INTERIM RESULTS 2016 ANNOUNCEMENT

DERWENT LONDON PLC

11 August 2016

DERWENT LONDON

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

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016
WELL PLACED IN THE MIDDLE MARKET

Summary and outlook

- First six months letting activity was our highest half year ever: 267,700 sq ft generating £16.7m pa
- Whilst the outcome of the EU referendum may lower activity, we have made good letting progress since 30 June: 112,600 sq ft achieving £4.6m pa
- Derwent London's portfolio is well placed with high quality design and middle market rental focus
- Estimated reversion of £151m pa at June 2016 should drive medium term earnings growth
- Future capital expenditure is focused close to Crossrail stations and has some flexibility
- We now estimate that our portfolio's ERV growth will be between 1 to 5% in 2016 and that investment yields may rise marginally in H2

Financial highlights

- EPRA[1] net asset value per share increased by 1.8% to 3,598p from 3,535p at 31 December 2015
- Net rental income increased by 8.5% to £72.6m from £66.9m in the six months to June 2015
- EPRA[1] adjusted profit before tax was £44.8m, an increase of 14.9% from £39.0m in H1 2015
- EPRA[1] adjusted earnings per share were 37.13p, up 9.3% from 33.97p in H1 2015
- Interim dividend per share increased by 10% to 13.86p
- LTV ratio of 19.1% at 30 June 2016, and cash/undrawn facilities of £279m

Activity year to date

- Year to date lettings 5.4% above December 2015 ERV
- Four major developments and refurbishments completing 2016-2017 total 673,000 sq ft and are 58% pre-let with capital expenditure to complete of £84m
- Developments completing in 2019 total 620,000 sq ft with capital expenditure to complete of £338m

Property performance

- Underlying valuation uplift of 1.6% compared to 8.8% in H1 2015 and 7.1% in H2 2015
- Underlying valuation uplift on our four major projects was 3.4%
- Total property return of 3.1% compared to 2.8% for IPD Central London Offices Quarterly Index
- True equivalent yield rose by 6 basis points to 4.58%
- Estimated rental values increased by 4.1% compared to 5.2% in H1 2015 and 6.6% in H2 2015
- On average first half lettings have been 7.4% ahead of December 2015 ERV
- Our portfolio is 98% let on an EPRA basis with an average 'topped-up' central London office rent of only £43 per sq ft

[1]Explanations of how the EPRA figures are derived from IFRS are shown in Note 21

Robbie Rayne, Chairman, commented:

"It is early days since the EU referendum but London remains a major global city with significant attractions and potential for the future. Derwent London has a flexible and dynamic business model and a strong balance sheet with low leverage which enables us to respond to changing economic conditions."

John Burns, Chief Executive Officer, commented:

"We have performed well in the first half with record lettings, recurring earnings up strongly and a 10% increase in the interim dividend. This momentum has been maintained into the second half with 112,600 sq ft let since June demonstrating the sustained demand for our high quality, mid-market rental space. Our four major schemes due to be delivered over the next 18 months are now 58% pre-let."

Webcast and conference call

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

To participate in the call, please dial the following number: +44 (0)20 3059 8125

A recording of the conference call will also be made available following the conclusion of the call on www.derwentlondon.com.

For further information, please contact:

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Overview and outlook

Strong letting progress but slower capital growth in the first half

We have performed strongly in the first half, converting good occupier demand into lettings of 267,700 sq ft which will generate rents of £16.7m pa. Although activity slowed marginally in Q2, the first half produced our highest ever lettings in a six month reporting period. On average these lettings were 7.4% above December 2015 estimated rental values (ERV).

The latest portfolio valuation, timed just seven days after the EU referendum, showed capital growth slowing to 1.6% in the first six months. Growth came from the 4.1% increase in ERV's and progress on our advanced developments. This was offset by a small outward yield shift and widening prospective margins on our early stage projects. The valuers caution that the valuation is based on the limited transactional evidence available since the EU referendum and that it is too early to gauge the vote's full impact.

