INTERIM RESULTS 2015 ANNOUNCEMENT

DERWENT LONDON PLC

13 August 2015

DERWENT LONDON

Derwent London plc (“Derwent London”/ “the Group”)

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2015
GOOD RETURNS DRIVEN BY RECORD LETTING ACTIVITY AND CLEAR-CUT STRATEGY

Financial highlights

- EPRA net asset value per share increased by 10.9% to 3,226p from 2,908p at 31 December 2014
- Net rental income increased by 5.0% to £66.9m from £63.7m in six months to June 2014
- EPRA profit before tax was £39.0m, an increase of 21.9% from £32.0m in H1 June 2014
- EPRA earnings per share were 33.97p, an increase of 16.5% from 29.15p in H1 June 2014
- Interim dividend per share of 12.60p, an increase of 8.2% from 2014

Operational performance

Strong property performance in six months to June 2015

- Underlying valuation uplift of 9.1%, compared to 9.8% in H1 and 9.8% in H2 2014
- Underlying valuation uplift on our six major projects was 14.2%
- Total property return of 10.3%, compared to 10.1% for IPD Central London Offices Index
- True equivalent yield tightened by 17 basis points to 4.56%
- Estimated rental values increased 5.2%, which compares to 4.2% in H1 and 4.8% in H2 2014
- Overall lettings in H1 4.3% above December 2014 ERV; open market lettings 9.3% above

Strategy delivers throughout the year

- Secured £20.3m of lettings on 394,600 sq ft, over twice that in the whole of 2014
- Maiden lettings on White Collar Factory EC1 – 24% pre-let one year ahead of completion
- Completed 210,500 sq ft of developments – 90% let, and on course to have one million sq ft under development within twelve months for delivery 2016-2019
- Resolution for planning secured at 40 Blackfriars Road SE1 for 110,000 sq ft hotel and offices
- Finalised terms with Crossrail to enable 275,000 sq ft development at 1 Oxford Street W1
- Completed or exchanged contracts on 425,600 sq ft of Tech Belt acquisitions for £232m
- Disposals of £121m in H1

Strong balance sheet

- New £75m five-year unsecured revolving bank facility drawn in July replacing secured facility
- £175m 2.75% convertible bonds converted in January with the issue of 7.88m new shares
- Loan-to-value ratio of 18.6% (31 December 2014 24.0%)
- Cash and undrawn committed facilities of £319m (£336m on 31 December 2014)

Robert Rayne, Chairman, commented:
“We believe that 2015 will continue to be a very good year for Derwent London based on strong occupational demand, the quality of our product, our clear-cut strategy and our effective financing.”

John Burns, Chief Executive Officer, commented:
“We remain confident in our markets. We have raised our average portfolio ERV growth estimates for the full year to 8-10%, and expect property yields to remain firm in the second half supported by voracious demand. So far in 2015, £20m of new lettings have been secured and the Group has the potential to deliver over one million sq ft of developments between 2016 and 2019.”

Webcast and conference call

There will be a live webcast of the results together with a conference call for investors and analysts at 9.30 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 London" 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:

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Notes to editors

Derwent London plc
Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £4.6 billion as at 30 June 2015, making it the largest London-focused real estate investment trust (REIT).

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

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

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

Landmark schemes in our portfolio of 5.8 million sq ft as at 30 June 2015 include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In December 2014, Derwent London topped the real estate sector for the fifth year in a row and was placed ninth overall in the Management Today awards for 'Britain's Most Admired Companies'. Also in 2014 the Group won the Property Week 'Developer of the Year' and the RICS London Commercial Award, and was shortlisted for awards by Architects' Journal, BCO, NLA and OAS. The Group was also awarded EPRA Gold for corporate and sustainability reporting.

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

Forward-looking statements

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

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

OVERVIEW

The progress we have made coupled with the market's strength has fully confirmed the upbeat outlook communicated to shareholders in our full year results in February 2015.

Occupier demand is reflected in strong rental growth and letting activity

The London commercial property market continues to see strong occupier and investment demand and business confidence in the capital remained buoyant despite the uncertainty surrounding the General Election. Our underlying portfolio value rose 9.1% in the first six months, and our estimated rental values (ERVs) on an EPRA basis rose 5.2%. Over twelve months the increases have been 19.8% and 10.2%, respectively. As a result the Group's EPRA NAV per share has grown by 10.9% in six months and 25.4% in twelve. It now stands at 3,226p.

Income underpins our values and so it is important that we take advantage of the current levels of high occupier demand. We have signed leases on 394,600 sq ft in the year to date representing £20.3m of rental income per annum. Examples of our success were the rapid re-lettings at Angel Square EC1 where we re-let 102,000 sq ft and the early lettings at White Collar Factory EC1 where we pre-let almost 70,000 sq ft. Of these lettings 46% were to professional and business services and 36% to TMT and creative businesses.

Development programme could see one million sq ft under construction in 2016

We have also made substantial progress on our development programme. Including 40 Chancery Lane WC2, which was finished in July, we have completed 210,500 sq ft of developments so far this year. This represents 41% of the projects where we were on site at the year end. These buildings are 90% let with another 5% under offer.

We are maintaining our growth prospects by initiating new projects. We commenced on site at The Copyright Building, 30 Berners Street W1 during the period, whilst 80 Charlotte Street W1 and Brunel Building, Paddington W2 (previously 55-65 North Wharf Road) will start in the second half of this year and the first half of next, respectively. Upon commencement we will have over one million sq ft under construction.

Looking beyond the immediate future we have made progress on two major longer term schemes at 1 Oxford Street W1 and 19-35 Baker Street W1. After allowing for our 55% interest in the second property, Derwent London's share is expected to be over 400,000 sq ft of development, which could start in 2018.

For the longer term we have secured two large Tech Belt opportunities: 20 Farringdon Road EC1 and Aldgate Union E1. The purchase of the latter will complete in December 2015. Together these will cost £232m, and we will adopt similar strategies for both. In the short term the properties will benefit from our asset management activity and their proximity to Crossrail and, in the longer term, they will add to our significant pipeline of potential major schemes for beyond 2020.

Financial strength and flexibility

Our confident outlook is underpinned by the Group's strong financial base, with a focus on income as well as assets. Recurring earnings per share have grown by 16.5% compared to the first half of 2014 and the early conversion into new equity of our £175m of 2016 convertible bonds in January this year further strengthened the Group's interest cover and all of our key gearing ratios. This encouraged Standard & Poor's to upgrade our rating to BBB+ (from BBB). In July 2015, we also completed a new fully revolving £75m minimum five-year unsecured loan facility. An existing £90m secured bank facility from the same lender was cancelled at the same time, thereby releasing charges over £390m of properties.

Derwent London's successes in securing new rental income, allied with a deepened and more flexible financial base, allow us to commit to new developments with the knowledge that our interest cover and low loan-to-value ratio would still leave the Group in a strong position even if there was a severe deterioration in the economic outlook. While we are not expecting such an event in the foreseeable future, the continuing global uncertainties mean that we believe that pursuing growth through operational rather than financial gearing remains the right approach for our business model.

Positive outlook expected to see good performance continue

The London office market is strong. There is very good occupier demand, which has led us to raise our average portfolio ERV growth assumption from 6-8% to 8-10% for this year. Investment demand remains voracious pushing yields to new lows. The London market is cyclical but, with meaningful rental growth and no marked change in economic expectations, we expect yields to remain firm.

CENTRAL LONDON OFFICE MARKET

London's economy continues to show good momentum. Latest figures for annual employment growth and business activity remain positive, and are ahead of the UK average. This growth is expected to continue over the next few years and should be helped by the improving economic conditions being seen in the USA and in most of Europe.

These improvements have led to warnings of potential bank rate increases in the USA and the UK despite inflation remaining very low. The expectation remains that any changes will be gradual and the Bank of England has said that ultimately it expects bank rates to remain considerably lower than in previous interest rate cycles. Other than interest rates the most likely short term changes to the UK economy will be caused by external events. Significant global uncertainty remains and it seems likely that the performance of the Chinese and Greek economies and the UK's Brexit referendum will remain a focus of attention.

CBRE report that the central London occupier market continues to be strong with 7.1m sq ft of space taken up in the first six months, which maintains the trend seen in the last two years. There was a rapid increase in take-up from the banking and financial sectors which represented 29% of the total, with TMT, business and professional services accounting for another 51%. The vacancy rate fell 79bp to 2.8%, which is the second lowest quarterly level in fourteen years, and prime rents are estimated to have risen 11.9% in the year to June. The West End indicators were broadly unchanged in the period with take-up at 2.0m sq. ft., vacancy of 2.3% and annual rental growth of 7.7%.

It is inevitable that a prolonged period of rental growth and falling vacancy stimulates new development activity. Last year 6.0m sq ft of office space was completed in central London and it is likely that this heightened level of activity will continue at least for 2015 and 2016, with the potential for it to be prolonged or even increase in the following three years. CBRE estimates that, if all current and proposed central London office developments are completed, they would deliver 33.7m sq ft of new space between 2015 and 2019. This is equivalent to 15% of the existing market or 2.7 times average annual take-up since 2000. Such a scale of delivery is likely to impact the market by tempering rental growth, but the net impact is actually lower as 55% of the total could be built on sites currently occupied by existing buildings. A number of hurdles may also delay delivery: notably planning, construction cost inflation and funding.

After the completion of White Collar Factory in 2016 our focus returns to the West End where the majority of our immediate development commitments and portfolio lie. CBRE estimate the potential five-year supply here is 6.5m sq ft, which is equivalent to 7% of existing space, or 3.1 times average annual take-up. However, 48% of the total is uncommitted.

London's positive outlook and relative strengths have continued to fuel investment demand for offices. The first half saw £8.2bn of transactions, which maintains the high levels of activity seen in the last four years. CBRE estimate prime yields in the first half reduced 25 basis points in both the City and West End, so that these are now 4.0% and 3.5%, respectively. Recent transactions continue to record firm or lower yields and broad sources of demand. In the short term we do not expect property yields to rise providing occupier demand continues and interest rate expectations remain relatively benign.

VALUATION

These conditions led to a strong valuation performance in the first half of 2015. The Group's investment portfolio was valued at £4.58bn at 30 June 2015 which produced a surplus of £369.5m before accounting adjustments of £7.4m (see note 11), giving a total reported movement of £362.1m.

On an underlying basis there was a 9.1% valuation increase. By location our central London properties, 98% of the portfolio, increased by 9.3% with the balance, our Scottish holdings, up 1.0%. Within central London the City border properties, principally those in the Tech Belt, increased by 11.9%, with the West End up 8.3%. Overall the portfolio outperformed the IPD Central London Offices Quarterly Index which increased 8.2% and the All UK Property Index which rose 3.9%.

During the first half we were on-site at six major projects. These saw strong performance, rising 14.2% to a value of £696.9m. Average growth on the rest of the portfolio was 8.2%. The projects included five developments, in total valued at £375.1m, comprising Turnmill EC1, 40 Chancery Lane WC2, White Collar Factory EC1, The Copyright Building W1 and a residential development at 73 Charlotte Street W1. Their combined increase was 15.0%. Turnmill was completed and handed over to the tenant for fit out in the first half and 40 Chancery Lane was completed in July.

The sixth project was the phased refurbishment of 1-2 Stephen Street W1 and its associated retail extension, Tottenham Court Walk. This property rose in value by 13.3% to £321.8m. Here the main office phases were completed last year, and the retail in the first half of this.

Robust investment demand from both domestic and international sources continued to exert downward pressure on valuation yields. Accordingly, on an EPRA basis, the true equivalent yield tightened by 17 basis points over the six months to 4.56% from 4.73%. The initial yield was 3.2% rising to 3.9% on a 'topped-up' basis, after contractual rental uplifts and rent free periods expire. The reversionary yield was 5.0%.

