0	2,665.5	194.1	2,859.6

A reconciliation between the fair value and carrying value of the portfolio is set out in note 13.

5. Property and other income

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Rental income	**63.9**	62.3	124.7
Surrender premiums	**0.2**	0.1	0.3
Write-off of associated rents previously recognised in advance	**(0.1)**	(0.1)	(0.2)
	0.1	-	0.1
Gross property income	**64.0**	62.3	124.8
Service charge income	**12.7**	11.3	23.3
Other income	**1.1**	0.9	2.5
Gross property and other income	**77.8**	74.5	150.6
Gross property income	**64.0**	62.3	124.8
Other income	**1.1**	0.9	2.5
Ground rent	**(0.2)**	(0.1)	(0.5)
Reverse surrender premiums	**(0.3)**	-	(0.2)
Service charge income	**12.7**	11.3	23.3
Service charge expenses	**(13.9)**	(11.9)	(24.8)
	(1.2)	(0.6)	(1.5)
Other property costs	**(3.9)**	(4.4)	(8.1)
Net property and other income	**59.5**	58.1	117.0

Included within rental income is £1.2m (30 June 2012: £1.2m; 31 December 2012: £2.5m) of income which was derived from a lease of one of its buildings where the Group entered into an arrangement to restructure the lease arrangements such that the Group could obtain possession of the building whilst maintaining rental income. The Group has included the income from this building within gross property income as, although similar to a lease surrender arrangement, the Group's entitlement to this rental income is linked to its continued ownership of the property rather than being an unconditional amount receivable (whether as an upfront payment or through a series of instalments). Additionally, rental income includes £2.1m (30 June 2012: £5.3m; 31 December 2012: £8.2m) relating to rents recognised in advance of the cash receipts.

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

6. Profit on disposal of investment property

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Gross disposal proceeds	**17.8**	67.4	162.0
Costs of disposal	**(0.4)**	(0.3)	(1.1)
Net disposal proceeds	**17.4**	67.1	160.9
Carrying value	**(17.1)**	(67.2)	(154.2)
Adjustment for rents recognised in advance	**-**	(0.8)	(0.9)
Movement in grossing up of headlease liability	**-**	1.1	1.1
	0.3	0.2	6.9

7. Profit on disposal of investment

In March 2012 the Group liquidated a non-trading US subsidiary. In previous years, the retranslation of the US-dollar denominated loan from this subsidiary resulted in foreign exchange movements being reflected in the income statement. The net asset impact in each year was effectively nil as there was an equal and opposite movement taken to other comprehensive income on translation of the subsidiary's net asset balance. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, on disposal of this foreign subsidiary the cumulative amount of £3.9m of the exchange differences previously recognised in other comprehensive income and accumulated in the foreign currency translation reserve was reclassified to the Group income statement. In 2012, as in previous years, the effect of this reclassification on net assets was effectively nil.

8. Finance income and costs

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Finance income			
Net interest received on defined benefit pension scheme asset	**-**	-	0.1
Foreign exchange gain	**-**	0.3	0.3
	-	0.3	0.4
Finance costs			
Bank loans and overdraft	**10.6**	10.5	20.5
Non-utilisation fees	**1.3**	1.8	3.3
Secured loan	**1.6**	-	1.4
Secured bonds	**5.7**	5.7	11.4
Unsecured convertible bonds	**3.3**	3.3	6.6
Amortisation of issue and arrangement costs	**1.5**	1.7	3.1
Amortisation of the fair value of the secured bonds	**(0.4)**	(0.4)	(0.8)
Finance lease costs	**0.3**	0.2	0.4
Other	**0.2**	0.1	0.2
Gross interest costs	**24.1**	22.9	46.1
Less: interest capitalised	**(3.4)**	(2.2)	(4.9)
	20.7	20.7	41.2

Interest of £3.4m (30 June 2012: £2.2m; 31 December 2012: £4.9m) has been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowing during each quarter. Total interest paid to 30 June 2013 was £19.7m (30 June 2012: £19.3m; 31 December 2012: £38.2m) of which £3.4m (30 June 2012: £2.2m; 31 December 2012: £4.9m) was included in capital expenditure on properties in the Group cash flow statement under investing activities.

The foreign exchange gain in 2012 of £0.3m resulted from the translation of an intercompany loan from a non-trading US subsidiary. The impact on net asset value from this exchange movement was effectively nil as there is an offsetting entry in equity (see Group statement of comprehensive income). The US subsidiary was liquidated in March 2012 (see note 7).

9. Financial derivative termination costs

In March 2013, the Group incurred costs of £0.3m deferring the start date of a "forward-start" interest rate swap from 28 March to 25 July 2013.

In January 2012, the Group terminated two interest rate swaps with a principal amount of £130.0m and a weighted average rate of approximately 5.0%, excluding margin, which were due to expire in March 2013. The cost of breaking these swaps was £6.3m, a small discount to the additional interest charge that would have been incurred through the remaining life of the swaps.

In addition, in July 2012, the Group incurred costs of £0.6m breaking an interest rate swap with a principal amount of £65.0m and a weighted average rate of just under 2.0%, excluding margin, which was due to expire in March 2013.

10. Share of results of joint ventures

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Revaluation (deficit)/surplus	**(0.3)**	-	0.3
Other profit from operations after tax	**1.0**	0.4	0.8
	0.7	0.4	1.1

11. Tax charge/(credit)

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Corporation tax charge			
UK corporation tax and income tax on profit for the period	**0.3**	0.2	0.6
Other adjustments in respect of prior years' tax	**0.3**	(0.1)	0.2
Corporation tax charge	**0.6**	0.1	0.8
Deferred tax charge/(credit)			
Origination and reversal of temporary differences	**0.6**	(0.2)	(5.1)
Adjustment for changes in estimates	**-**	(0.3)	(0.3)
Deferred tax charge/(credit)	**0.6**	(0.5)	(5.4)
Tax charge/(credit)	**1.2**	(0.4)	(4.6)

In addition, deferred tax credits of £0.4m and £0.3m were recognised in the Group statement of comprehensive income in the half year to 30 June 2012 and the year to 31 December 2012 respectively, relating to revaluation of the owner-occupied property.