Focus is on positioning and performance after the EU referendum

Understandably our focus is now on the outlook for the UK economy and the London office market. We recognise that, in the short term, political and economic uncertainty is likely to lower demand and that the long term ramifications of this significant vote are unlikely to be known for some time. However, today there is limited office space available and we believe our well-designed middle market rental product is particularly well positioned for a more cautious market. This is coming through in the lettings and enquiries achieved thus far in the second half.

Despite a changing background and the expectation of lower activity, we believe that the business remains well placed. The majority of the office portfolio is let at undemanding rents (averaging £43 per sq ft on a 'topped-up' basis). Average lease lengths are 6.8 years (8.1 years including pre-lets), and our EPRA vacancy rate is very low at 2.0%. Our exposure to London's financial sector is modest at just 2.3% of June rental income. Taking current market conditions into consideration, we have lowered the rental growth expectations on our portfolio in 2016 to 1-5%, and believe that investment yields could rise marginally in response to lower growth, although this move may be mitigated by falling bond yields.

Income growth prospects remain good and we have flexibility on development timing

We identified the prospect of lower capital growth earlier in the year. The focus now is on capturing our significant reversion and growing recurring earnings while continuing to bolster returns through value creation activities across the portfolio.

We have continued to capture reversion in H2 as our letting strategy is going well. On 23 June we had c.113,000 sq ft of space under offer. Since then we have let all of this, securing rents of £4.6m pa. There is further space under active negotiation. This post referendum activity demonstrates that London remains 'open for business'.

Our future capital expenditure divides into three categories:

- The first is our advanced developments and refurbishments due for completion in the next 18 months which have an ERV of £42.7m and where there remains c.£125m of capital expenditure to complete. These include White Collar Factory EC1, The Copyright Building W1, The White Chapel Building E1 and 20 Farringdon Road EC1 which are 58% pre-let.

- The second category is the early stage developments which comprise our major schemes at 80 Charlotte Street W1 and Brunel Building, Paddington W2. Both projects are due to be delivered in 2019. Together these comprise the bulk of our future capital expenditure at £338m, and also a significant part of our reversion representing £41.2m of ERV. There is some flexibility with the timing of the Paddington scheme, which could be slowed down or even deferred if necessary.

- The final category is preparatory work on consented schemes and appraisal studies. These are properties that are predominantly income producing, where there is no intention to commit to schemes for now. This comprises 13% of our portfolio by area.

Strong financial base

All this activity is built on a robust financial base. Following the drawdown of the US Private Placement monies in May 2016 the average longevity of our drawn debt at 30 June 2016 was 7.7 years with an average interest rate of 3.65% pa on a cash basis. At the same date we had cash and undrawn bank facilities of £279m, a low loan-to-value ratio of 19.1% and strong interest cover. We have no significant debt due for repayment until 2019.

The London office market is likely to face a number of challenges in the next few years, but London remains a major global city with significant economic and cultural attractions. It has also shown an ability to adapt to take advantage of events and economic trends. In recent years we have highlighted the flexibility of our regenerated buildings, and this applies to our business model too.

Central London office market

We regard London office occupier demand as the most important measure of the health of our real estate market. The result of the EU referendum and the ensuing uncertainty is expected to lower demand levels. However, London is likely to remain an important and dynamic city with a number of inherent strengths which will continue to appeal to a wide range of international and domestic occupiers. Longer term, these attractions may be supported by new policies that the UK government introduces to mitigate any negative impacts of Brexit.

In the first six months of the year CBRE reported lower central London take-up at 5.5m sq ft. Against this background, central London's office vacancy rate has risen to 3.2% but remains low compared to historical levels. CBRE estimates that prime rents were either unchanged or marginally up in most London markets, with Victoria and Paddington seeing the strongest growth at 10% and 8%, respectively. JLL reported slightly higher active enquiries at 9.8m sq ft. However, we also need to consider longer term or potential demand. JLL has this falling to six million sq ft and, although this is 24% down from Q1, it is still 22% above levels recorded one year ago. It is how this develops over the next few years that will determine the medium term health of the central London office market.

Development activity in central London has been increasing with 1.7m sq ft of offices completed in the first half. There is currently another 13.0m sq ft under construction of which 45% is pre-let or under offer and all is due for completion by 2019. Adjusting for pre-lets there is currently 7.1m sq ft of speculative office space under construction, equivalent to an additional 3% of the central London office market. Over the same period CBRE estimates that there is another 13.3m sq ft that could be delivered. We expect that much of this potential supply will be delayed or reduced until the outlook for the London office market becomes more certain.