At the half year the annualised contracted rent was £134.7m with an ERV of £228.8m, thereby showing a significant potential portfolio income reversion of £94.1m. This reversion falls into three categories. First, £37.3m of contractual rental uplifts from the expiry of rent free periods, stepped rents and pre-let projects. Under IFRS much of this element is already included in our earnings, save the £7.1m of pre-let income at 40 Chancery Lane and White Collar Factory where we were still on site in June. Secondly, there is £28.3m of potential income from letting vacant space, which is either space available for occupation or development projects. Of this, only £3.1m was available to occupy, reflecting our low vacancy rate of 1.6%. Thirdly, the £28.5m of potential reversion derives from marking rent reviews and lease renewals to current market rental levels.

The portfolio's total property return was 10.3% over the half year. The IPD Index for total return over the same period was 10.1% for central London offices and 6.5% for All UK Property.

PORTFOLIO MANAGEMENT

This year is set to be an excellent letting year for the Group based on our current activity levels. To date we have let £20.3m at an average rent of £51 per sq ft. These lettings compare to the £9.2m secured in the whole of last year, and the £21.8m secured in our best letting year, 2013.

Letting activity 2015 year to date

	Area	Income	Performance against Dec 14 ERV	
	sq ft	£m pa	Open market	Overall
H1	322,600	16.4	9.3%	4.3%
H2 to date	72,000	3.9	17.6%	17.6%
YTD	**394,600**	**20.3**	**11.2%**	**6.6%**

Highlights include lettings at 1-2 Stephen Street W1 with over £81 per sq ft achieved on the top two floors, re-letting 80% of the space at Angel Square EC1 thereby raising the income 54% from its level at acquisition, and securing our first pre-lets at White Collar Factory EC1. The latter is already 24% let. We have also now let seven out of nine retail units at Tottenham Court Walk W1. As well as this activity, the Group has achieved new rental levels at Davidson Building WC2, Morelands EC1 and Tea Building E1. Overall our EPRA vacancy rate has fallen from 4.1% to 1.6 %, despite the completion of developments.

In the first half we introduced The Office Group to the tenant roster of three large multi-let buildings in our portfolio. They are one of the new breed of design-led flexible office providers, which are thriving as work patterns change. The business model not only attracts a wide range of occupiers, but also provides services to other businesses both from within the building and in the vicinity. This amenity helps create an additional vibrancy which adds to the building's appeal. In total The Office Group has taken 116,150 sq ft of space, which represents a combined rent of £6.0m per annum, with Derwent London also entitled to potential profit overage on 60% of the income.

Principal lettings in 2015 up to 10 August

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
2 Stephen Street W1[1]	The Office Group	34,150	65.00[1]	2.2	71.75	20	-	15
Angel Square EC1	Expedia	57,600	36.80	2.1	41.60	6	3 & 5	2.5, plus 3 if no break in year 3
1 Stephen Street W1	AnaCap	16,150	81.75	1.3	84.25	10	-	15
Tea Building E1	Feed	7,990	47.50	0.4	-	5	-	5
Davidson Building WC2	Astus UK	4,370	80.00	0.3	82.50	10	5	7, plus 5 if no break
Q2								
White Collar Factory EC1	The Office Group	41,300	57.50	2.4	63.50	20	-	24
Angel Square EC1[1]	The Office Group	40,700	35.00[1]	1.4	38.65	10[2]	-	9
Davidson Building WC2	First Utility	6,230	72.50	0.5	75.00	10	5	7, plus 7 if no break
Morelands EC1	Spark44	5,370	55.00	0.3	60.00	9	5	9, plus 3 if no break
Q3								
White Collar Factory EC1	AKT II	28,400	57.50	1.6	63.50	20	12 & 15	24
20 Farringdon Road EC1	Improbable Worlds	25,700	42.50	1.1	43.50	6	-	7

[1] The Group will get a share of The Office Group's profits above a minimum level
[2] Landlord's break in year five

In the year to date we have carried out 31 rent reviews and lease renewals on a total of 181,600 sq ft. The average income increase was 28.2% to provide rents of £6.6m pa. During the period £12.7m of rental income was subject to lease expiries or breaks, and we were able to retain or re-let 87%.

PROJECTS

Two projects were completed in the first half: Turnmill EC1 and Tottenham Court Walk W1. We have subsequently completed 40 Chancery Lane WC2. The three projects totalled 210,500 sq ft and are 90% let.

We are now on-site at three projects totalling 413,500 sq ft. The largest scheme is White Collar Factory EC1, which is expected to become another iconic Tech Belt building on completion in 2016. The smaller predominantly residential property 73 Charlotte Street W1 is due for completion in Q3 this year. Earlier this year we started on site at The Copyright Building W1 where completion is scheduled for 2017. The expected future capital expenditure on these projects is £136m, with a net ERV of £22.7m per annum.

Work will commence at 80 Charlotte Street W1 later this year and Brunel Building W2 in H1 2016. These two projects will add another 620,000 sq ft to the active pipeline with deliveries running out to 2019. We estimate future capital expenditure on these projects to be £338m, with a potential ERV of £38.7m once completed.

In the second half of last year we completed the development for sale of Queens, Paddington W2 comprising 18,700 sq ft in 16 residential units, and a 2,700 sq ft retail unit. Early sales activity was strong, but we have only sold two more units for £2.8m since we last reported. This takes our total sales at Queens to nine units for £18.5m, and the retail unit has been let to Heal's. Sales prices remain above our estimates, but the volume and velocity of activity has slowed significantly reflecting a trend that is being reported across much of the London residential market. The latter has been impacted by a number of recent legislative changes, including the rise in Stamp Duty for higher end homes.

The contrasting momentum between residential values and Mayfair office rents together with the relative costs and timing of construction has led us to reappraise the redevelopment of our head office building at 25 Savile Row W1. We now consider that a future office refurbishment is capable of producing better risk adjusted returns.

In the last two years we have highlighted rising construction costs, and these have continued to escalate. As a result we have increased our estimates of development capital expenditure, and, in some instances where premiums have become excessive, to move away from fixed price contracts. We expect to see construction cost inflation remain high for at least the next two years at c.10% per annum. To date, rising rents and falling yields have ensured our profit margins have at least been maintained.

As projects move from consented to on site we look to replenish our pipeline, and in the first half we have successfully progressed a number of our medium-term developments.

In April, the Group signed a Memorandum of Understanding with our partner and freeholder, The Portman Estate, at 19-35 Baker Street W1. This allows us to proceed with the initial planning phase of a potential 250,000 sq ft development. Subject to planning, work could start as early as 2018. Derwent London owns a 55% interest in the project.

In June we received a resolution to grant planning on 40 Blackfriars Road SE1 for a 68,200 sq ft hotel and a 41,800 sq ft office development. The new hotel to be operated by the Hoxton group will comprise 192 rooms, restaurants, conference space and a skybar. The new building will be over a third larger than our previous office consent for the site. The existing 39,000 sq ft property is now vacant. We are in discussions about de-risking the project, but a number of hurdles still need to be crossed.

In July the Group agreed revised terms for its agreement with Crossrail whereby it will acquire a new 150-year lease of 1 Oxford Street W1 for £55m. We had already secured planning consent for 204,000 sq ft offices, 37,000 sq ft retail and a 34,000 sq ft 350-seat theatre. The consideration is deferred for several years as it is payable on practical completion of the development. Crossrail will receive a ground rent equivalent to 5% of the rent of the commercial space and 16% of any development profit. Work could start in Q1 2018.

Major projects pipeline

Property	Area sq ft[1]	Delivery	Comment
Projects completed in H1 2015			
Turnmill, 63 Clerkenwell Road EC1	70,500	Q1 2015	Offices and retail – 90% let
Tottenham Court Walk W1	38,000	Q2 2015	Retail, Part 1-2 Stephen Street
	108,500		
Projects on site in June 2015			
White Collar Factory, Old Street Yard EC1	293,000	Q3 2016	Office-led development – 24% pre-let
The Copyright Building, 30 Berners Street W1	105,000	Q3 2017	Offices and retail
40 Chancery Lane WC2	102,000	Q3 2015	Offices and retail – 96% let
73 Charlotte Street W1	15,500	Q3 2015	Residential and offices
	515,500		
Projects due to start in 2015/2016			
80 Charlotte Street W1	380,000	H2 2018	Offices, residential and retail
Brunel Building, 55-65 North Wharf Road W2	240,000	H1 2019	Offices
	620,000		
Other major planning consents			
1 Oxford Street W1[2]	275,000		Offices, retail and theatre
Wedge House, 40 Blackfriars Road SE1	110,000		Hotel and offices
	385,000		
Planning applications			
Monmouth House EC1	125,000		Planning application submitted
Grand Total	**1,754,000**		

[1] Proposed areas
[2] Crossrail site still to be acquired

INVESTMENT ACTIVITY

We are contracted to acquire two major properties this year. Both are in the Tech Belt and have similar characteristics to Angel Square EC1 which we purchased in November last year. The properties are sizeable blocks secured off low capital values, with short term opportunities to drive the income, and with significant longer term regeneration potential. Together with Angel Square we will have invested c.£310m in this type of asset in the last twelve months.

In February we purchased 20 Farringdon Road EC1. It has a number of leases expiring this year which, subject to re-letting, give us the opportunity to raise the running yield. Longer term it occupies a prime site in the heart of Clerkenwell opposite the new Farringdon Crossrail station. This is an area which is likely to see substantial improvement in the next three years when the station opens.

Aldgate Union E1, opposite Aldgate East underground station, will be acquired with vacant possession in December 2015. We expect to take advantage of the current strong levels of occupier demand to multi-let the building with only modest refurbishment expenditure. This area is also going through a significant transformation benefitting from the strength of demand in the Tech Belt and latterly a resurgent City office market.

Principal acquisitions 2015

Property	Date	Area sq ft	Total cost £m	Total cost £ psf	Net yield %	Rent £m pa	Rent £ psf	Lease length[1] Years
20 Farringdon Road EC1	Q1	170,600	92.7	545	3.5	3.2 (net)	27[2]	2
Aldgate Union E1	Q4	255,000	139.3	545	-	-	-	-
Total		**425,600**	**232.0**	**545**	-	**3.2 (net)**	-	-

[1] To first break or expiry, as at 31 December 2014
[2] Excludes 26,200 sq ft ground floor offices let at a peppercorn rent

The details of the sale of two properties and a 50% interest in 9 and 16 Prescot E1, as part of the property swap for 20 Farringdon Road, were disclosed at the time of our final results, which we reported in February 2015.

Principal disposals 2015

Property	Date	Area sq ft	Net proceeds £m	Net proceeds £ psf	Net yield to purchaser %	Rent £m pa	Net surplus Dec 2014 %	Net surplus Jun 2014 %
22 Kingsway WC2	Q1	91,400	64.1	700	4.4	3.0	(2)	(2)
Mark Square House EC2	Q1	61,700	31.9	515	4.4	1.5	0	6
9 and 16 Prescot Street E1 (50%)	Q1	53,700[1]	18.7[1]	350	3.2	0.6[1]	3	28
Total		**206,800**	**114.7**	**555**	**4.2**	**5.1**	**0**	**4**

[1] 50% of total due to joint venture

FINANCE REVIEW

The Group's EPRA net asset value per share increased by 10.9% to 3,226p in the six months to 30 June 2015 bringing the increase over the last twelve months to 25.4%. The main component of this was the strong rise in the property valuation but it also benefitted from improved recurring earnings.

EPRA profit before tax for the half year to 30 June 2015 increased by 21.9% to £39.0m from £32.0m for the equivalent period in 2014. EPRA earnings per share, which take account of the additional shares in issue following the conversion of the 2016 convertible bonds, were up by 16.5% to 33.97p compared to 29.15p in H1 2014.