The effective rate of tax for the half year to 30 June 2013 is lower (half year to 30 June 2012: lower; year to 31 December 2012: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Profit before tax	**219.8**	102.4	228.1
Expected tax charge based on the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**51.1**	25.1	55.9
Difference between tax and accounting profit on disposals	**(0.2)**	(1.0)	(1.1)
REIT exempt income	**(3.5)**	(2.7)	(5.6)
Expenses and fair value adjustments not allowable for tax purposes	**(5.5)**	(1.9)	(4.7)
Revaluation surplus attributable to REIT properties	**(41.2)**	(19.0)	(42.3)
Capital allowances	**(1.5)**	(1.5)	(3.3)
Origination and reversal of temporary differences	**0.6**	(0.5)	(5.1)
Other differences	**1.1**	1.2	1.4
Tax charge/(credit) on current period’s profit	**0.9**	(0.3)	(4.8)
Adjustments in respect of prior years’ tax	**0.3**	(0.1)	0.2
	1.2	(0.4)	(4.6)

12. EPRA performance measures

Cost ratio

The table below follows guidance published by EPRA on the calculation of cost ratios. This guidance will be incorporated into an updated version of the EPRA Best Practice Recommendations which is expected later this year. The Group has a policy of not capitalising any overhead or operating expenses.

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Administrative expenses	**11.8**	11.6	24.5
Other property costs	**3.9**	4.4	8.1
Net service charge costs	**1.2**	0.6	1.5
Service charge costs recovered through rents but not separately invoiced	**(0.2)**	(0.2)	(0.3)
Management fees received less estimated profit element	**(1.1)**	(0.9)	(2.5)
Share of joint ventures' expenses	**0.2**	0.4	0.2
EPRA costs (including direct vacancy costs) (A)	**15.8**	15.9	31.5
Direct vacancy costs	**(2.3)**	(2.9)	(5.1)
EPRA costs (excluding direct vacancy costs) (B)	**13.5**	13.0	26.4
Rental income	**63.9**	62.3	124.7
Ground rent	**(0.2)**	(0.1)	(0.5)
Service charge components of rental income	**(0.2)**	(0.2)	(0.3)
Share of joint ventures' rental income less ground rent	**1.2**	1.6	1.1
Gross rental income (C)	**64.7**	63.6	125.0
EPRA cost ratio (including direct vacancy costs) (A/C)	**24.4%**	25.0%	25.2%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**20.9%**	20.4%	21.1%

Number of shares

	Earnings per share measures			Net asset value per share measures		
	Weighted average for the period ended			At period ended		
	30.06.2013 '000	30.06.2012 '000	31.12.2012 '000	**30.06.2013 '000**	30.06.2012 '000	31.12.2012 '000
For use in undiluted measures	**102,129**	101,736	101,859	**102,413**	101,962	102,014
Dilutive effect of convertible bonds	**7,876**	7,876	7,876	**-**	-	-
Dilutive effect of share-based payments	**481**	493	500	**488**	508	523
For use in diluted earnings per share	**110,486**	110,105	110,235	**102,901**	102,470	102,537
Less dilutive effect of convertible bonds	**(7,876)**	(7,876)	(7,876)	**-**	-	-
For use in other diluted measures	**102,610**	102,229	102,359	**102,901**	102,470	102,537

On 2 June 2011, the Group issued £175m of unsecured convertible bonds with an initial conversion price set at £22.22. The dilutive effect of these shares is required to be recognised in accordance with IAS 33 Earnings per Share. For the half years to 30 June 2013 and 30 June 2012, and the year ended 31 December 2012, these shares are dilutive for unadjusted earnings per share. However, they are anti-dilutive for both EPRA and underlying earnings per share and all net asset per share measures, and have therefore, in accordance with IAS 33, been excluded from those calculations.

Profit before tax, earnings and earnings per share

	Profit before tax £m	Earnings £m	Earnings per share p	Diluted earnings per share p
Diluted earnings for half year ended 30 June 2013		218.0		197.31
Interest effect of dilutive convertible bonds		(3.3)		
Undiluted profit/earnings	219.8	214.7	210.22	
Adjustment for:				
Disposal of properties	(0.3)	(0.3)		
Group revaluation surplus	(175.3)	(174.8)		
Joint venture revaluation deficit	0.3	0.3		
Movement in fair value of derivative financial instruments	(17.0)	(17.0)		
Financial derivative termination costs	0.3	0.3		
Movement in valuation of cash-settled share options	0.2	0.2		
Minority interests in respect of the above	-	3.1		
EPRA and underlying	**28.0**	**26.5**	**25.95**	**25.83**

Diluted earnings for half year ended 30 June 2012		104.1		94.55
Interest effect of dilutive convertible bonds		(3.3)		
Undiluted profit/earnings	102.4	100.8	99.08	
Adjustment for:				
Disposal of properties	(0.2)	(0.2)		
Disposal of investment	(3.9)	(3.9)		
Group revaluation surplus	(77.3)	(77.9)		
Movement in fair value of derivative financial instruments	(1.2)	(1.2)		
Financial derivative termination costs	6.3	6.3		
Movement in valuation of cash-settled share options	0.4	0.4		
Minority interests in respect of the above	-	1.2		
EPRA	26.5	25.5	25.06	24.94
Foreign exchange gain	(0.3)	(0.3)		
Rates credits	(0.1)	(0.1)		
Underlying	26.1	25.1	24.67	24.55