West End supply is lower with 2.5m sq ft under construction due for completion by 2019 of which 36% is pre-let or under offer. This is particularly relevant to our projects at 80 Charlotte Street W1 and Brunel Building W2. The current vacancy in the West End is 2.5%, and the speculative element of new supply under construction represents around 1.7% of the local market. CBRE estimates that there is scope for another 2.7m sq ft to be built in the West End by 2019.

Overall we believe our product and pricing remains attractive in this market. However we would expect rental momentum to slow in the second half and, as a result, we have lowered our rental growth estimate for 2016 from 5-8% to 1-5%.

The investment market, with £6.8 billion of transactions, was steady in the first half, but slackened ahead of the EU referendum and has been subsequently subdued. The diminished growth outlook has been cushioned to a degree by lower gilt yields and interest rates whilst weaker sterling is expected to attract overseas investors.

Overall our average unexpired lease length is 6.8 years, or 8.1 years allowing for pre-lets. The portfolio has a mix of long and short leases including a number of properties where lease terms have been aligned to allow potential development in the next few years. Given the changed outlook and the nature of our portfolio we now believe there is a risk that our property yields could widen marginally this year.

Valuation

The first half of 2016 saw good levels of occupier demand but a moderation of recent years' investment activity ahead of the EU referendum. The outcome of the vote increased market uncertainty and led to a hiatus in many property transactions. The Group's investment portfolio including joint ventures was valued at £5.2bn at 30 June 2016 only one week later. Accordingly, CBRE's valuation cautioned on the lack of up-to-date transactional evidence and stated that it was too early to gauge the impact of the 'leave' decision. It is encouraging that, in subsequent weeks, activity has started to return to the markets, as evidenced by our lettings.

The portfolio's valuation, after incorporating the recent Stamp Duty Land Tax rise, reflected an underlying increase of 1.6% for the six months. The first half surplus was £75.6m before accounting adjustments of £12.0m (see note 11) giving a total reported movement of £63.6m, excluding joint ventures. The main elements were centred on development returns, ERV movements and valuation yields.

First, the four developments where we are on site: White Collar Factory EC1, The Copyright Building W1, 80 Charlotte Street W1 and Brunel Building W2. These were valued at £591.0m and overall showed a 3.4% valuation increase, after adjusting for capital expenditure. White Collar Factory and The Copyright Building are well advanced and their values rose 8.7% to £327.0m, driven by strong pre-letting activity at rents above ERV. The other two developments, 80 Charlotte Street and Brunel Building, are at a much earlier stage and their combined value was down 2.5% to £264.0m as the valuers increased development margins.

Secondly, our strong first half letting activity led to good underlying rental growth of 4.1% across the portfolio. However this is lower than the previous two six month periods: 6.6% in H2 2015 and 5.2% in H1 2015. Finally, valuation yields were generally flat on properties let on longer leases but there was a small outward movement on the shorter let properties. Overall this translated into a marginal 6 basis points outward equivalent yield movement in the first half. On an EPRA basis the true equivalent yield moved out from 4.52% to 4.58%. The initial yield was 3.1% rising to 3.8% on a 'topped-up' basis, after contractual rental uplifts and rent free periods. The reversionary yield was 4.7%.

By location, our central London properties, 98% of the portfolio, increased by 1.6% with the balance, our Scottish holdings, up by 0.1%. Within central London the West End was up 1.8% and the City Borders properties, principally the areas in the Tech Belt, increased 1.2%. Overall the portfolio outperformed the IPD's Central London Offices Quarterly Index for capital growth which rose by 1.1% and the All UK Property Index which increased by 0.1% in the first six months.

Our annualised contracted net rent was £140.3m at 30 June 2016 and the portfolio's ERV was £291.1m. This reversion of £150.8m represented a 107% uplift and comprised a number of elements.

First, there were £46.0m of contracted rental uplifts, either from the expiry of rent free periods, minimum uplifts or pre-letting activity. Pre-letting income was £15.2m, up from £4.9m in December, principally from transactions at White Collar Factory and The Copyright Building.