The equity issue and debt reduction have also had a significant impact upon our gearing ratios, with the loan-to-value ratio falling to 18.6% at 30 June 2015 from 24.0% on 31 December 2014 and 25.7% at 30 June 2014.

The Group's property portfolio performed very well again with a revaluation surplus of £362.1m for the period after allowing for £7.8m of lease incentives. The uplift was 8.3% higher than the very strong result in H1 2014, but H1 2015 was influenced more by rental growth and development uplift than by yield compression. Notwithstanding that, we have continued to see yields fall across the portfolio.

After capital expenditure of £61.2m including capitalised interest of £3.0m, the overall value of the portfolio has grown to £4.6bn as at 30 June 2015. The equivalent capital expenditure figures for H1 2014 were £59.9m and £2.3m, respectively. As the value of work carried out at the White Collar Factory site is due to expand, we expect capital expenditure in the second half of 2015 to be substantially higher at around £80.1m.

We have continued to recycle our capital and, again, property disposals exceeded acquisitions. Most of this activity was a result of the property 'swap' which saw us acquiring 20 Farringdon Road for £88.0m before costs and selling 22 Kingsway, Mark Square House and a half share in 9 and 16 Prescot Street for £115.3m. Our remaining 50% share in Prescot Street is now included within 'Investments' (note 13) and is the reason why this has increased from £7.4m at 31 December 2014 to £26.2m at 30 June 2015.

The improvement in recurring earnings noted above is a result of property revenues increasing by £5.0m from H1 2014 but also benefits from lower interest charges following the redemption of the convertible bonds. Gross property income rose to £74.3m in H1 2015 from £69.3m in H1 2014. Overall finance costs in H1 2015 were reduced to £17.4m against £21.1m in H1 2014, a fall of £3.7m or 17.5%. Administrative costs have, however, increased by £1.7m in the period compared with H1 2014 as staff costs and incentives reflect the high level of activity within the Group.

The increase in like-for-like net rental income was 4.4% compared to H1 2014 and 2.7% compared to H2 2014.

The Group's IFRS profit before tax was £405.0m for the six months to 30 June 2015 against £371.4m in H1 2014. This takes fair value movements into account and, as well as the property revaluations, includes a £4.8m improvement in the mark-to-market cost of our interest rate swaps during the first half of 2015.

Financing and net debt

As noted above, the main financing event during the first half was the conversion of our £175m 2.75% convertible bonds 2016 and the resultant issue of 7.88m new ordinary shares. Net debt at 30 June 2015 was therefore reduced by £137.4m to £875.9m from £1,013.3m at 31 December 2014. Net asset gearing has fallen accordingly to 24.1% at 30 June 2015 from 32.9% in December 2014 and 35.8% at 30 June 2014. Interest cover has improved considerably too, the figure for the six months to 30 June 2015 being 343% compared with 287% for H1 2014 and 286% for the whole of 2014.

The resulting upgrade to our credit rating, which is now BBB+ according to Standard & Poor's, should help us access external debt funding, particularly from the capital markets, at lower margins.

Earlier in the year, when interest rates appeared exceptionally low, we extended the maturity of a £40m interest rate swap from June 2017 to June 2022 thereby reducing the rate payable from 3.0% to 2.35%. This extended the maturity of one of our hedges and also reduces interest charges by £260,000 per annum until June 2017.

More recently, in July 2015 we completed a new unsecured and fully revolving £75m facility with Wells Fargo. The facility has a five-year term but can be extended by up to two years upon request and has the potential to be increased by up to £25m during its term. The previous £90m secured facility from the same lender, of which £70m was drawn, was repaid and cancelled at the same time. The margin under the new facility is substantially lower than the previous one and, at a cost of £2m, we have reduced the amount hedged from £70m to £40m and extended the hedge period out to July 2022 at a rate of 2.446%. This refinancing will extend the weighted average maturity of our debt, lower our annual finance costs by approximately £1.25m per annum (assuming the facility is half drawn) and increase our flexibility as the new facility has a £55m additional revolving element over the previous one. It also frees up £390m of assets taking our unencumbered property assets to £3.4bn. The financial covenants for the new facility are identical to those of our existing £550m unsecured revolving bank facility.

As at 30 June 2015, the Group's weighted average interest rate was 4.20% on an IFRS basis (compared with 4.22% at 31 December 2014) and 3.93% on a cash basis (compared with 3.78% at 31 December 2014). The July refinancing will reduce the overall cost by around 0.15-0.20% depending on the amount drawn. The proportion of our debt that is fixed or swapped into fixed rates was reduced to 91% as at 30 June 2015 and the level of cash and undrawn facilities was £319m. The weighted average maturity of our borrowings was increased to 7.4 years at 30 June 2015 (6.6 years at 31 December 2014) after the conversion of the 2016 convertible bonds, but before the bank refinancing explained above.

Dividend

Our continuing strong growth in earnings per share has enabled us to increase the interim dividend by 8.2% to 12.6p per share. It will all be paid as a PID on 22 October 2015 to shareholders on the register as at 18 September 2015. The scrip remains popular and will be retained as an option for shareholders.

BOARD CHANGES

As announced in June, Cilla Snowball CBE will join the Board on 1 September 2015 as an independent non-executive Director. Cilla is the second non-executive Board member to be appointed this year, following Claudia Arney who joined in May 2015, as part of our ongoing process of refreshing the Board.

CLEAR-CUT STRATEGY

Derwent London's strategy is currently focused on taking advantage of central London's buoyant market conditions. For example, a number of our recent acquisitions, as well as adding to the long term pipeline, bring short term letting opportunities totalling over 360,000 sq ft, allowing us to tap into the strong occupier demand for Tech Belt space.

Our portfolio is strategically located with 59% in the central West End and 35% in the Tech Belt with 70% also being in close proximity to a Crossrail station. Despite the good capital growth over the last six years, our true equivalent yield of 4.56% is based off an average central London office ERV of only £45 per sq ft, an attractive level from which we can derive future growth.

The Group is scheduled to have one million sq ft under construction during the next twelve months ranging from Paddington in the west to Silicon Roundabout in the east. This programme requires future capital expenditure of c.£480m. It represents a significant upgrade to the portfolio and has the potential to add £29.6m per annum, or 13% to our ERV, by 2019.

During the time we undertake all these opportunities, most of our properties will remain income producing while offering attractive growth either from active asset management or by becoming part of our longer term pipeline.

The combination of a well balanced portfolio and sound financing gives us the capacity and flexibility to pursue our plans with confidence.

Robert A. Rayne
Chairman

John D. Burns
Chief Executive Officer

13 August 2015

Statement of Directors' responsibilities

The Directors' confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

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

The Directors are listed in the Derwent London plc Annual Report of 31 December 2014 and a list of the current Directors is maintained on the Derwent London plc website: www.derwentlondon.com. The maintenance and integrity of the Derwent London website is the responsibility of the Directors.

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

On behalf of the Board

John D. Burns
Chief Executive Officer

Damian M.A. Wisniewski
Finance Director

13 August 2015

GROUP CONDENSED INCOME STATEMENT (UNAUDITED)

	Note	**Half year to 30.06.2015 £m**	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Gross property and other income	5	**91.1**	83.2	180.5
Net property and other income	5	**71.3**	65.9	136.1
Administrative expenses		**(14.8)**	(13.1)	(28.1)
Movement in valuation of cash-settled share options		**-**	(0.1)	(0.3)
Total administrative expenses		**(14.8)**	(13.2)	(28.4)
Revaluation surplus	11	**361.0**	330.8	667.1
Profit on disposal of investment property	6	**0.4**	7.3	28.2
Profit on disposal of investment in joint venture	6	**-**	2.0	2.0
Profit from operations		**417.9**	392.8	805.0
Finance costs	7	**(17.4)**	(21.1)	(42.4)
Movement in fair value of derivative financial instruments		**4.8**	-	(9.4)
Financial derivative termination costs	8	**(1.2)**	(0.8)	(2.0)
Share of results of joint ventures	9	**0.9**	0.5	2.5
Profit before tax		**405.0**	371.4	753.7
Tax charge	10	**(1.7)**	(2.3)	(3.9)
Profit for the period		**403.3**	369.1	749.8
Attributable to:				
- Equity shareholders		**397.2**	365.0	737.7
- Non-controlling interest		**6.1**	4.1	12.1
		403.3	369.1	749.8
Earnings per share	25	**362.67p**	355.84p	718.60p
Diluted earnings per share	25	**348.02p**	320.77p	647.78p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	**Half year to 30.06.2015 £m**	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Profit for the period		**403.3**	369.1	749.8
Actuarial gains/(losses) on defined benefit pension scheme		**1.0**	(0.3)	(1.6)
Revaluation surplus of owner-occupied property	11	**1.1**	3.5	4.8
Deferred tax on revaluation surplus	19	**(0.1)**	(0.5)	(0.9)
Other comprehensive income that will not be reclassified to profit or loss		**2.0**	2.7	2.3
Total comprehensive income relating to the period		**405.3**	371.8	752.1
Attributable to:				
- Equity shareholders		**399.2**	367.7	740.0
- Non-controlling interest		**6.1**	4.1	12.1
		405.3	371.8	752.1

GROUP CONDENSED BALANCE SHEET (UNAUDITED)

	Note	**30.06.2015 £m**	30.06.2014 £m	31.12.2014 £m
Non-current assets				
Investment property	11	**4,420.3**	3,581.4	4,041.0
Property, plant and equipment	12	**38.2**	25.4	27.2
Investments	13	**26.2**	5.5	7.4
Pension scheme surplus		**0.7**	0.5	-
Other receivables	14	**83.7**	76.5	78.9
		4,569.1	3,689.3	4,154.5
Current assets				
Trading property	11	**26.1**	29.3	24.0
Trade and other receivables	15	**40.5**	51.7	32.0
Corporation tax asset		**-**	-	0.2
Cash and cash equivalents		**11.7**	8.7	14.8
		78.3	89.7	71.0
Non-current assets held for sale	16	**-**	35.5	-
Total assets		**4,647.4**	3,814.5	4,225.5
Current liabilities				
Borrowings	18	**-**	-	170.5
Trade and other payables	17	**100.8**	91.1	89.8
Corporation tax liability		**0.6**	0.2	-
Provisions		**0.7**	1.8	0.8
		102.1	93.1	261.1
Non-current liabilities				
Borrowings	18	**887.6**	982.8	857.6
Derivative financial instruments	18	**20.5**	15.9	25.2
Provisions		**0.3**	0.2	0.7
Pension scheme deficit		**-**	-	0.2
Deferred tax	19	**6.0**	3.4	5.0
		914.4	1,002.3	888.7
Total liabilities		**1,016.5**	1,095.4	1,149.8
Total net assets		**3,630.9**	2,719.1	3,075.7
Equity				
Share capital		**5.6**	5.1	5.1
Share premium		**182.7**	172.6	174.0
Other reserves		**950.0**	949.7	952.5
Retained earnings		**2,423.0**	1,521.1	1,880.6
Equity shareholders' funds		**3,561.3**	2,648.5	3,012.2
Non-controlling interest		**69.6**	70.6	63.5
Total equity		**3,630.9**	2,719.1	3,075.7