Diluted earnings for year ended 31 December 2012		233.5		211.82
Interest effect of dilutive convertible bonds		(6.6)		
Undiluted profit/earnings	228.1	226.9	222.76	
Adjustment for:				
Disposal of properties	(6.9)	(6.9)		
Disposal of investment	(3.9)	(3.9)		
Group revaluation surplus	(174.4)	(178.8)		
Joint venture revaluation surplus	(0.3)	(0.3)		
Movement in fair value of derivative financial instruments	2.4	2.4		
Financial derivative termination costs	6.9	6.9		
Movement in valuation of cash-settled share options	0.6	0.6		
Minority interests in respect of the above	-	4.4		
EPRA	52.5	51.3	50.36	50.12
Foreign exchange gain	(0.3)	(0.3)		
Rates credits	(0.3)	(0.3)		
Underlying	51.9	50.7	49.77	49.53

Net asset value and net asset value per share

	£m	Basic p	Diluted p
At 30 June 2013			
Net assets	2,118.2		
Minority interest	(61.5)		
Net assets attributable to equity shareholders	2,056.7	2,008	1,999
Adjustment for:			
Deferred tax on revaluation surplus	4.6		
Fair value of derivative financial instruments	37.3		
Fair value adjustment to secured bonds	17.4		
Minority interest in respect of the above	(2.4)		
EPRA net asset value	**2,113.6**	**2,064**	**2,054**
Adjustment for:			
Deferred tax on revaluation surplus	(4.6)		
Fair value of derivative financial instruments	(37.3)		
Mark-to-market of unsecured convertible bonds	(30.2)		
Mark-to-market of secured bonds	(27.7)		
Mark-to-market of fixed rate secured loan	5.6		
Minority interest in respect of the above	2.4		
EPRA triple net asset value	2,021.8	1,974	1,965
At 30 June 2012			
Net assets	1,792.9		
Minority interest	(53.8)		
Net assets attributable to equity shareholders	1,739.1	1,706	1,697
Adjustment for:			
Deferred tax on revaluation surplus	7.8		
Fair value of derivative financial instruments	50.8		
Fair value adjustment to secured bonds	18.2		
Minority interest in respect of the above	(2.4)		
EPRA net asset value	1,813.5	1,779	1,770
Adjustment for:			
Deferred tax on revaluation surplus	(7.8)		
Fair value of derivative financial instruments	(50.8)		
Mark-to-market of unsecured convertible bonds	(11.7)		
Mark-to-market of secured bonds	(42.9)		
Minority interest in respect of the above	2.4		
EPRA triple net asset value	1,702.7	1,670	1,662
At 31 December 2012			
Net assets	1,918.0		
Minority interest	(57.6)		
Net assets attributable to equity shareholders	1,860.4	1,824	1,814
Adjustment for:			
Deferred tax on revaluation surplus	4.1		
Fair value of derivative financial instruments	54.3		
Fair value adjustment to secured bonds	17.8		
Minority interest in respect of the above	(2.7)		
EPRA net asset value	1,933.9	1,896	1,886
Adjustment for:			
Deferred tax on revaluation surplus	(4.1)		
Fair value of derivative financial instruments	(54.3)		
Mark-to-market of unsecured convertible bonds	(20.0)		
Mark-to-market of secured bonds	(39.0)		
Mark-to-market of fixed rate secured loan	1.0		
Minority interest in respect of the above	2.7		
EPRA triple net asset value	1,820.2	1,784	1,775

13. Property portfolio

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
Carrying value							
At 1 January 2013	2,296.6	476.0	2,772.6	17.9	16.5	-	2,807.0
Acquisitions	29.6	-	29.6	-	-	-	29.6
Capital expenditure	41.5	7.5	49.0	-	-	0.7	49.7
Interest capitalisation	2.9	0.5	3.4	-	-	-	3.4
Additions	74.0	8.0	82.0	-	-	0.7	82.7
Disposals	(0.6)	-	(0.6)	-	(16.5)	-	(17.1)
Transfers	(10.5)	(130.2)	(140.7)	-	130.2	10.5	-
Revaluation	97.1	78.2	175.3	0.2	-	-	175.5
Movement in grossing up of headlease liabilities	-	(0.1)	(0.1)	-	-	-	(0.1)
At 30 June 2013	**2,456.6**	**431.9**	**2,888.5**	**18.1**	**130.2**	**11.2**	**3,048.0**
At 1 January 2012	2,068.9	376.0	2,444.9	17.1	137.5	-	2,599.5
Acquisitions	30.6	8.0	38.6	-	-	-	38.6
Capital expenditure	21.3	3.7	25.0	-	0.5	-	25.5
Interest capitalisation	1.9	0.3	2.2	-	-	-	2.2
Additions	53.8	12.0	65.8	-	0.5	-	66.3
Disposals	-	-	-	-	(67.2)	-	(67.2)
Depreciation	-	-	-	(0.1)	-	-	(0.1)
Transfers	(16.4)	-	(16.4)	-	16.4	-	-
Revaluation	57.8	14.1	71.9	0.3	5.4	-	77.6
Movement in grossing up of headlease liabilities	-	(0.3)	(0.3)	-	-	-	(0.3)
At 30 June 2012	2,164.1	401.8	2,565.9	17.3	92.6	-	2,675.8
At 1 January 2012	2,068.9	376.0	2,444.9	17.1	137.5	-	2,599.5
Acquisitions	57.1	44.4	101.5	-	-	-	101.5
Capital expenditure	63.9	13.2	77.1	-	0.4	-	77.5
Interest capitalisation	4.2	0.7	4.9	-	-	-	4.9
Additions	125.2	58.3	183.5	-	0.4	-	183.9
Disposals	(16.1)	(0.2)	(16.3)	-	(137.9)	-	(154.2)
Depreciation	-	-	-	(0.1)	-	-	(0.1)
Transfers	(17.7)	1.2	(16.5)	-	16.5	-	-
Revaluation	136.3	38.1	174.4	0.9	-	-	175.3
Movement in grossing up of headlease liabilities	-	2.6	2.6	-	-	-	2.6
At 31 December 2012	2,296.6	476.0	2,772.6	17.9	16.5	-	2,807.0