Secondly, there was vacant and project space of £71.3m, of which £50.1m was from on-site developments. Of the balance, only £3.9m was available to occupy and £17.3m is undergoing refurbishment. The majority of the latter was in The White Chapel Building, where we have pre-let £2.7m since the half year.

The third component of the reversion was the £33.5m of potential uplifts from rent reviews and lease renewals to current market rents.

The portfolio's total property return was 3.1% over the half year. The comparable IPD index over the same period was 2.8% for central London offices and 2.5% for All UK Property.

Portfolio management

Our property management and letting teams are our eyes and ears on the ground. In the year to date we have let or pre-let 380,300 sq ft producing £21.3m pa of rents (£20.2m net of ground rents). This is an increase of 61% on our first quarter announcement on 5 May. On average current year lettings have achieved 5.4% above December 2015 ERV. We continue to see good occupier demand for our space, and have achieved increased rental levels in both the West End and Tech Belt. Our EPRA vacancy rate remains very low at 2.0%.

<u>Principal lettings in 2016 year to date</u>

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								
The Copyright Building W1	Capita	87,150	86.00[1]	7.4	-	20	-	34
White Collar Factory EC1	Adobe	28,600	63.50	1.8	70.00	11.5	-	18
Angel Square EC1	Expedia	9,850	53.50	0.5	57.50	5.3	2	2
Middlesex House W1	GHA Services	4,360	70.00	0.3	72.50	10	5	6
Q2								
White Collar Factory EC1	Capital One	29,500	65.00	1.9	75.35	11	-	17
The White Chapel Building E1	Perkins & Will	26,600	49.50	1.3	-	10	5	8, plus 7 if no break
20 Farringdon Road EC1	The UK Trade Desk	9,400	62.50	0.6	65.65	10	5	5
20 Farringdon Road EC1	Okta	10,000	62.50	0.6	-	10	5	6
Greencoat & Gordon House SW1	Gymbox	22,000	15.00	0.3	-	20	-	3
Q3								
White Collar Factory EC1	Spark44	22,700	67.50	1.5	70.00	15	5 & 11	9, plus 6 plus 6 if no break
The White Chapel Building E1	Unruly Media	24,300	45.00	1.1	49.50	10	5	9, plus 9 if no break
The White Chapel Building E1	Reddie & Grose	20,400	49.50	1.0	52.50	10	-	18
The White Chapel Building E1	Shipowners' Club	13,250	47.50	0.6	-	10	-	19
Monmouth House EC1	Runway East	31,900	10.00	0.3	-	5	3	4

[1] Excludes reception area

These numbers incorporate 112,600 sq ft of new lettings in Q3 achieving £4.6m pa in rent. This included 31,900 sq ft of tired space at Monmouth House EC1 which was let at a low rent and gives us flexibility for redevelopment in 2020. This had been agreed prior to the EU referendum.

Good uplifts above ERV came with the lettings at our two major refurbishments, both due for completion in H2. Since we last reported we have secured four lettings at The White Chapel Building E1 at £45-49.50 per sq ft totalling £4.0m pa of rents. At 20 Farringdon Road EC1 we have pre-let 60% of the 88,000 sq ft refurbishment leaving 35,100 sq ft to be let with completion in Q4. In December 2015 these two projects, together with 34,000 sq ft at Network Building W1 (available Q3), had a potential ERV of £15.2m pa and were 11% pre-let, with capital expenditure to completion of £33m. They are now 44% pre-let with remaining capital expenditure of £14m.

In the first six months we completed lease renewals and rent reviews on 100,000 sq ft of space, increasing income by 40.6% to £4.5m pa, and on average achieved rents 10.6% above December 2015 ERV. In addition we regeared seven leases on 72,500 sq ft of space, increasing income by £1.1m pa to £3.8m pa, at levels 15.1% above ERV.