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity Shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2015	5.1	174.0	952.5	1,880.6	3,012.2	63.5	3,075.7
Profit for the period	-	-	-	397.2	397.2	6.1	403.3
Other comprehensive income	-	-	1.0	1.0	2.0	-	2.0
Transfer of owner-occupied property	-	-	6.9	(6.9)	-	-	-
Share-based payments	-	1.0	(1.0)	2.6	2.6	-	2.6
2016 Bond conversion*	0.5	-	(9.4)	179.6	170.7	-	170.7
Dividends paid	-	-	-	(23.4)	(23.4)	-	(23.4)
Scrip dividends	-	7.7	-	(7.7)	-	-	-
At 30 June 2015	**5.6**	**182.7**	**950.0**	**2,423.0**	**3,561.3**	**69.6**	**3,630.9**
At 1 January 2014	5.0	170.4	948.6	1,180.0	2,304.0	66.5	2,370.5
Profit for the period	-	-	-	365.0	365.0	4.1	369.1
Other comprehensive income	-	-	3.0	(0.3)	2.7	-	2.7
Share-based payments	0.1	1.1	(1.9)	2.8	2.1	-	2.1
Dividends paid	-	-	-	(25.3)	(25.3)	-	(25.3)
Scrip dividends	-	1.1	-	(1.1)	-	-	-
At 30 June 2014	5.1	172.6	949.7	1,521.1	2,648.5	70.6	2,719.1
At 1 January 2014	5.0	170.4	948.6	1,180.0	2,304.0	66.5	2,370.5
Profit for the year	-	-	-	737.7	737.7	12.1	749.8
Other comprehensive income	-	-	3.9	(1.6)	2.3	-	2.3
Share-based payments	0.1	1.5	-	2.9	4.5	-	4.5
Dividends paid	-	-	-	(36.3)	(36.3)	(15.1)	(51.4)
Scrip dividends	-	2.1	-	(2.1)	-	-	-
At 31 December 2014	5.1	174.0	952.5	1,880.6	3,012.2	63.5	3,075.7

* See note 18

GROUP CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	Note	**Half year to 30.06.2015 £m**	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Operating activities				
Property income		**71.3**	67.3	135.2
Property expenses		**(6.5)**	(4.2)	(8.1)
Cash paid to and on behalf of employees		**(11.5)**	(11.6)	(21.7)
Other administrative expenses		**(2.4)**	(2.7)	(5.3)
Interest paid	7	**(16.3)**	(14.4)	(31.0)
Other finance costs		**(1.6)**	(1.4)	(3.0)
Other income		**1.1**	1.4	1.7
Amounts received from joint ventures		**0.4**	0.1	0.1
Tax paid in respect of operating activities		**-**	(1.6)	(2.3)
Net cash from operating activities		**34.5**	32.9	65.6
Investing activities				
Acquisition of investment properties		**(96.3)**	(14.3)	(92.4)
Capital expenditure on the property portfolio		**(54.4)**	(55.5)	(113.2)
Disposal of investment and trading properties		**121.3**	30.9	114.4
Disposal of investment in joint venture		**-**	4.9	4.9
Repayment of loan by joint venture on disposal		**-**	1.9	1.9
Purchase of property, plant and equipment		**(0.2)**	(0.1)	(0.3)
Advances to non-controlling interest holder		**-**	-	(2.0)
Net cash used in investing activities		**(29.6)**	(32.2)	(86.7)
Financing activities				
Net movement in revolving bank loans		**13.5**	(81.0)	(38.9)
Drawdown of private placement notes		**-**	99.0	99.0
Financial derivative termination costs		**(1.2)**	(0.8)	(2.0)
Net proceeds of share issues		**1.0**	1.1	1.5
Dividends paid	20	**(21.3)**	(22.8)	(36.2)
Net cash (used in)/from financing activities		**(8.0)**	(4.5)	23.4
(Decrease)/increase in cash and cash equivalents in the period		**(3.1)**	(3.8)	2.3
Cash and cash equivalents at the beginning of the period		**14.8**	12.5	12.5
Cash and cash equivalents at the end of the period		**11.7**	8.7	14.8

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Neither the financial information for the half year to 30 June 2015 nor the half year to 2014 was subject to an audit but has been subject to 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 to 31 December 2014 does not constitute full statutory accounts, but is derived from those accounts. The Group's statutory accounts for the year to 31 December 2014 have been delivered to the Registrar of Companies. The Auditor's report on those accounts was unmodified, did not draw attention to any matters by way of an emphasis of matter and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information in these condensed 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 the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual report and accounts for the year to 31 December 2014 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, property, plant and equipment, available for sale investments, and financial assets and liabilities held for trading.

Going concern

Under Provision C.1.3 of the UK Corporate Governance Code 2014, the Board needs to report whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The Group's latest rolling forecast for the next two years, in particular the cash flows, borrowings and undrawn facilities. Sensitivity analysis is included within these forecasts.
- The headroom under the Group's financial covenants.
- The risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

In particular the Directors have considered the relatively long-term and stable nature of the cash flows receivable under the tenant leases, the Group's loan-to-value ratio of 18.6%, the interest cover ratio of 343% and the £319.2m total of undrawn facilities and cash at 30 June 2015. They have also considered the fact that after conversion of the 2.75% convertible bonds 2016 in January 2015 the average maturity of borrowings was extended to 7.4 years at 30 June 2015.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review. In addition, note 26 includes the Group's risks and risk management processes.

Having due regard to these matters and after making appropriate enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to adopt the going concern basis in preparing these consolidated financial statements.

2. **Changes in accounting policies**

The accounting policies used by the Group in these condensed financial statements are consistent with those applied by the Group in its financial statements for the year to 31 December 2014.

New standards adopted during the period
The following standards, amendments and interpretations endorsed by the EU are effective for the first time for the Group's half year to 30 June 2015, and had no material impact on the financial statements:

Annual Improvements to IFRSs 2011 - 2013 Cycle

Standards in issue but not yet effective
The following standards, amendments and interpretations 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. Based on the Group's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Group.

IFRS 9 Financial Instruments;
IFRS 10 (amended) – Consolidated Financial Statements;
IFRS 11 (amended) – Joint Arrangements;
IFRS 14 Regulatory Deferral Accounts;
IFRS 15 Revenue from Contracts with Customers;
IAS 1 (amended) – Presentation of Financial Statements;
IAS 16 (amended) – Property Plant and Equipment;
IAS 27 (amended) – Separate Financial Statements;
IAS 28 (amended) – Investments in Associates and Joint Ventures;
IAS 38 (amended) – Intangible Assets;
Annual Improvements to IFRSs 2012 – 2014 Cycle.

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.

- Property portfolio valuation.
- Compliance with the real estate investment trust (REIT) taxation regime.
- Outstanding rent reviews.
- Contingent consideration.

These are the same policies identified at the previous year end and a full discussion of these policies is included in the 2014 financial statements.

4. Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case 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 25. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property and trading property and comprised 93% office buildings* by value (30 June 2014: 93%; 31 December 2014: 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 7% (30 June 2014: 7%; 31 December 2014: 7%) represented a mixture of retail, hotel, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

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

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

Gross property income

	Office buildings £m	Other £m	**Total £m**
Half year to 30 June 2015			
West End central	41.5	2.1	**43.6**
West End borders	7.4	0.1	**7.5**
City borders	20.8	0.1	**20.9**
Provincial	-	2.3	**2.3**
	69.7	**4.6**	**74.3**
Half year to 30 June 2014			
West End central	39.0	1.8	40.8
West End borders	6.7	0.1	6.8
City borders	19.2	0.1	19.3
Provincial	-	2.4	2.4
	64.9	4.4	69.3
Year to 31 December 2014			
West End central	80.5	3.7	84.2
West End borders	13.4	0.3	13.7
City borders	35.6	0.2	35.8
Provincial	-	4.7	4.7
	129.5	8.9	138.4

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

Property portfolio

	Carrying value			Fair value		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	**Total £m**
30 June 2015						
West End central	2,505.5	174.0	**2,679.5**	2,534.4	179.2	**2,713.6**
West End borders	396.3	15.7	**412.0**	417.3	15.7	**433.0**
City borders	1,288.7	5.9	**1,294.6**	1,299.3	5.9	**1,305.2**
Provincial	-	96.1	**96.1**	-	100.0	**100.0**
	4,190.5	**291.7**	**4,482.2**	**4,251.0**	**300.8**	**4,551.8**
30 June 2014						
West End central	2,083.4	147.3	2,230.7	2,114.5	151.3	2,265.8
West End borders	299.4	15.5	314.9	319.8	15.5	335.3
City borders	1,025.4	5.2	1,030.6	1,038.4	5.2	1,043.6
Provincial	-	93.1	93.1	-	97.4	97.4
	3,408.2	261.1	3,669.3	3,472.7	269.4	3,742.1
31 December 2014						
West End central	2,289.4	153.2	2,442.6	2,322.3	159.7	2,482.0
West End borders	364.4	15.6	380.0	385.2	15.5	400.7
City borders	1,164.0	5.4	1,169.4	1,178.0	5.4	1,183.4
Provincial	-	97.8	97.8	-	102.0	102.0
	3,817.8	272.0	4,089.8	3,885.5	282.6	4,168.1

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

5. Property and other income

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Gross rental income	**72.0**	67.9	136.7
Surrender premiums	**-**	-	0.1
Other property income	**2.3**	1.4	1.6
Gross property income	**74.3**	69.3	138.4
Trading property sales proceeds	**2.8**	-	15.7
Service charge income	**12.8**	12.8	24.4
Other income	**1.2**	1.1	2.0
Gross property and other income	**91.1**	83.2	180.5
Gross rental income	**72.0**	67.9	136.7
Ground rent	**(0.1)**	(0.2)	(0.4)
Service charge income	**12.8**	12.8	24.4
Service charge expenses	**(13.8)**	(13.5)	(25.6)
	(1.0)	(0.7)	(1.2)
Other property costs	**(4.0)**	(3.3)	(6.4)
Net rental income	**66.9**	63.7	128.7
Trading property sales proceeds	**2.8**	-	15.7
Trading property cost of sales	**(2.2)**	-	(11.8)
Profit on trading property disposals	**0.6**	-	3.9
Other property income	**2.3**	1.4	1.6
Other income	**1.2**	1.1	2.0
Other costs	**(0.3)**	-	-
Surrender premiums received	**-**	-	0.1
Reverse surrender premiums	**-**	(0.3)	(0.4)
Dilapidation receipts	**0.6**	-	0.2
Net property and other income	**71.3**	65.9	136.1

Included within rental income is £0.3m (half year to 30 June 2014: £0.9m; year to 31 December 2014: £1.5m) 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 £4.5m (half year to 30 June 2014: £3.8m; year to 31 December 2014: £7.0m) relating to rents recognised in advance of the cash receipts.

In 2015, other property income relates to compensation received from contractors in connection with the late delivery of pre-let schemes and recognised during the period. The comparative in 2014 related to a rights of light settlement. Other income in both periods 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

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Investment property			
Gross disposal proceeds	**121.9**	31.4	100.6
Costs of disposal	**(0.7)**	(0.5)	(1.6)
Net disposal proceeds	**121.2**	30.9	99.0
Carrying value	**(120.8)**	(23.6)	(70.3)
Adjustment for rents recognised in advance	-	-	(0.5)
Profit on disposal of investment property	**0.4**	7.3	28.2
Investment in joint venture			
Gross disposal proceeds	**-**	5.4	5.4
Costs of disposal	**-**	(0.5)	(0.5)
Net disposal proceeds	**-**	4.9	4.9
Carrying value	**-**	(2.9)	(2.9)
Profit on disposal of investment in joint venture	**-**	2.0	2.0
Total profit on disposal	**0.4**	9.3	30.2

In February 2015, the Group entered into a property swap with LaSalle Investment Management. This resulted in the disposal of two properties and the transfer of 9 and 16 Prescot Street E1 to a 50:50 joint venture in exchange for the acquisition of 20 Farringdon Road EC1 and cash proceeds. The carrying value of Prescot Street at the date of disposal was £36.2m and the fair value at that date was £37.4m. 50% (£18.1m) was disposed of for cash proceeds of £18.7m, resulting in a profit on disposal of £0.6m, which is included in the £0.4m profit on disposal shown above. The remaining 50% was transferred to investments (see note 13) in exchange for a loan of £18.7m.