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 2013							
Fair value	2,516.7	427.7	2,944.4	18.1	130.0	11.2	3,103.7
Rents recognised in advance	(60.1)	(3.9)	(64.0)	-	(0.5)	-	(64.5)
Grossing up of headlease liabilities	-	8.1	8.1	-	0.7	-	8.8
Carrying value	**2,456.6**	**431.9**	**2,888.5**	**18.1**	**130.2**	**11.2**	**3,048.0**
At 30 June 2012							
Fair value	2,218.6	399.9	2,618.5	17.3	92.6	-	2,728.4
Rents recognised in advance	(54.5)	(4.1)	(58.6)	-	-	-	(58.6)
Grossing up of headlease liabilities	-	6.0	6.0	-	-	-	6.0
Carrying value	2,164.1	401.8	2,565.9	17.3	92.6	-	2,675.8
At 31 December 2012							
Fair value	2,353.9	471.3	2,825.2	17.9	16.5	-	2,859.6
Rents recognised in advance	(57.3)	(4.2)	(61.5)	-	-	-	(61.5)
Grossing up of headlease liabilities	-	8.9	8.9	-	-	-	8.9
Carrying value	2,296.6	476.0	2,772.6	17.9	16.5	-	2,807.0

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2013 by external valuers on the basis of fair value in accordance with the RICS Valuation – Professional Standards (2012). The valuers' opinion was primarily derived using comparable recent market transactions on arm's length terms. CBRE Limited valued the majority of the properties at £3,073.6m (30 June 2012: £2,697.6m; 31 December 2012: £2,829.1m) and other valuers valued the remaining properties at £30.1m (30 June 2012: £30.8m; 31 December 2012: £30.5m). Of the properties revalued by CBRE, £18.1m (30 June 2012: £17.3m; 31 December 2012: £17.9m) relating to owner-occupied property was included within property, plant and equipment, £130.0m (30 June 2012: £92.6m; 31 December 2012: £16.5m) was included within non-current assets held for sale, and £11.2m (30 June 2012: £nil; 31 December 2012: £nil) was included in trading property.

At 30 June 2013, the historic cost of the property portfolio owned by the Group was £2,295.6m (30 June 2012: £2,173.6m; 31 December 2012: £2,228.4m).

The revaluation surplus in the income statement of £175.3m for the half year to 30 June 2013 (half year to 30 June 2012: £77.3m; year to 31 December 2012: £174.4m) included the revaluation of non-current assets held for sale of £nil (half year to 30 June 2012: £5.4m; year to 31 December 2012: £nil). The revaluation surplus for the owner-occupied property of £0.2m (half year to 30 June 2012: £0.3m; year to 31 December 2012: £0.9m) was included within reserves.

During the half year to 30 June 2013, the Group transferred, at market value, a property previously held for investment to trading property as it became the Group's intention to redevelop and sell this property. Any future revaluation surplus relating to trading property will be recognised as an adjustment to EPRA net asset value, but, in accordance with IAS 2 Inventories, will not be recognised in the reported figures.

14. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2013	17.9	1.5	0.9	20.3
Additions	-	-	0.2	0.2
Depreciation	-	-	(0.2)	(0.2)
Revaluation	0.2	-	-	0.2
At 30 June 2013	**18.1**	**1.5**	**0.9**	**20.5**
At 1 January 2012	17.1	1.5	0.8	19.4
Additions	-	-	0.4	0.4
Depreciation	(0.1)	-	(0.2)	(0.3)
Revaluation	0.3	-	-	0.3
At 30 June 2012	17.3	1.5	1.0	19.8
At 1 January 2012	17.1	1.5	0.8	19.4
Additions	-	-	0.4	0.4
Depreciation	(0.1)	-	(0.3)	(0.4)
Revaluation	0.9	-	-	0.9
At 31 December 2012	17.9	1.5	0.9	20.3
Net book value				
Cost or valuation	18.1	1.5	2.3	21.9
Accumulated depreciation	-	-	(1.4)	(1.4)
At 30 June 2013	**18.1**	**1.5**	**0.9**	**20.5**
Net book value				
Cost or valuation	17.4	1.5	2.2	21.1
Accumulated depreciation	(0.1)	-	(1.2)	(1.3)
At 30 June 2012	17.3	1.5	1.0	19.8
Net book value				
Cost or valuation	17.9	1.5	2.2	21.6
Accumulated depreciation	-	-	(1.3)	(1.3)
At 31 December 2012	17.9	1.5	0.9	20.3

The artwork is periodically valued by Bonhams on the basis of open market value. The latest valuation was carried out in November 2012, and the Directors consider that there have been no valuation movements since that date.

The historic cost of the artwork in the Group at 30 June 2013 was £1.5m (30 June 2012: £1.5m; 31 December 2012: £1.5m).

15. Other receivables (non-current)

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Accrued income	**58.3**	53.3	55.5
Other	**5.5**	5.4	5.4
	63.8	58.7	60.9

Accrued income relates to rents recognised in advance as a result of spreading the effect of rent free periods, reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts over the expected terms of their respective leases. At 30 June 2013, the total rents recognised in advance were £64.5m (30 June 2012: £58.6m; 31 December 2012: £61.5m), with £6.2m of this amount (30 June 2012: £5.3m; 31 December 2012: £6.0m) included as current assets within trade and other receivables.