The largest single lease extension in the first half was at 60 Whitfield Street W1 where, in return for providing a capital consideration for refurbishment work to be carried out by the tenant, we extended the lease on this 36,200 sq ft property by 11 years to 2029. In addition the rent increased from £1.6m pa to £2.2m pa with a fixed increase to £2.4m pa in 2021. The tenant was granted a 29 month rent free period which in part covers the period during which the building is being refurbished. In the second half we have settled a rent review and regeared a major lease on 50,300 sq ft at 1 Oliver's Yard EC1. The rent increased from £1.4m pa to £2.3m pa and the lease was extended from 2018 to 2021, with a break on 17% of the space in 2018.

Projects

We have continued to make good progress on the four major projects in hand.

White Collar Factory EC1, with an ERV of £16.7m, is on course for completion later this year and is 56% pre-let. Our attention has been focused on the tower where we have pre-let first to part twelfth leaving the upper three floors and the lower rise properties around the new public realm available.

Our most significant single letting this year was the pre-let of the office element of The Copyright Building, Berners Street W1 to Capita at a rent, net of ground rent, of £6.5m pa. As well as achieving rental levels ahead of December 2015 ERV, we secured a 20-year lease with no breaks. The development cost is fixed with completion due in the second half of 2017. The remaining retail space has a net ERV of £0.9m.

Major projects pipeline

Property	Area sq ft	Delivery	Capex to complete £m	Comment
Projects on site				
White Collar Factory, Old Street Yard EC1	293,000	Q4 2016	30	Office-led development – 56% pre-let
The Copyright Building, 30 Berners Street W1	107,000	H2 2017	40	Offices and retail – 81% pre-let
Brunel Building, 55-65 North Wharf Road W2	240,000	H1 2019	113	Offices
80 Charlotte Street W1	380,000	H2 2019	225	Offices, residential and retail
	1,020,000		**408**	
Other major planning consents				
1 Oxford Street W1	275,000			Offices, retail and theatre
Monmouth House EC1	125,000			Offices, workspaces and retail
Balmoral Grove N7	280,000			Contracts exchanged for sale
	680,000			
Total	**1,700,000**			

Demolition is underway at 80 Charlotte Street W1 and, during the period, we improved the planning consent. The revised scheme allows for 2.9 m floor to ceiling heights on the whole space, more efficient floor plates and significantly de-risks the construction process. We estimate the future capital expenditure on the scheme at £225m, with an ERV of £26.4m. Completion is expected in 2019.

Demolition work has finished at Brunel Building W2 and we expect to complete the ground works and basement box in H2 2017. We have various options, and so we will be monitoring occupier demand closely in the next few months to see whether to continue at the current pace, slow down or reduce development expenditure. A decision does not have to be made until later in 2016.

During the period we also received planning permission for 125,000 sq ft of offices and retail at Monmouth House EC1 opposite the White Collar Factory, and 280,000 sq ft of commercial and residential space at Balmoral Grove N7. At Monmouth House we have recently let the majority of this space with a break in three years. At Balmoral Grove a conditional sale contract has already been exchanged with a residential developer and this is expected to complete in the second half.

Investment activity

In the first half we made a single acquisition improving our holding at The White Chapel Building by acquiring the long lease on one of the lower ground floors. Since then there have been few buying opportunities for our preferred type of buildings. We await to see whether this will change in the second half and we remain alert to any attractive opportunities.

Principal acquisition 2016

Property	Date	Area sq ft	Total cost £m	Total cost £ psf	Net yield %	Net rental income £m pa	Net rental income £ psf	Lease length Years
The White Chapel Building E1[1]	Q1	30,500	12.0	395	-	-	-	-

[1] Lower ground floor. Main building purchased in December 2015.

Financial review

As with most other UK property companies and REITs, we present many of our financial measures in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA'). These measures, which provide consistency across the sector, are all derived from the IFRS figures in note 21 to this interim report.

EPRA net asset value per share increased to 3,598p from 3,535p in the six months to 30 June 2016. This 1.8% increase was much lower than in recent half years, the positive effect of rental value growth and development profits offset by a small amount of yield expansion, the 1% increase in Stamp Duty Land Tax (SDLT) applicable to most of our portfolio and the immediate reaction to the unexpected EU referendum result. Nevertheless, it still equates to an 11.5% increase over the year to 30 June 2016.