In April 2014, the Group disposed of its 25% interest in the joint venture Euro Mall Sterboholy a.s. in Prague for £5.4m before costs of £0.5m. Included within the tax charge in 2014 was £0.9m relating to this disposal, resulting in a profit on disposal net of tax of £1.1m. At the same time, a loan of £1.9m to the joint venture was repaid.

7. Finance costs

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Finance costs			
Bank loans and overdraft	**6.5**	6.1	12.7
Non-utilisation fees	**0.8**	1.2	2.3
Secured loan	**1.7**	1.6	3.3
Unsecured private placement notes	**2.3**	2.2	4.5
Secured bonds	**5.7**	5.7	11.4
Unsecured convertible bonds	**2.1**	5.2	10.4
Amortisation of issue and arrangement costs	**1.2**	1.7	3.3
Amortisation of the fair value of the secured bonds	**(0.5)**	(0.5)	(0.9)
Finance lease costs	**0.5**	0.2	0.5
Other	**0.1**	-	0.2
Gross interest costs	**20.4**	23.4	47.7
Less: interest capitalised	**(3.0)**	(2.3)	(5.3)
Finance costs	**17.4**	21.1	42.4

Finance costs of £3.0m (half year to 30 June 2014: £2.3m; year to 31 December 2014: £5.3m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowing during each quarter. Total finance costs paid to 30 June 2015 were £19.3m (half year to 30 June 2014: £16.7m; year to 31 December 2014: £36.3m) of which £3.0m (half year to 30 June 2014: £2.3m; year to 31 December 2014: £5.3m) was included in capital expenditure on property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination costs

The Group incurred costs of £1.2m in the half year to 30 June 2015 deferring the start date of a 'forward-start' interest rate swap.

In the half year to 30 June 2014 and the year to 31 December 2014, the cost of deferring the start date of two 'forward-start' interest rate swaps was £0.8m and £2.0m, respectively.

9. Share of results of joint ventures

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Revaluation surplus	**0.4**	0.2	1.9
Other profit from operations after tax	**0.5**	0.3	0.6
	0.9	0.5	2.5

See note 13 for further details on the Group's joint ventures.

10. Tax charge

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Corporation tax			
UK corporation tax and income tax in respect of profit for the period	**0.8**	0.4	0.8
Corporation tax charge	**0.8**	0.4	0.8
Deferred tax			
Origination and reversal of temporary differences	**0.9**	1.9	3.2
Adjustment for changes in estimates	**-**	-	(0.1)
Deferred tax charge	**0.9**	1.9	3.1
Tax charge	**1.7**	2.3	3.9

In addition to the tax charge of £1.7m (half year to 30 June 2014: £2.3m; year to 31 December 2014: £3.9m) that passed through the Group income statement, a deferred tax charge of £0.1m (half year to 30 June 2014: £0.5m; year to 31 December 2014: £0.9m) was recognised in the Group statement of comprehensive income relating to the revaluation of the owner-occupied property at 25 Savile Row W1.

The effective rate of tax for the half year to 30 June 2015 is lower (half year to 30 June 2014: lower; year to 31 December 2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Profit before tax	**405.0**	371.4	753.7
Expected tax charge based on the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	**82.0**	79.9	162.0
Difference between tax and accounting profit on disposals	**(0.2)**	(2.3)	(5.1)
REIT exempt income	**(3.2)**	(5.6)	(9.8)
Expenses and fair value adjustments not allowable for tax purposes	**(3.5)**	1.5	0.9
Revaluation surplus attributable to REIT properties	**(73.0)**	(70.9)	(143.4)
Capital allowances	**(1.7)**	(1.7)	(3.6)
Origination and reversal of temporary differences	**0.9**	1.9	3.2
Other differences	**0.4**	(0.5)	(0.3)
Tax charge on current period's profit	**1.7**	2.3	3.9

11. Property portfolio

Carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
At 1 January 2015	3,464.3	576.7	4,041.0	24.8	-	24.0	4,089.8
Acquisitions	3.1	92.7	95.8	-	-	-	95.8
Capital expenditure	34.1	19.9	54.0	0.1	-	4.1	58.2
Interest capitalisation	1.9	1.0	2.9	-	-	0.1	3.0
Additions	39.1	113.6	152.7	0.1	-	4.2	157.0
Disposals	(120.8)	-	(120.8)	-	-	(2.1)	(122.9)
Transfer to joint venture	(18.7)	-	(18.7)	-	-	-	(18.7)
Transfers	(9.8)	-	(9.8)	9.8	-	-	-
Revaluation	317.7	43.3	361.0	1.1	-	-	362.1
Movement in grossing up of headlease liabilities	-	14.9	14.9	-	-	-	14.9
At 30 June 2015	**3,671.8**	**748.5**	**4,420.3**	**35.8**	**-**	**26.1**	**4,482.2**
At 1 January 2014	2,773.2	469.7	3,242.9	19.7	-	22.6	3,285.2
Acquisitions	13.6	-	13.6	-	-	-	13.6
Capital expenditure	38.6	12.4	51.0	-	-	6.6	57.6
Interest capitalisation	1.6	0.6	2.2	-	-	0.1	2.3
Additions	53.8	13.0	66.8	-	-	6.7	73.5
Disposals	(23.6)	-	(23.6)	-	-	-	(23.6)
Depreciation	-	-	-	(0.1)	-	-	(0.1)
Transfers	(35.5)	-	(35.5)	-	35.5	-	-
Revaluation	298.7	32.1	330.8	3.5	-	-	334.3
At 30 June 2014	3,066.6	514.8	3,581.4	23.1	35.5	29.3	3,669.3
At 1 January 2014	2,773.2	469.7	3,242.9	19.7	-	22.6	3,285.2
Acquisitions	92.2	-	92.2	-	-	-	92.2
Capital expenditure	80.0	24.1	104.1	0.3	-	12.3	116.7
Interest capitalisation	3.6	1.3	4.9	-	-	0.4	5.3
Additions	175.8	25.4	201.2	0.3	-	12.7	214.2
Disposals	(70.1)	(0.2)	(70.3)	-	-	(11.3)	(81.6)
Revaluation	585.4	81.7	667.1	4.8	-	-	671.9
Movement in grossing up of headlease liabilities	-	0.1	0.1	-	-	-	0.1
At 31 December 2014	3,464.3	576.7	4,041.0	24.8	-	24.0	4,089.8

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 2015							
Fair value	**3,756.7**	**729.8**	**4,486.5**	**35.8**	**-**	**29.5**	**4,551.8**
Revaluation of trading property	-	-	-	-	-	(3.4)	(3.4)
Lease incentives and costs included in receivables	(84.9)	(4.4)	(89.3)	-	-	-	(89.3)
Grossing up of headlease liabilities	-	23.1	23.1	-	-	-	23.1
Carrying value	**3,671.8**	**748.5**	**4,420.3**	**35.8**	**-**	**26.1**	**4,482.2**
At 30 June 2014							
Fair value	3,140.0	510.6	3,650.6	23.1	36.0	32.4	3,742.1
Revaluation of trading property	-	-	-	-	-	(3.1)	(3.1)
Lease incentives and costs included in receivables	(73.4)	(4.0)	(77.4)	-	(0.5)	-	(77.9)
Grossing up of headlease liabilities	-	8.2	8.2	-	-	-	8.2
Carrying value	3,066.6	514.8	3,581.4	23.1	35.5	29.3	3,669.3
At 31 December 2014							
Fair value	3,541.6	572.6	4,114.2	24.8	-	29.1	4,168.1
Revaluation of trading property	-	-	-	-	-	(5.1)	(5.1)
Lease incentives and costs included in receivables	(77.3)	(4.2)	(81.5)	-	-	-	(81.5)
Grossing up of headlease liabilities	-	8.3	8.3	-	-	-	8.3
Carrying value	3,464.3	576.7	4,041.0	24.8	-	24.0	4,089.8

Reconciliation of fair value

	30.06.2015 £m	30.06.2014 £m	31.12.2014 £m
Portfolio including joint ventures	**4,581.8**	3,750.6	4,178.6
Joint ventures	**(30.0)**	(8.5)	(10.5)
IFRS property portfolio	**4,551.8**	3,742.1	4,168.1

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2015 by external valuers on the basis of fair value in accordance with the RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation.

CBRE Limited valued properties at £4,521.7m (30 June 2014: £3,710.9m; 31 December 2014: £4,135.2m) and other valuers at £30.1m (30 June 2014: £31.2m; 31 December 2014: £32.9m). Of the properties revalued by CBRE, £35.8m (30 June 2014: £23.1m; 31 December 2014: £24.8m) relating to owner-occupied property was included within property, plant and equipment, and £29.5m (30 June 2014: £32.4m; 31 December 2014: £29.1m) was in relation to trading property.

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

At 30 June 2015, the historic cost of the property portfolio owned by the Group was £2,604.6m (30 June 2014: £2,473.9m; 31 December 2014: £2,565.4m).

In February 2015, the Group entered into a property swap, further details of which are provided in note 6. The carrying value of 9 and 16 Prescot Street E1 at the date of disposal was £36.2m, and 50% of this is shown within the £120.8m of disposals above, reflecting the sale to our partner. The fair value at the date of disposal was £37.4m, and 50% of this is the £18.7m shown as transfer to joint venture above, reflecting the 50% retained by the Group.

Reconciliation of revaluation surplus

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Total revaluation surplus	**369.5**	339.4	685.7
Share of joint ventures	**(0.6)**	(0.2)	(1.9)
Lease incentives and costs	**(7.8)**	(4.0)	(8.0)
Trading property revaluation surplus	**1.0**	(1.0)	(3.9)
Owner-occupied property depreciation	**-**	0.1	-
IFRS revaluation surplus	**362.1**	334.3	671.9
Reported in the:			
Group income statement	**361.0**	330.8	667.1
Group statement of comprehensive income	**1.1**	3.5	4.8
	362.1	334.3	671.9

The fair value of the property portfolio has been determined using an income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms.

For properties under construction, the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion and a risk premium.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

There were no transfers between Levels 1 and 2 or between Levels 2 and 3 in the fair value hierarchy in the half years to 30 June 2015 or 30 June 2014, or the year to 31 December 2014.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £361.0m (half year to 30 June 2014: £330.8m; year to 31 December 2014: £667.1m) and are presented in the Group income statement in the line item 'revaluation surplus'. The revaluation surplus for the owner-occupied property of £1.1m (half year to 30 June 2014: £3.5m; year to 31 December 2014: £4.8m) was included within the revaluation reserve.

All gains and losses recorded in profit or loss in the half years to 30 June 2015 and 30 June 2014, and the year to 31 December 2014 for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at 30 June 2015, 30 June 2014 and 31 December 2014, respectively.

12. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2015	24.8	1.5	1.0	27.3
Additions	0.1	-	0.1	0.2
Transfers	9.8	-	-	9.8
Depreciation	-	-	(0.2)	(0.2)
Revaluation	1.1	-	-	1.1
At 30 June 2015	**35.8**	**1.5**	**0.9**	**38.2**
At 1 January 2014	19.7	1.5	1.0	22.2
Depreciation	(0.1)	-	(0.2)	(0.3)
Revaluation	3.5	-	-	3.5
At 30 June 2014	23.1	1.5	0.8	25.4
At 1 January 2014	19.7	1.5	1.0	22.2
Additions	0.3	-	0.2	0.5
Depreciation	-	-	(0.3)	(0.3)
Revaluation	4.8	-	-	4.8
At 31 December 2014	24.8	1.5	0.9	27.2
Net book value				
Cost or valuation	35.8	1.5	2.8	40.1
Accumulated depreciation	-	-	(1.9)	(1.9)
At 30 June 2015	**35.8**	**1.5**	**0.9**	**38.2**
Net book value				
Cost or valuation	23.1	1.5	2.5	27.1
Accumulated depreciation	-	-	(1.7)	(1.7)
At 30 June 2014	23.1	1.5	0.8	25.4
Net book value				
Cost or valuation	24.8	1.5	2.6	28.9
Accumulated depreciation	-	-	(1.7)	(1.7)
At 31 December 2014	24.8	1.5	0.9	27.2

The artwork is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in December 2014 and the Directors consider that there have been no material valuation movements since that date. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3.