16. Trade and other receivables

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Trade receivables	**9.0**	5.2	8.6
Other receivables	**14.5**	16.2	13.3
Prepayments	**21.5**	18.6	14.8
Sales and social security taxes	**2.5**	-	5.9
Accrued income	**7.5**	7.3	8.2
	55.0	47.3	50.8

17. Non-current assets held for sale

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Investment property (see note 13)	**130.2**	92.6	16.5

In July 2013, the Group completed the sale of its 50% interest in 1-5 Grosvenor Place SW1 for a total of £132.5m before costs.

In 2011, the Group exchanged contracts to sell two properties, Riverwalk House SW1 and 232-242 Vauxhall Bridge Road SW1, for a combined total of £77.3m before costs, with completion conditional on a suitable planning permission, the receipt of which occurred during the second half of 2012. Prior to 30 June 2012, the Group exchanged contracts to sell two properties in its Scottish portfolio for a combined total of £16.8m before costs, with completion occurring in July 2012. At 30 June 2012, these properties had a carrying value of £92.6m.

In February 2013, the Group exchanged contracts to sell two freehold properties for a total of £16.5m after costs, with completion occurring in March 2013.

Therefore, at 30 June 2013, 30 June 2012 and 31 December 2012, respectively, these properties were recognised as non-current assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale.

18. Trade and other payables

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Trade payables	**8.5**	5.9	7.9
Other payables	**12.9**	11.7	10.6
Accruals	**28.4**	16.1	25.7
Deferred income	**35.6**	36.3	36.3
	85.4	70.0	80.5

19. Borrowings and derivative financial instruments

	30.06.2013		30.06.2012		31.12.2012	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
Bank loans	**124.9**	**125.0**	95.0	95.0	-	-
	124.9	**125.0**	95.0	95.0	-	-
Non-current liabilities						
2.75% unsecured convertible bonds 2016	**166.4**	**199.3**	163.7	179.0	165.0	188.2
6.5% secured bonds 2026	**191.1**	**202.7**	191.8	217.9	191.4	214.0
Bank loans	**368.2**	**372.5**	416.6	423.0	432.2	437.5
3.99% secured loan	**81.7**	**77.4**	-	-	81.7	82.0
Leasehold liabilities	**8.9**	**8.9**	6.0	6.0	8.9	8.9
	816.3	**860.8**	778.1	825.9	879.2	930.6
Derivative financial instruments						
Expiring in less than one year	**-**	**-**	0.6	0.6	-	-
Expiring in greater than one year	**37.3**	**37.3**	50.2	50.2	54.3	54.3
	37.3	**37.3**	50.8	50.8	54.3	54.3
Total	**978.5**	**1,023.1**	923.9	971.7	933.5	984.9

Reconciliation to net debt:			
Total borrowings and derivative financial instruments	**978.5**	923.9	933.5
Less:			
Derivative financial instruments	**(37.3)**	(50.8)	(54.3)
Cash and cash equivalents	**(5.5)**	(2.9)	(4.4)
Net debt	**935.7**	870.2	874.8

The fair values of the Group's bonds and secured loan have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures. 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 difference 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. They represent Level 2 fair value measurements. The fair values of the Group's bank loans are approximately the same as their carrying amount after adjusting for the unamortised arrangement fees.

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

- Trade receivables;
- Cash and cash equivalents;
- Trade payables; and
- Leasehold liabilities.

20. Deferred tax

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2013	4.1	(4.6)	(0.5)
Provided during the period in the income statement	0.5	0.1	0.6
At 30 June 2013	**4.6**	**(4.5)**	**0.1**
At 1 January 2012	8.8	(3.6)	5.2
Released during the period in other comprehensive income	(0.3)	-	(0.3)
Changes in tax rates in other comprehensive income	(0.1)	-	(0.1)
Released during the period in the income statement	-	(0.2)	(0.2)
Changes in tax rates in the income statement	(0.6)	0.3	(0.3)
At 30 June 2012	7.8	(3.5)	4.3
At 1 January 2012	8.8	(3.6)	5.2
Released during the year in other comprehensive income	(0.2)	-	(0.2)
Changes in tax rates in other comprehensive income	(0.1)	-	(0.1)
Released during the year in the income statement	(3.8)	(1.3)	(5.1)
Changes in tax rates in the income statement	(0.6)	0.3	(0.3)
At 31 December 2012	4.1	(4.6)	(0.5)

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

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

21. Dividend

	Payment date	Dividend per share PID	Non-PID	Total	**Half year to 30.06.2013**	Half year to 30.06.2012	Year to 31.12.2012
		p	p	p	**£m**	£m	£m
Current period							
2013 interim dividend	24 October 2013	6.00	4.75	10.75	**-**	-	-
Distribution of current period profit		6.00	4.75	10.75			
Prior period							
2012 interim dividend	1 November 2012	9.95	-	9.95	**-**	-	10.2
Distribution of prior period profit		9.95	-	9.95			
Prior year							
2012 final dividend	14 June 2013	18.75	5.00	23.75	**24.3**	-	-
Distribution of prior year profit		28.70	5.00	33.70			
2011 final dividend	15 June 2012	18.10	3.80	21.90	**-**	22.3	22.3
Dividends as reported in the statement of changes in equity					**24.3**	22.3	32.5
2012 final scrip dividend	14 June 2013				**(3.5)**	-	-
2012 final dividend withholding tax	12 July 2013				**(2.8)**	-	-
2012 interim dividend withholding tax	14 January 2013				**1.5**	-	(1.5)
2012 interim scrip dividend	1 November 2012				**-**	-	(0.7)
2011 final scrip dividend	15 June 2012				**-**	(1.3)	(1.3)
2011 final dividend withholding tax	13 July 2012				**-**	(2.7)	-
2011 interim dividend withholding tax	27 January 2012				**-**	1.4	1.4
Dividends paid as reported in the cash flow statement					**19.5**	19.7	30.4