EPRA adjusted profit before tax for the half year to 30 June 2016 grew by a more substantial 14.9% to £44.8m from £39.0m for the equivalent period in 2015 and EPRA earnings per share increased by 9.3% to 37.13p per share compared to 33.97p in H1 2015. Gross property and other income increased to £101.4m from £91.1m in H1 2015 and net rental income was up to £72.6m from £66.9m in H1 2015 and £71.8m in H2 2015. Administrative expenses were £0.5m higher than in H1 2015 at £15.3m but the current period took account of a bonus under-provision last year of £0.9m. Our EPRA cost ratio, including direct vacancy costs, has decreased to 23.4% compared to 25.2% in H1 2015. Total finance costs have also declined to £13.9m; much of this movement was due to the amount of capitalised interest in relation to The White Chapel Building which was acquired as a vacant property in December 2015. Of the total interest capitalised in H1 2016 of £6.3m, £2.9m relates to this property alone.

Though most of our new lettings relate to developments and refurbishments and are therefore excluded from the calculation, like-for-like net rental income grew by 4.2% compared to H1 2015 and 2.7% compared to H2 2015. Note also that the net cash from operating activities fell to £29.5m in H1 2016 from £34.5m in the first half of last year due mainly to an enabling payment of £5.3m including SDLT to Capita's existing landlord. This payment, which is shown in the cash flow statement within 'property expenses', was an incentive to enable Capita to remain in their current office accommodation until The Copyright Building is ready for their occupation. Together with a further £1.3m which remains to be paid, this amount has been included in the balance sheet within 'other receivables' (note 14) and will be spread in the income statement over the 20-year term of the Capita lease.

The Group's property portfolio valuation date fell only a few days after the EU referendum and the valuation figures themselves are therefore subject to more uncertainty than normal. The revaluation surplus in the period to 30 June 2016 was £64.5m, plus a further £0.5m for the owner-occupied property at Savile Row, and allowing £12.0m for lease incentives. This uplift compares with a revaluation surplus of £361.0m in H1 2015 illustrating the change in market conditions since that time. The June 2016 valuation has taken the total portfolio fair value to £5.2bn including our share of joint ventures.

Capital expenditure for the half year increased to £100.8m, including capitalised interest of £6.3m, compared with a total of £61.2m in H1 2015. We anticipate incurring another £123m of capital expenditure in the second half of this year and about £193m in 2017. With cash and undrawn facilities of £279m at June 2016, a pipeline being de-risked by pre-completion lettings and c.£100m of property sales expected both in the second half of 2016 and again in 2017, this is a level of expenditure that we feel is comfortably affordable. The Group may consider a modest increase in borrowings in the future to help fund the development programme.

The Group's IFRS profit before tax was £98.5m for the six months to 30 June 2016, compared with £405.0m in H1 2015. This takes fair value movements into account and, as well as the property revaluations, includes a £12.8m negative mark-to-market impact from our interest rate swaps during the first half of 2016. This is a direct result of the falls in gilt and swap rates that have occurred in the six month period.

Financing and net debt

Net debt at 30 June 2016 increased by £96.9m to £1,008.6m from £911.7m at 31 December 2015. Excluding capital expenditure, we remained net sellers of properties though the figures were low. Only £12.0m was spent on property acquired in the period (The White Chapel Building lower ground floor) with a combined £17.7m proceeds raised from sales of trading and investment properties, mainly the apartments at The Corner House W1. As a result of capex, net asset gearing has increased a little to 24.8% at 30 June 2016 from 22.8% in December 2015 and 24.1% at 30 June 2015. As at June 2016, our loan-to-value ratio remained low at 19.1% and interest cover has improved again to 371% for the half year compared with 343% for H1 2015 and 362% for the whole of 2015.

The main financing activity in the first half of 2016 was the £105m drawn in May from a US private placement with three new institutional relationships, who we are pleased to welcome to the Group. Full details were provided with our 2015 year end results. We have also extended the maturity of our £75m unsecured revolving facility provided by Wells Fargo; this now runs to July 2021.

We have extended, at no cost, the maturity of a £70m interest rate swap from April 2019 to April 2023 thereby reducing the rate payable from 2.00% to 1.74% saving interest charges of £0.2m pa until April 2019. The £70m forward start swap has also been deferred to September 2016 at a cost of £1.2m.