The historic cost of the artwork at 30 June 2015 was £1.5m (30 June 2014: £1.5m; 31 December 2014: £1.5m). See note 11 for the IFRS 13 Fair Value Measurement disclosures in relation to the owner occupied property.

13. Investments

The Group has a 50% interest in two joint ventures, Primister Limited and Prescot Street Limited Partnership ('PSLP'). 9 and 16 Prescot Street E1 was transferred from a Group company into PSLP during the period.

In April 2014 the Group disposed of its 25% interest and 50% voting rights in the joint venture, Euro Mall Sterboholy a.s..

	30.06.2015 £m	30.06.2014 £m	31.12.2014 £m
At 1 January	**7.4**	5.1	5.1
Distributions received	**-**	(0.1)	(0.1)
Transfer from investment property (see note 11)	**18.7**	-	-
Share of results of joint ventures (see note 9)	**0.9**	0.5	2.5
Disposal of investment in joint venture	**-**	(0.1)	(0.1)
Other	**(0.8)**	0.1	-
	26.2	5.5	7.4

14. Other receivables (non-current)

	30.06.2015 £m	30.06.2014 £m	31.12.2014 £m
Accrued income	**80.0**	70.4	73.2
Other	**3.7**	6.1	5.7
	83.7	76.5	78.9

Accrued income relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts, as well as the initial direct costs of the letting, over the expected terms of their respective leases. Together with £9.3m (30 June 2014: £7.5m; 31 December 2014: £8.3m), which was included as current assets within trade and other receivables, these amounts totalled £89.3m at 30 June 2015 (30 June 2014: £77.9m; 31 December 2014: £81.5m).

15. Trade and other receivables

	30.06.2015 £m	30.06.2014 £m	31.12.2014 £m
Trade receivables	**3.3**	5.4	4.5
Other receivables	**7.8**	15.5	2.4
Prepayments	**19.8**	19.1	15.7
Sales and social security taxes	**-**	2.8	-
Accrued income	**9.6**	8.9	9.4
	40.5	51.7	32.0

16. Non-current assets held for sale

	30.06.2015 £m	30.06.2014 £m	31.12.2014 £m
Investment property (see note 11)	**-**	35.5	-

In July 2014, the Group exchanged contracts and completed on the sale of two freehold properties for a total of £37.4m before costs.

As a result, these properties were recognised as non-current assets held for sale at 30 June 2014, in accordance with IFRS 5 Non-current Assets Held for Sale.

17. Trade and other payables

	30.06.2015 **£m**	30.06.2014 £m	31.12.2014 £m
Trade payables	**3.7**	6.6	2.2
Other payables	**12.0**	12.8	12.8
Sales and social security	**4.4**	-	4.2
Accruals	**44.7**	33.0	37.4
Deferred income	**36.0**	38.7	33.2
	100.8	91.1	89.8

18. Borrowings and derivative financial instruments

	30.06.2015		30.06.2014		31.12.2014	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
2.75% unsecured convertible bonds 2016	**-**	**-**	-	-	170.5	234.4
	-	**-**	-	-	170.5	234.4
Non-current liabilities						
2.75% unsecured convertible bonds 2016	**-**	**-**	169.1	212.6	-	-
1.125% unsecured convertible bonds 2019	**138.9**	**169.5**	136.3	145.1	137.5	154.5
6.5% secured bonds 2026	**189.3**	**217.3**	190.2	208.3	189.8	227.4
4.68% unsecured private placement notes	**74.2**	**81.1**	74.2	75.3	74.2	83.5
4.41% unsecured private placement notes	**24.8**	**26.9**	24.7	25.1	24.7	27.6
3.99% secured loan	**82.0**	**82.1**	81.8	77.0	81.9	84.1
Unsecured bank loans	**257.7**	**262.5**	200.9	206.0	243.7	249.0
Secured bank loans	**97.6**	**98.0**	97.4	98.0	97.5	98.0
Leasehold liabilities	**23.1**	**23.1**	8.2	8.2	8.3	8.3
Borrowings	**887.6**	**960.5**	982.8	1,055.6	857.6	932.4
Derivative financial instruments expiring in greater than one year	**20.5**	**20.5**	15.9	15.9	25.2	25.2
Total borrowings and derivative financial instruments	**908.1**	**981.0**	998.7	1,071.5	1,053.3	1,192.0

Reconciliation to net debt:			
Borrowings and derivative financial instruments	**908.1**	998.7	1,053.3
Less:			
Derivative financial instruments	**(20.5)**	(15.9)	(25.2)
Cash and cash equivalents	**(11.7)**	(8.7)	(14.8)
Net debt	**875.9**	974.1	1,013.3

In December 2014, the Group issued a notice for the early redemption of the 2.75% unsecured convertible bonds 2016. All the bonds converted in January 2015 into new ordinary shares of 5p each and were subsequently cancelled. The transaction gave rise to an increase in retained earnings of £179.6m.

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

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

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

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

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

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

There have been no transfers between Level 1 and Level 2 or Level 2 and Level 3 in either 2015 or 2014.

19. Deferred tax

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2015	7.2	(2.2)	5.0
Charged to the income statement	0.9	-	0.9
Charged to other comprehensive income	0.1	-	0.1
At 30 June 2015	**8.2**	**(2.2)**	**6.0**
At 1 January 2014	5.5	(4.5)	1.0
Charged to the income statement	0.5	1.4	1.9
Changes in tax rates in the income statement	(0.2)	0.2	-
Charged to other comprehensive income	0.6	-	0.6
Changes in tax rates in other comprehensive income	(0.1)	-	(0.1)
At 30 June 2014	6.3	(2.9)	3.4
At 1 January 2014	5.5	(4.5)	1.0
Charged to the income statement	1.0	2.2	3.2
Changes in tax rates in the income statement	(0.2)	0.1	(0.1)
Charged to other comprehensive income	0.9	-	0.9
At 31 December 2014	7.2	(2.2)	5.0

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 at each balance sheet date. The calculation takes account of any available indexation on the historic cost of the properties. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT regime.

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

20. Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	**Half year to 30.06.2015 £m**	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Current period							
2015 interim dividend	22 October 2015	12.60	-	12.60	-	-	-
Distribution of current period profit		12.60	-	12.60			
Prior period							
2014 interim dividend	23 October 2014	7.30	4.35	11.65	-	-	12.0
Distribution of prior period profit		7.30	4.35	11.65			
Prior year							
2014 final dividend	11 June 2015	22.35	5.65	28.00	**31.1**	-	-
Distribution of prior year profit		29.65	10.00	39.65			
2013 final dividend	13 June 2014	23.50	2.25	25.75	**-**	26.4	26.4
Dividends as reported in the Group statement of changes in equity					**31.1**	26.4	38.4
2014 final scrip dividend	11 June 2015				**(7.7)**	-	-
2014 final scrip dividend withholding tax	14 July 2015				**(0.6)**	-	-
2014 final dividend withholding tax	14 July 2015				**(2.5)**	-	-
2014 interim dividend withholding tax	14 January 2015				**1.0**	-	(1.0)
2014 interim scrip dividend	23 October 2014				**-**	-	(1.0)
2013 final scrip dividend	13 June 2014				**-**	(1.1)	(1.1)
2013 final dividend withholding tax	14 July 2014				**-**	(3.4)	-
2013 interim dividend withholding tax	14 January 2014				**-**	0.9	0.9
Dividends paid as reported in the Group cash flow statement					**21.3**	22.8	36.2

21. Gearing and interest cover

NAV gearing

	Note	**30.06.2015 £m**	30.06.2014 £m	31.12.2014 £m
Net debt	18	**875.9**	974.1	1,013.3
Net assets		**3,630.9**	2,719.1	3,075.7
NAV gearing		**24.1%**	35.8%	32.9%

Loan-to-value ratio

	Note	**30.06.2015 £m**	30.06.2014 £m	31.12.2014 £m
Net debt	18	**875.9**	974.1	1,013.3
Fair value adjustment of secured bonds		**(15.5)**	(16.5)	(16.0)
Unamortised issue and arrangement costs		**10.8**	14.1	13.3
Leasehold liabilities	18	**(23.1)**	(8.2)	(8.3)
Drawn debt		**848.1**	963.5	1,002.3
Fair value of property portfolio	11	**4,551.8**	3,742.1	4,168.1
Loan-to-value ratio		**18.6%**	25.7%	24.0%

Net interest cover ratio

	Note	**Half year to 30.06.2015 £m**	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Net property and other income	5	**71.3**	65.9	136.1
Adjustments for:				
Other income	5	**(1.2)**	(1.1)	(2.0)
Other property income	5	**(2.3)**	(1.4)	(1.6)
Net surrender premiums received	5	**-**	-	(0.1)
Profit on disposal of trading properties	5	**(0.6)**	-	(3.9)
Reverse surrender premiums	5	**-**	0.3	0.4
Adjusted net property income		**67.2**	63.7	128.9
Finance costs	7	**17.4**	21.1	42.4
Adjustments for:				
Other finance costs	7	**(0.1)**	-	(0.2)
Amortisation of fair value adjustment to secured bonds	7	**0.5**	0.5	0.9
Amortisation of issue and arrangement costs	7	**(1.2)**	(1.7)	(3.3)
Finance costs capitalised	7	**3.0**	2.3	5.3
		19.6	22.2	45.1
Net interest cover ratio		**343%**	287%	286%

22. Total return

	Half year to 30.06.2015 p	Half year to 30.06.2014 p	Year to 31.12.2014 p
EPRA net asset value on a diluted basis			
At end of period	**3,226.00**	2,572.00	2,908.00
At start of period	**(2,908.00)**	(2,264.00)	(2,264.00)
Increase	**318.00**	308.00	644.00
Dividend per share	**28.00**	25.75	37.40
Increase including dividend	**346.00**	333.75	681.40
Total return	**11.9%**	14.7%	30.1%

23. Post balance sheet events

In July 2015, the Group exchanged contracts to acquire the freehold of Aldgate Union E1 for £132.0m before costs. Completion of the purchase will take place in December 2015.

In July, the Group also completed a new £75m five-year unsecured revolving bank facility. This replaced the £90m secured facility from the same lender, of which £70m was drawn and which was repaid and cancelled at the same time.

24. Related Party disclosure

There have been no related party transactions during the half year to 30 June 2015 that have materially affected the financial position or performance of the Group. All related party transactions are materially consistent with those disclosed by the Group in its financial statements for the year ended 31 December 2014.

25. EPRA performance measures

Number of shares

	Earnings per share measures			Net asset value per share measures		
	Weighted average for the period ended			At period ended		
	30.06.2015 '000	30.06.2014 '000	31.12.2014 '000	**30.06.2015 '000**	30.06.2014 '000	31.12.2014 '000
For use in basic measures	**109,520**	102,573	102,658	**111,065**	102,720	102,785
Dilutive effect of convertible bonds	**4,498**	12,373	12,373	**-**	7,876	7,876
Dilutive effect of share-based payments	**659**	463	456	**660**	462	477
For use in measures for which bond conversion is dilutive	**114,677**	115,409	115,487	**111,725**	111,058	111,138
Less dilutive effect of convertible bonds	**(4,498)**	(12,373)	(12,373)	**-**	(7,876)	(7,876)
For use in other diluted measures	**110,179**	103,036	103,114	**111,725**	103,182	103,262

The £150m unsecured convertible bonds 2019 ('2019 bonds') have an initial conversion price set at £33.35. The £175m unsecured convertible bonds 2016 ('2016 bonds') were redeemed early and converted into new ordinary shares in January 2015 at a conversion price of £22.22.