22. Gearing ratios

NAV gearing

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Net debt	**935.7**	870.2	874.8
Net assets	**2,118.2**	1,792.9	1,918.0
NAV gearing	**44.2%**	48.5%	45.6%

Loan-to-value ratio

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Net debt	**935.7**	870.2	874.8
Fair value adjustment of secured bonds	**(17.4)**	(18.2)	(17.8)
Unamortised issue and arrangement costs	**9.7**	11.4	11.2
Leasehold liabilities	**(8.9)**	(6.0)	(8.9)
Drawn debt	**919.1**	857.4	859.3
Fair value of property portfolio	**3,103.7**	2,728.4	2,859.6
Loan-to-value ratio	**29.6%**	31.4%	30.0%

Interest cover ratio

	Half year to 30.06.2013 £m	Half year to 30.06.2012 £m	Year to 31.12.2012 £m
Gross property income	**64.0**	62.3	124.8
Surrender premiums	**(0.2)**	(0.1)	(0.3)
Ground rent	**(0.5)**	(0.3)	(0.9)
Gross rental income net of ground rent	**63.3**	61.9	123.6
Net finance costs	**20.7**	20.4	40.8
Foreign exchange gain	**-**	0.3	0.3
Net interest received on defined benefit pension scheme asset	**-**	-	0.1
Finance lease costs	**(0.3)**	(0.2)	(0.4)
Amortisation of fair value adjustment to secured bonds	**0.4**	0.4	0.8
Amortisation of issue and arrangement costs	**(1.5)**	(1.7)	(3.1)
Non-utilisation fees	**(1.3)**	(1.8)	(3.3)
Net interest payable	**18.0**	17.4	35.2
Interest cover ratio	**352%**	356%	351%

23. Total return

	Half year to 30.06.2013 p	Half year to 30.06.2012 p	Year to 31.12.2012 p
EPRA net asset value on a diluted basis			
At end of period	**2,054.00**	1,770.00	1,886.00
At start of period	**(1,886.00)**	(1,701.00)	(1,701.00)
Increase	**168.00**	69.00	185.00
Dividend per share	**23.75**	21.90	31.85
Increase including dividend	**191.75**	90.90	216.85
Total return	**10.2%**	5.3%	12.7%

24. Cash and cash equivalents

	30.06.2013 £m	30.06.2012 £m	31.12.2012 £m
Short-term deposits	**5.5**	2.9	4.4

25. Post balance sheet events

Since 30 June 2013, the Group has completed the disposal of its 50% ownership of 1-5 Grosvenor Place SW1 for £132.5m before costs. This transaction will result in a profit before tax of approximately £53.0m.

In addition, in July 2013, the Group issued a 1.125%, £150.0m, unsecured convertible bond. Following this, the Group paid £12.9m to cancel and restructure certain interest rate swaps.

26. Risk management and internal control

Risk is an inherent part of running a business and, whilst the Board aims to maximise returns, it needs to understand and manage the associated risks. Whilst overall responsibility for this process rests with the Board it has delegated responsibility for assurance concerning the risk management process to the Audit Committee and the Risk Committee, the latter having been established at the end of 2011. Executive management is responsible for designing, implementing and maintaining the necessary systems of internal control.

The Group operates principally from one central London office with a relatively flat management structure. This enables members of the Executive Committee to be closely involved in day-to-day matters and therefore able to quickly identify and respond to risks.

A key element in the system of internal controls is the Group's risk register which is reviewed formally by the Board once a year. The register is prepared by the members of the Executive Committee which, having identified the risks, collectively assesses the severity of each risk, the likelihood of it occurring and the strength of the controls in place. This approach allows the effect of any mitigating procedures to be considered and recognises that risk cannot be totally eliminated at an acceptable cost. It also recognises that there are some risks that, with its experience and after due consideration, the Board will choose to accept.

The register, its method of preparation and the operation of the key controls in the Group's system of internal control, is reviewed throughout the year by the Risk Committee which periodically receives presentations from senior management to gain a more in-depth understanding of the control environment in certain areas of the business. The register was updated between December 2012 and February 2013 and includes 43 risks spread between strategic risks, corporate risks, property risks and financial risks.

The principal risks and uncertainties that the Group faces in 2013, together with the controls and mitigating factors, are set out below:

Strategic risks

That the Group's strategy does not create the anticipated shareholder value or fails to meet investors' expectations.

Risk and effect

- **Inconsistent strategy**
  The Group's strategy is inconsistent with the state of the market in which it operates.

- **Inconsistent development programme**
  The Group's development programme is not consistent with the economic cycle.

  The Group currently benefits from a strong central London market which could be adversely affected by a number of high level economic factors. This would reduce the value of the Group's portfolio with a consequent effect on two of its KPIs – total return and total property return.

Controls and mitigation

- The Group carries out a five-year strategic review each year and also prepares an annual budget and three rolling forecasts which cover the next two years. In the course of preparing these documents the Board considers the effect on the Group's KPIs and key ratios caused by changing the main underlying assumptions to reflect different economic scenarios.

- The Group's plans can then be set so as to best realise its long-term strategic goals given the expected economic and market conditions. This flexibility arises from the policy of maintaining income from properties for as long as possible until development starts.

- Over 50% of the Group's portfolio has been identified for future redevelopment though this proportion would reduce over time should suitable acquisitions not be secured to maintain the pipeline. The board can choose to delay marginal projects until market conditions are favourable.

- The risk remains significant and therefore in setting its plans the Board pays particular attention to maintaining sufficient headroom in all the Group's key ratios, financial covenants and interest cover.