As a result of these changes, we have extended our average debt maturities while managing to reduce slightly the overall interest rate that we pay on our debt. The position at 30 June 2016 is shown in the following table:

	30.06.2016	30.06.2015	31.12.2015
Hedging profile (%)			
Fixed	**61**	58	57
Swaps	**25**	33	28
	86	91	85
Percentage of debt that is unsecured (%)	**71**	59	68
Percentage of non-bank debt (%)	**61**	58	57
Weighted average interest rate - cash basis (%)	**3.65**	3.93	3.68
Weighted average interest rate - IFRS basis (%)	**3.88**	4.20	3.93
Weighted average maturity of facilities (years)	**7.0**	6.6	6.8
Weighted average maturity of borrowings (years)	**7.7**	7.4	7.3
Undrawn facilities and cash (£m)	**279**	319	269
Uncharged properties (£m)	**3,868**	2,993	3,709

Dividend

Continuing strong recurring earnings growth per share has enabled us to increase the interim dividend by 10.0% to 13.86p per share. It will be paid as a PID on 21 October 2016 to shareholders on the register as at 16 September 2016. In light of the current share price, we have decided not to offer the scrip alternative this time but our position will be reviewed in relation to the final dividend when there is greater clarity.

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 that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and 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 2015 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	Damian M.A. Wisniewski
Chief Executive Officer	Finance Director

11 August 2016

GROUP CONDENSED INCOME STATEMENT (UNAUDITED)

	Note	**Half year to 30.06.2016 £m**	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Gross property and other income	5	**101.4**	91.1	204.9
Net property and other income	5	**74.2**	71.3	148.6
Administrative expenses		**(15.3)**	(14.8)	(30.0)
Revaluation surplus	11	**64.5**	361.0	650.0
Profit on disposal of investment property	6	**2.5**	0.4	40.2
Profit from operations		**125.9**	417.9	808.8
Finance income	7	**-**	-	0.1
Total finance costs	7	**(13.9)**	(17.4)	(35.2)
Movement in fair value of derivative financial instruments		**(12.8)**	4.8	7.6
Financial derivative termination costs	8	**(1.2)**	(1.2)	(6.4)
Share of results of joint ventures	9	**0.5**	0.9	4.6
Profit before tax		**98.5**	405.0	779.5
Tax charge	10	**(1.0)**	(1.7)	(2.3)
Profit for the period		**97.5**	403.3	777.2
Attributable to:				
- Equity shareholders		**98.5**	397.2	766.2
- Non-controlling interest		**(1.0)**	6.1	11.0
		97.5	403.3	777.2
Earnings per share	21	**88.55p**	362.67p	694.53p
Diluted earnings per share	21	**86.50p**	348.02p	668.73p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	**Half year to 30.06.2016 £m**	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Profit for the period		**97.5**	403.3	777.2
Actuarial (losses)/gains on defined benefit pension scheme		**(1.3)**	1.0	0.7
Revaluation surplus of owner-occupied property	11	**0.5**	1.1	1.4
Deferred tax on revaluation surplus	18	**0.2**	(0.1)	(0.1)
Other comprehensive (loss)/income that will not be reclassified to profit or loss		**(0.6)**	2.0	2.0
Total comprehensive income relating to the period		**96.9**	405.3	779.2
Attributable to:				
- Equity shareholders		**97.9**	399.2	768.2
- Non-controlling interest		**(1.0)**	6.1	11.0
		96.9	405.3	779.2

GROUP CONDENSED BALANCE SHEET (UNAUDITED)