In accordance with IAS 33 Earnings per Share, the impact of a conversion of these bonds is required to be recognised if it is dilutive, and not if it is anti-dilutive.

For the half years to 30 June 2015 and 30 June 2014 and the year to 31 December 2014, the adjustment attributable to the conversion of the 2019 bonds was dilutive for unadjusted earnings per share but anti-dilutive for EPRA earnings per share and all net asset value (NAV) per share measures.

For the half year to 30 June 2014 and the year to 31 December 2014, the adjustment attributable to the conversion of the 2016 bonds was dilutive for NAV and EPRA NAV per share and unadjusted earnings per share but anti-dilutive for EPRA earnings per share.

For consistency purposes, the Group has adopted the same approach for dilution due to convertible bonds for the calculation of EPRA triple NAV per share as EPRA NAV per share.

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

A – Disposal of investment property and investment in joint venture and associated tax and non-controlling interest
B – Revaluation surplus/(deficit) on investment property and in joint ventures and associated deferred tax and non-controlling interest
C – Fair value movement and termination costs relating to derivative financial instruments and associated non-controlling interest
D – Loan arrangement costs, movement in the valuation of cash-settled options and the dilutive effect of convertible bonds

Profit before tax and earnings per share

		Adjustments				
	IFRS	A	B	C	D	EPRA
	£m	£m	£m	£m	£m	£m
Half year to 30 June 2015						
Net property and other income	71.3	(0.6)	-	-	-	70.7
Total administrative expenses	(14.8)	-	-	-	-	(14.8)
Revaluation surplus	361.0	-	(361.0)	-	-	-
Profit on disposal of investment property	0.4	(0.4)	-	-	-	-
Net finance costs	(17.4)	-	-	-	-	(17.4)
Movement in fair value of derivative financial instruments	4.8	-	-	(4.8)	-	-
Financial derivative termination costs	(1.2)	-	-	1.2	-	-
Share of results of joint ventures	0.9	-	(0.4)	-	-	0.5
Profit before tax	**405.0**	**(1.0)**	**(361.4)**	**(3.6)**	**-**	**39.0**
Tax charge	(1.7)		0.9	-	-	(0.8)
Profit for the period	403.3	(1.0)	(360.5)	(3.6)	-	38.2
Non-controlling interest	(6.1)	-	4.9	0.2	-	(1.0)
Profit for the period attributable to equity shareholders	397.2	(1.0)	(355.6)	(3.4)	-	37.2
Interest effect of dilutive convertible bonds	1.9	-	-	-	(1.9)	-
Diluted earnings	399.1	(1.0)	(355.6)	(3.4)	(1.9)	37.2
Earnings per share	**362.67p**					**33.97p**
Diluted earnings per share	348.02p					33.76p

Half year to 30 June 2014						
Net property and other income	65.9	-	-	-	-	65.9
Total administrative expenses	(13.2)	-	-	-	0.1	(13.1)
Revaluation surplus	330.8	-	(330.8)	-	-	-
Profit on disposal of investment property	7.3	(7.3)	-	-	-	-
Profit on disposal of investment	2.0	(2.0)	-	-	-	
Net finance costs	(21.1)	-	-	-	-	(21.1)
Financial derivative termination costs	(0.8)	-	-	0.8	-	-
Share of results of joint ventures	0.5	-	(0.2)	-	-	0.3
Profit before tax	371.4	(9.3)	(331.0)	0.8	0.1	32.0
Tax charge	(2.3)	0.9	0.3	-	-	(1.1)
Profit for the period	369.1	(8.4)	(330.7)	0.8	0.1	30.9
Non-controlling interest	(4.1)	-	3.1	-	-	(1.0)
Profit for the period attributable to equity shareholders	365.0	(8.4)	(327.6)	0.8	0.1	29.9
Interest effect of dilutive convertible bonds	5.2	-	-	-	(5.2)	-
Diluted earnings	370.2	(8.4)	(327.6)	0.8	(5.1)	29.9
Earnings per share	355.84p					29.15p
Diluted earnings per share	320.77p					29.02p

			Adjustments			
	IFRS	A	B	C	D	EPRA
	£m	£m	£m	£m	£m	£m
Year to 31 December 2014						
Net property and other income	136.1	(3.9)	-	-	-	132.2
Total administrative expenses	(28.4)	-	-	-	0.3	(28.1)
Revaluation surplus	667.1	-	(667.1)	-	-	-
Profit on disposal of investment property	28.2	(28.2)	-	-	-	-
Profit on disposal of investment	2.0	(2.0)	-	-	-	-
Net finance costs	(42.4)	-	-	-	-	(42.4)
Movement in fair value of derivative financial instruments	(9.4)	-	-	9.4	-	-
Financial derivative termination costs	(2.0)	-	-	2.0	-	-
Share of results of joint ventures	2.5	-	(1.9)	-	-	0.6
Profit before tax	753.7	(34.1)	(669.0)	11.4	0.3	62.3
Tax charge	(3.9)	1.0	1.2	-	-	(1.7)
Profit for the period	749.8	(33.1)	(667.8)	11.4	0.3	60.6
Non-controlling interest	(12.1)	-	10.4	(0.3)	-	(2.0)
Profit for the period attributable to equity shareholders	737.7	(33.1)	(657.4)	11.1	0.3	58.6
Interest effect of dilutive convertible bonds	10.4	-	-	-	(10.4)	-
Diluted earnings	748.1	(33.1)	(657.4)	11.1	(10.1)	58.6
Earnings per share	718.60p					57.08p
Diluted earnings per share	647.78p					56.83p

Net asset value and net asset value per share

		Undiluted	Diluted
	£m	p	p
At 30 June 2015			
Net assets attributable to equity shareholders	3,561.3	3,207	3,188
Adjustment for:			
Revaluation of trading properties net of tax	2.7		
Deferred tax on revaluation surplus	8.2		
Fair value of derivative financial instruments	20.5		
Fair value adjustment to secured bonds	15.5		
Non-controlling interest in respect of the above	(3.4)		
EPRA net asset value	**3,604.8**	**3,246**	**3,226**
Adjustment for:			
Deferred tax on revaluation surplus	(8.2)		
Fair value of derivative financial instruments	(20.5)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(28.3)		
Mark-to-market of secured bonds	(42.3)		
Mark-to-market of fixed rate secured loan	0.9		
Mark-to-market of fixed rate unsecured private placement notes	(8.0)		
Unamortised issue and arrangement costs	(10.8)		
Non-controlling interest in respect of the above	3.4		
EPRA triple net asset value	**3,491.0**	**3,143**	**3,125**

	£m	Undiluted p	Diluted p
At 30 June 2014			
Net assets attributable to equity shareholders - diluted	2,817.6		2,537
Remove conversion of 2.75% unsecured convertible bonds 2016	(169.1)		
Net assets attributable to equity shareholders - undiluted	2,648.5	2,578	
Adjustment for:			
Revaluation of trading properties net of tax	2.4		
Deferred tax on revaluation surplus	6.3		
Fair value of derivative financial instruments	15.9		
Fair value adjustment to secured bonds	16.5		
Non-controlling interest in respect of the above	(2.2)		
EPRA net asset value - undiluted	2,687.4	2,616	
Adjustment for:			
Potential conversion of 2.75% unsecured convertible bonds 2016	169.1		
EPRA net asset value - diluted	2,856.5		2,572
Adjustment for:			
Deferred tax on revaluation surplus	(6.3)		
Fair value of derivative financial instruments	(15.9)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(5.9)		
Mark-to-market of secured bonds	(33.3)		
Mark-to-market of fixed rate secured loan	6.0		
Mark-to-market of fixed rate unsecured priivate placement notes	(0.4)		
Unamortised issue and arrangement costs	(12.3)		
Non-controlling interest in respect of the above	2.2		
EPRA triple net asset value - diluted	2,790.6		2,513
Adjustment for 2.75% unsecured convertible bonds 2016:			
Remove conversion of bonds	(169.1)		
Unamortised issue and arrangement costs	(1.8)		
Mark-to-market of bonds	(41.7)		
EPRA triple net asset value - undiluted	2,578.0	2,510	

At 31 December 2014			
Net assets attributable to equity shareholders - diluted	3,182.7		2,864
Remove conversion of 2.75% unsecured convertible bonds 2016	(170.5)		
Net assets attributable to equity shareholders - undiluted	3,012.2	2,931	
Adjustment for:			
Revaluation of trading properties net of tax	4.1		
Deferred tax on revaluation surplus	7.2		
Fair value of derivative financial instruments	25.2		
Fair value adjustment to secured bonds	16.0		
Non-controlling interest in respect of the above	(3.2)		
EPRA net asset value - undiluted	3,061.5	2,979	
Adjustment for:			
Potential conversion of 2.75% unsecured convertible bonds 2016	170.5		
EPRA net asset value - diluted	3,232.0		2,908
Adjustment for:			
Deferred tax on revaluation surplus	(7.2)		
Fair value of derivative financial instruments	(25.2)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(14.2)		
Mark-to-market of secured bonds	(52.4)		
Mark-to-market of fixed rate secured loan	(1.1)		
Mark-to-market of fixed rate unsecured private placement notes	(11.1)		
Unamortised issue and arrangement costs	(11.9)		
Non-controlling interest in respect of the above	3.2		
EPRA triple net asset value - diluted	3,112.1		2,800
Adjustment for 2.75% unsecured convertible bonds 2016:			
Remove conversion of bonds	(170.5)		
Unamortised issue and arrangement costs	(1.4)		
Mark-to-market of bonds	(62.5)		
EPRA triple net asset value - undiluted	2,877.7	2,800	

Cost ratios

	Half year to 30.06.2015 £m	Half year to 30.06.2014 £m	Year to 31.12.2014 £m
Administrative expenses	**14.8**	13.1	28.1
Other property costs	**4.0**	3.3	6.4
Other costs	**0.3**	-	-
Dilapidation receipts	**(0.6)**	-	(0.2)
Net service charge costs	**1.0**	0.7	1.2
Service charge costs recovered through rents but not separately invoiced	**(0.2)**	(0.1)	(0.5)
Management fees received less estimated profit element	**(1.2)**	(1.1)	(2.0)
Share of joint ventures' expenses	**0.1**	0.1	0.1
EPRA costs (including direct vacancy costs) (A)	**18.2**	16.0	33.1
Direct vacancy costs	**(1.9)**	(1.2)	(1.8)
EPRA costs (excluding direct vacancy costs) (B)	**16.3**	14.8	31.3
Gross rental income	**72.0**	67.9	136.7
Ground rent	**(0.1)**	(0.2)	(0.4)
Service charge components of rental income	**(0.2)**	(0.1)	(0.5)
Share of joint ventures' rental income less ground rent	**0.6**	0.6	0.8
Adjusted gross rental income (C)	**72.3**	68.2	136.6
EPRA cost ratio (including direct vacancy costs) (A/C)	**25.2%**	23.5%	24.2%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**22.5%**	21.7%	22.9%

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

Property portfolio at fair value (D)	**4,551.8**	3,742.1	4,168.1
Portfolio cost ratio (A/D) - annualised	**0.8%**	0.9%	0.8%

The Group has not capitalised any overhead or operating expenses in either 2015 or 2014.