Action

- The last annual strategic review was carried out by the Board in June 2013. This considered the sensitivity of six key measures to changes in underlying assumptions including interest rates and borrowing margins, timing of projects, level of capital expenditure and capital recycling.

- The three rolling forecasts prepared during the year focus on the same key measures but consider the effect of varying different assumptions to reflect changing economic and market conditions.

- The timing of the Group's development programme and the strategies for individual properties reflect the outcome of these considerations.

- During the half year the Group's interest cover ratio was above 350% and the REIT ratios were comfortably met. At 30 June 2013 its loan-to-value ratio was 29.6%.

Financial risks

That the Group becomes unable to meet its financial obligations or finance the business appropriately.

Risk and effect	Controls and mitigation	Action
• **Breach of financial covenants** A substantial decline in property values or a material loss of rental income could result in a breach of the Group's financial covenants. This may accelerate the repayment of the Group's borrowings or result in their cancellation. A decline in property values would affect the Group's total return and total property return, both KPIs. A loss of rental income would also affect another KPI - interest cover ratio.	• The Group's secured borrowings contain financial covenants based on specific security and not corporate ratios such as overall NAV gearing. Treasury control schedules are updated weekly whilst the rolling forecasts enable any potential problems to be identified at an early stage and corrective action to be taken. The Group has considerable headroom under its financial covenants, operates at a modest level of gearing and has a substantial amount of uncharged property.	• The Group tests its compliance with financial covenants regularly and operated comfortably within these limits throughout the first half of 2013. Property values could decline by around 40% at the balance sheet date before there would be a breach of financial covenants. • Compliance with the financial covenants is one of the matters monitored as part of the sensitivity analysis undertaken when preparing the annual strategic review and the rolling forecasts. • At 30 June 2013, the Group owned £727m of uncharged properties.
• **Sub-optimal financing structure** The Group's cost of borrowing is increased due to an inability to raise finance from its preferred sources. This risk would affect the Group's interest cover ratio KPI.	• The Group's five-year strategic review and rolling forecasts enable financing requirements to be identified at an early stage. This allows alternative sources of finance to be evaluated and the preferred one to be identified. To a degree, the funds can then be raised when market conditions are favourable.	• The Group's financing comes increasingly from a number of different sources/providers and has a varied maturity profile. • In July 2013, the Group issued a £150m convertible bond expiring in 2019 at a coupon of 1.125%. In addition, credit approved terms were received for a £550m unsecured bank facility. • As at 30 June 2013, the weighted average duration of the Group's debt was 5.4 years. • At the period end, the Group had £273m of unutilised available, committed bank facilities.
• **Higher interest rates** Financing costs are higher due to increases in interest rates. This risk would also affect the Group's interest cover ratio KPI.	• The Group uses interest rate derivatives to "top up" the amount of fixed rate debt to a level commensurate with the perceived risk to the Group.	• 86% of borrowings were fixed or hedged at the period end.

Operational risks

The Group suffers either a loss or adverse consequences due to processes being inadequate or not operating correctly.

Risk and effects	Controls and mitigation	Action
• **Reduced development returns** The Group's development projects do not produce the anticipated financial return due to one or more of the following factors: : Delays in the planning process. : Delays due to contractors/ sub-contractors defaulting. : Increased construction costs. : Adverse letting conditions. This would have an effect on the Group's total return and total property return KPIs.	• Standardised appraisals including contingencies are prepared for all investments and sensitivity analysis is undertaken to ensure that an adequate return is made in all circumstances considered likely to occur. • The scale of the Group's development programme is managed to reflect anticipated market conditions. • Regular cost reports are produced for the Executive Committee and the Board that monitor progress of actual expenditure against budget. This allows potential adverse variances to be identified and addressed at an early stage. • Post completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures are identified and implemented.	• The Group is advised by top planning consultants and has considerable in-house planning expertise. • Executive Directors represent the Group on a number of local bodies which ensures that it remains aware of local issues. • 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. • The Group's style of accommodation remains in demand as evidenced by the 34 lettings achieved in the first half of 2013 which totalled 498,700 sq ft and will generate gross income of £15.5m p.a. • At 30 June 2013, the Group had secured pre-lets on 74% of the space in its current development programme which significantly "de-risks" these projects.
• **Tenant default** The Group suffers a loss of rental income and increased vacant property costs due to tenants vacating or becoming bankrupt. In particular, in the current economic conditions, there is increased stress on consumer spending which could lead to higher business failures. This risk could impact on any of the Group's KPIs.	• All prospective tenants are considered by the Group's credit committee and security is taken where appropriate either in the form of parent company guarantees or rent deposits. • The Group's property managers maintain regular contact with tenants and work closely with any that are facing financial difficulties. • The Group's credit committee regularly reviews a list of slow payers and considers what actions should be taken.	• The Group has a diversified tenant base. • The credit committee meets each week and considered 63 potential tenants during the first half of the year. • In total the Group held rental deposits amounting to £11.4m at the period end. • On average during the first half of the year, the Group collected 98% of the rents due within 14 days of the due date.