26. Risk management and internal control

Derwent London aims to deliver above average long term returns to shareholders whilst operating within an acceptable risk envelope. The Board recognises that there are inherent risks in running any business and that to ensure that the Group's risk appetite is not exceeded, a system of risk management is required that enables these risks to be identified, understood and managed.

Overall responsibility for risk management rests with the Board which has delegated responsibility for assurance concerning the process to the Audit Committee and the Risk Committee. Executive management is responsible for designing, implementing, maintaining and evaluating the necessary systems of internal control.

The Group operates principally from one central London office with relatively short management reporting lines. Consequently, members of the Executive Committee are closely involved in day-to-day matters and able to identify areas of increasing risk quickly and respond accordingly.

The third party review of the Group's risk management process undertaken at the end of 2013 resulted in a phased programme of improvements. Those that were applicable to the preparation and reporting of the Group's risk register were introduced during the 2013 review of the register and were further refined during the 2014 review which was undertaken during September, October and November 2014. An interim review of the risk management system was carried out in August 2015.

The review also made further recommendations concerning the documentation of the Group's risk management process and, accordingly, during the year a Group Risk Appetite Statement, a Risk Management Policy document and a Risk Management Process document have been prepared by the Executive Committee and approved by the Risk Committee.

The Group's risk register continues to be the core element of the risk management process. The register is prepared by the Executive Committee which initially identifies the risks facing the Group and then collectively assesses the likelihood of each risk, the impact on the Group over different aspects of the business and the strength of the controls operating over the risk. This approach allows the effect of any mitigating procedures to be reflected in the final assessment. It also recognises that risk cannot be totally eliminated at an acceptable cost and that there are some risks which, with its experience, the Board will, after due consideration, choose to accept. The register, its method of preparation and the operation of the key controls in the Group's system of internal control have been reviewed by the Risk Committee. In order to gain a more comprehensive understanding of the risk management process and how it applies to particular parts of the Group's business, the Risk Committee periodically receives presentations from senior managers.

The current risk register includes 46 risks spread between strategic risks, operational risks and financial risks.

The principal risks and uncertainties faced by the Group in 2015, together with the potential effects, controls and mitigating factors, are set out on the following pages.

Strategic risks

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

Risk, effect and progression	Controls and mitigation	Action
• **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 continues to benefit from a strong central London market. However, this could be adversely affected by a number of high level economic factors which would reduce the value of the Group's portfolio with a consequent effect on two of its KPIs – Total Return and Total Property Return.	• 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 of changes to the main underlying assumptions reflecting 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 is largely due to the Group's policy of maintaining income from properties for as long as possible until development starts. • The level of future redevelopment opportunities identified in the Group's portfolio enables the Board to delay marginal projects until market conditions are favourable. • The Board pays particular attention, when setting its plans, to maintaining sufficient headroom in all the Group's key ratios, financial covenants and interest cover.	• The last annual strategic review was carried out by the Board in June 2015. 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 the extent of capital recycling. • The three rolling forecasts prepared during the year focus on the same key measures but may 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. • Over 50% of the Group's portfolio has been identified for future redevelopment. • During the period the Group's loan-to-value ratio has been reduced to 18.6%, its net interest cover ratio improved to 343% and the REIT ratios were comfortably met.
• **Regulatory non-compliance** The Group's cost base is increased and management time diverted through a breach of any of the legislation that forms the regulatory framework within which the Group operates. An increase in costs would directly impact on the Group's Total Return KPI. A significant diversion of management time could affect a wider range of key metrics.	• The Group's Risk Committee reports to the Board concerning regulatory risk. • The Group employs a Health and Safety Manager who reports to the Board. • The Group employs a Sustainability Manager who reports to the sustainability committee which is chaired by Paul Williams. • The Company's policies including those on the Bribery Act, Health and Safety, Equal	• A Health and Safety report is presented at all Executive Committee and main Board meetings. • The Executive Committee receives regular reports from the Sustainability Manager. • The Group pays considerable attention to sustainability issues and produces an annual sustainability report. • The Group has reviewed and revised its whistleblowing policy during the period.

Opportunities, Harassment and Whistleblowing are available to all staff on the Company intranet.

- Members of staff attend external briefings in order to remain cognisant of regulatory changes.

Risk, effect and progression	Controls and mitigation	Action
• **Reputational damage** The Group's reputation is damaged through unauthorised and inaccurate media coverage. 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.	• All new members of staff benefit from an induction programme and are issued with the Group's Staff Handbook. • Social media channels are monitored by the Group's investor relations department. • The Group takes advice on technological changes in the use of media and adapts its approach accordingly. • There is an agreed procedure for approving all external statements.	• The Group employs a Head of Investor and Corporate Communications and retains the services of an external PR agency. Both maintain regular contact with external media sources. • The Company engages with a number of local community bodies in areas where it operates as part of its CSR activity.

Financial risks

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

Risk, effect and progression	Controls and mitigation	Action
• **Increase in property yields** Increases in interest rates can lead to higher property yields which would cause property values to fall. This would affect the following KPI's: ○ Loan-to-Value Ratio. ○ Total Return. ○ Total Property Return. Interest rates have remained low for an extended period of time and yields have decreased during the period. Interest rates are expected to rise within the next year. Though there is no direct relationship, this may cause property yields to increase in due course.	• The impact of such changes on the Group's financial covenants and performance are monitored regularly and are subject to sensitivity analysis to ensure that adequate headroom is preserved. • The management of the Group's financial covenants has been simplified by changes to its financing profile over the last two years. • The impact of yield changes is considered when potential projects are appraised.	• The Group produces three rolling forecasts each year which contain detailed sensitivity analyses. • Quarterly management accounts report on the Group's performance against covenants. • Project appraisals are regularly reviewed and updated.

Operational risks

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

Risk, effect and progression	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 which include 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 and timetable. This allows potential adverse variances to be identified and addressed at an early stage. • The Group uses contractors/ sub-contractors that it has previously worked with successfully whenever possible. • Post completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures can be identified and implemented. • Alternative procurement methods are evaluated as a way of minimising the impact of increased construction costs.	• The Group is advised by leading 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 53 lettings achieved in the period which totalled 394,600 sq ft. • The Group has often secured significant pre-lets of the space in its development programme which significantly "de-risks" those projects. • The Group's cost committee meets on a weekly basis to consider new budget requests or amendments.
• **Inefficient systems** The Group's systems and in particular its IT infrastructure are not developed quickly enough to support the business as it changes and grows or new systems are not implemented effectively. This would lead to increased costs or reduced returns which would affect the Group's Total Return KPI.	• The Group's IT department has been expanded over the last two years to improve the Group's ability to develop its systems. • A steering group has been established from all parts of the business to identify and prioritise requirements.	• The IT department consists of three people. • The IT steering group met twice during the 6 month period. • The IT manager attends meetings with representatives from similar companies in

	• The proximity of members of the Executive Committee to the day-to-day operations helps identify IT requirements. • System improvements are considered as part of the five-year strategic review.	order to share knowledge. • External consultants are used to assist with the implementation of most new systems.
• **Business interruption**		
The Group suffers either a successful cyber-attack or disaster that results in it being unable to use its IT systems. This would lead to an increase in cost and a diversion of management time. Increased costs would have an impact on the Group's Total Return KPI whilst a significant diversion of management time would have a wider effect.	• The Group's IT systems are protected by anti-virus software and firewalls which are continually updated. • The offsite back-up IT infrastructure has been tested. • A "disaster recovery" suite has been established. • Internal and external penetration tests are regularly conducted to assess the effectiveness of the firewalls.	• A staff awareness programme has been rolled out to alert staff to the techniques that may be used to gain unauthorised access to the Group's systems. • The Group's Business Continuity Plan is being reviewed and updated by external consultants. • The Group's Risk Committee has commissioned and received a report on the cyber risks faced by the Group.
• **Tenant default**		
The Group suffers a loss of rental income and increased vacant property costs due to tenants vacating or becoming insolvent. This risk would have an immediate effect on the Group's Tenant Receipts and Void Management KPIs and, if significant, on the Total Property Return, Total Return and Interest Cover Ratio.	• 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 Board regularly considers the merits of tenant default insurance.	• The Group has a diversified tenant base. • The Credit Committee meets each week and considered 58 potential lettings during the first half of 2015. • In total the Group holds rental deposits amounting to £12.1m. • On average, the Group has collected 98% of the rents due within 14 days of the due date.

- **Shortage of key staff**

Risk	Mitigation	Commentary
The Group is unable to successfully implement its strategy due to a failure to recruit and retain key staff with appropriate skills. This risk could impact on any or all of the Group's KPIs.	• The remuneration packages of all employees are bench-marked regularly. • Six-monthly appraisals identify training requirements which are fulfilled over the next six months. • The Nominations Committee considers succession matters as a standing agenda item. • Requirements for senior management succession are considered as part of the five year strategic review.	• The Group recruited 8 new members of staff during the first half of 2015. • Staff turnover during the period was low at 3%.

Financial instruments – risk management

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

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

In common with 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 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, trade and other payables, floating rate bank loans, fixed rate loans and private placement notes, secured and unsecured bonds and interest rate swaps.

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

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

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from lease contracts in relation to its property portfolio. It is Group policy to assess the credit risk of new tenants before entering into such contracts. The Board has 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 a minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time.

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

Market risk

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

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. At 30 June 2015, the proportion of fixed debt held by the Group was above this range at 91%. During both 2015 and 2014, the Group's borrowings at variable rate were denominated in sterling.

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

Liquidity risk

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

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

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

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

Capital disclosures

The Group's capital comprises all components of equity (share capital, share premium, other reserves, retained earnings and non-controlling 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 vary the amount of dividends paid to shareholders subject to the rules imposed by its REIT status. It may also seek to redeem bonds, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and loan-to-value ratio. During 2015, the Group's strategy, which was unchanged from 2014, was 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 21.

27. List of definitions

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.

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

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

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. This includes guidelines for the calculation of the following performance measures which the Group has adopted.

- **EPRA earnings per share**

Recurring earnings from core operational activities.

- **EPRA net asset value per share**

NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

- **EPRA 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, where applicable.

- **EPRA cost ratio (including direct vacancy costs)**

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

- **EPRA cost ratio (excluding direct vacancy costs)**

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

- **EPRA net initial yield (NIY)**

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

- **EPRA "topped up" net initial yield**

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

- **EPRA vacancy rate**

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

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

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

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

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

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

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

NAV gearing
Net debt divided by net assets.

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

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

Net interest cover ratio
Net property income, excluding other income, net surrender premiums received and reverse surrender premiums, divided by interest payable on borrowings and non-utilisation fees.

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

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

Real Estate Investment Trust (REIT)
The 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.

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

Reversion
The reversion is the amount by which ERV is higher than the rent roll of a property or portfolio. The reversion is derived from contractual rental increases, rent reviews, lease renewals and the letting of 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.

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 period 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.

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

Underlying valuation increase
The valuation increase on the underlying portfolio.

Yields

- **Net initial yield**

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

- **Reversionary yield**

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

- **True equivalent yield**

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

- **Yield shift**

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

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

Independent review report to Derwent London plc

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed the condensed consolidated interim financial statements, defined below, contained in the interim results of Derwent London plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The condensed consolidated interim financial statements, which are prepared by Derwent London plc, comprise:

- the Group condensed balance sheet as at 30 June 2015;
- the Group condensed income statement and statement of comprehensive income for the period then ended;
- the Group condensed statement of changes in equity for the period then ended;
- the Group condensed cash flow statement for the period then ended; and
- the explanatory notes to the Group condensed interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Our responsibilities and those of the Directors for the condensed consolidated interim financial statements and the review

The interim results, including the condensed consolidated interim financial statements, are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the interim results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements contained in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
13 August 2015
London

Notes:

(a) The maintenance and integrity of the Derwent London plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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