• **Shortage of key staff** The Group is unable to successfully implement its strategy due to inadequate succession planning or a failure to recruit and retain key staff with appropriate skills.	• The remuneration packages of all employees are benchmarked regularly. • Six-monthly appraisals identify training requirements which are fulfilled over the next six months. • The Nominations Committee reviews the Group's succession planning for both executive and non-executive Directors. • The Executive Committee considers non-Board succession issues.	• The Group recruited eight new members of staff during the first half of 2013. The key appointment of a sustainability manager was made in January 2013. • Staff turnover during the first half of 2013 was low at 3%.
• **Reputational damage** The Group's cost base is increased or its reputation damaged through a breach of any of the legislation that forms the regulatory framework within which the Group operates. This risk would most directly impact on the Group's total shareholder return – one of its key metrics. Indirectly it could impact on a number of the formal KPIs.	• The Group's Risk Committee reports to the Board concerning regulatory risk. • The Group employs a health and safety manager. • A sustainability committee chaired by Paul Williams and advised by external consultants addresses risk in this area. A sustainability manager was recruited in January 2013. • The Company's policies including those on the Bribery Act, Health and Safety, Equal Opportunities, Harassment and Whistleblowing are available to all staff on the Company intranet. • All new members of staff benefit from an induction programme.	• A Health and Safety report is presented at all Executive Committee and main Board meetings. • The Group pays considerable attention to sustainability issues and produces a sustainability report annually.

Financial instruments – risk management

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

- credit risk;
- fair value or cash flow interest rate risk; and
- liquidity risk.

In common with all 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 condensed 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 periods.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash at bank, bank overdraft, trade payables, floating rate bank loans, a fixed rate loan, 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 for designing and operating processes that ensure the effective implementation of the objectives and policies to the Executive Committee.

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 its lease contracts. It is Group policy to assess the credit risk of new tenants before entering into contracts. The Board has established 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 and trade references. The covenant strength of each tenant is determined based on this review and, if appropriate, a deposit or a guarantee is obtained.

As the Group operates predominantly in central London, it is subject to some geographical 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 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 arises from the Group's use of interest bearing instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

Fair value and cash flow interest rate risk
The Group is exposed to cash flow interest rate risk from borrowings at variable rates. 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 2013, the proportion of fixed debt held by the Group was marginally above this range at 86%. During both 2013 and 2012, the Group's borrowings at variable rate were denominated in sterling.

The Group monitors the interest rate exposure on a regular basis. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps.

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 variable rate long-term borrowings. This is further explained in the 'fair value and cash flow interest rate risk' section above.

The Executive Committee receives rolling three-year projections of cashflow 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 are spread across a range of banks 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, retained earnings and minority interest).

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
- 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 adjust the amount of dividends paid to shareholders, 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 the loan-to-value ratio. During 2013, the Group's strategy, which was unchanged from 2012, is to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the interest cover ratio, are defined at the end of this announcement and are derived in note 22.

27. List of definitions

Building Management System (BMS)
A BMS is a computer-based control system installed in buildings that controls and monitors the buildings' mechanical and electrical equipment such as ventilation, lighting and power systems.

Building Research Establishment Environmental Assessment Method (BREEAM)
BREEAM is 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.

Carbon Reduction Commitment Energy Efficiency Scheme (CRC)
This is the UK Government's mandatory scheme for carbon emissions reporting and allowance purchasing.

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

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.

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 published its latest Best Practices Recommendations in August 2011 (www.epra.com/media/EPRA_BPR_2011.pdf). This includes guidelines for the calculation of the following performance measures which the Group has adopted. In addition, in accordance with EPRA guidelines, Group specific adjustments have been made to adjusted profit and adjusted earnings per share to arrive at the underlying position (see definition of underlying profit/earnings per share below).

- **EPRA earnings per share**

Recurring earnings from core operational activities.

- **EPRA net asset value per share**

NAV adjusted to exclude certain items not expected to crystallise in a long-term investment property business model.

- **Triple net asset value per share**

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes on revaluations.

- **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 property, increased by estimated purchasers' costs.

- **"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).

- **Vacancy rate**

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

- **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, surrender premiums and properties acquired or disposed of in either period.

In July 2013, EPRA published guidance on the calculation of the following cost ratios:

- **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 vacancy costs.

Fair value movement
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, these leases are treated as finance leases and the cost allocated between interest payable and property outgoings.

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

Interest cover ratio
Gross property income, excluding surrender premiums, less ground rent divided by interest payable on borrowings less interest receivable and capitalised interest.

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.

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

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 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.

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.

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

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

Real Estate Investment Trust (REIT)
The Government established REIT status in the UK in 2007 to remove tax inequalities between different real estate investors and aimed to improve overall investor access to real estate. REITs are companies which are exempt from corporate taxation on profits from property rental income and capital gains on the sale of investment properties.

REITs must distribute 90% of UK rental income in the form of property income dividends (PIDs). This makes the tax implications of investing in REITs equivalent to investing directly in property. REITs are also required to meet certain conditions including the proportion of total profits and assets accounted for by their property rental businesses. They remain liable to corporation tax on non-property investment businesses e.g. management fees and interest receivable.

The UK has had a tax exempt real estate regime since 1 January 2007 and Derwent London has been a REIT since 1 July 2007.

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.

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)
The regulations place a legal duty on employers to report work-related deaths, major injuries or over-three-day injuries, work related diseases and dangerous occurrences (near miss accidents) to the Health and Safety Executive.

Reversion
The reversion is the amount by which the rental value as estimated by the Group's external valuers 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 vacant space.

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

Ska Rating
The Ska Rating is an environmental impact assessment method designed specifically for non-domestic fit out projects. Performance is measured across a series of ratings, Bronze, Silver and Gold.

Total property return
The annual capital appreciation, net of capital expenditure, plus the net annual rental income received, expressed as a percentage of capital employed (property value at the beginning of the year plus capital expenditure).

Total return
The movement in EPRA net asset value 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 asset value per share on a diluted basis at the beginning of the year.

Total shareholder return
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.

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

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 profit/earnings per share
EPRA profit or earnings per share adjusted for items which are excluded to show the underlying trend. For 2012, these adjustments were for rates credits and the foreign exchange movement.

Underlying valuation increase
The valuation increase on the underlying portfolio.

WRAP
WRAP is a not-for-profit organisation which assists organisations to become more efficient in the use of natural resources.

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

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