	Note	**30.06.2016 £m**	30.06.2015 £m	31.12.2015 £m
Non-current assets				
Investment property	11	**4,997.0**	4,420.3	4,832.3
Property, plant and equipment	12	**39.6**	38.2	39.1
Investments	13	**32.9**	26.2	30.7
Pension scheme surplus		**-**	0.7	1.1
Other receivables	14	**101.8**	83.7	90.7
		5,171.3	4,569.1	4,993.9
Current assets				
Trading property	11	**9.6**	26.1	10.5
Trade and other receivables	15	**40.7**	40.5	52.7
Cash and cash equivalents		**12.7**	11.7	6.5
		63.0	78.3	69.7
Total assets		**5,234.3**	4,647.4	5,063.6
Current liabilities				
Trade and other payables	16	**113.0**	100.8	124.0
Corporation tax liability		**1.2**	0.6	1.7
Provisions		**0.3**	0.7	0.7
		114.5	102.1	126.4
Non-current liabilities				
Borrowings	17	**1,021.3**	887.6	918.2
Derivative financial instruments	17	**30.4**	20.5	17.6
Provisions		**0.2**	0.3	0.5
Pension scheme deficit		**0.2**	-	-
Deferred tax	18	**5.4**	6.0	5.5
		1,057.5	914.4	941.8
Total liabilities		**1,172.0**	1,016.5	1,068.2
Total net assets		**4,062.3**	3,630.9	3,995.4
Equity				
Share capital		**5.6**	5.6	5.6
Share premium		**188.2**	182.7	186.3
Other reserves		**952.7**	950.0	952.9
Retained earnings		**2,843.9**	2,423.0	2,777.7
Equity shareholders’ funds		**3,990.4**	3,561.3	3,922.5
Non-controlling interest		**71.9**	69.6	72.9
Total equity		**4,062.3**	3,630.9	3,995.4

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 2016	5.6	186.3	952.9	2,777.7	3,922.5	72.9	3,995.4
Profit for the period	-	-	-	98.5	98.5	(1.0)	97.5
Other comprehensive income	-	-	0.7	(1.3)	(0.6)	-	(0.6)
Share-based payments	-	0.8	(0.9)	3.2	3.1	-	3.1
Dividends paid	-	-	-	(33.1)	(33.1)	-	(33.1)
Scrip dividends	-	1.1	-	(1.1)	-	-	-
At 30 June 2016	**5.6**	**188.2**	**952.7**	**2,843.9**	**3,990.4**	**71.9**	**4,062.3**
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
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 2015	5.1	174.0	952.5	1,880.6	3,012.2	63.5	3,075.7
Profit for the year	-	-	-	766.2	766.2	11.0	777.2
Other comprehensive income	-	-	1.3	0.7	2.0	-	2.0
Transfer of owner-occupied property	-	-	6.9	(6.9)	-	-	-
Share-based payments	-	1.3	1.6	2.6	5.5	-	5.5
Bond conversion	0.5	-	(9.4)	179.5	170.6	-	170.6
Dividends paid	-	-	-	(34.0)	(34.0)	(1.6)	(35.6)
Scrip dividends	-	11.0	-	(11.0)	-	-	-
At 31 December 2015	5.6	186.3	952.9	2,777.7	3,922.5	72.9	3,995.4

GROUP CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	Note	**Half year to 30.06.2016 £m**	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Operating activities				
Property income		**70.1**	71.3	145.6
Property expenses	11	**(12.6)**	(6.5)	(11.7)
Cash paid to and on behalf of employees		**(13.5)**	(11.5)	(21.5)
Other administrative expenses		**(1.9)**	(2.4)	(5.2)
Interest received		**-**	-	0.1
Interest paid	7	**(10.8)**	(16.3)	(31.4)
Other finance costs	7	**(1.4)**	(1.6)	(3.0)
Other income		**1.0**	1.1	3.1
Amounts received from joint ventures		**-**	0.4	-
Tax paid in respect of operating activities		**(1.4)**	-	-
Net cash from operating activities		**29.5**	34.5	76.0
Investing activities				
Acquisition of investment properties		**(18.0)**	(96.3)	(246.2)
Capital expenditure on the property portfolio		**(93.2)**	(54.4)	(116.4)
Disposal of investment and trading properties		**20.4**	121.3	277.2
Investment in joint venture		**(1.7)**	-	-
Purchase of property, plant and equipment		**(0.3)**	(0.2)	(0.9)
Net cash used in investing activities		**(92.8)**	(29.6)	(86.3)
Financing activities				
Drawdown of new revolving bank loan		**-**	-	45.8
Net movement in revolving bank loans		**(3.5)**	13.5	66.3
Repayment of term loan		**-**	-	(70.0)
Drawdown of private placement notes		**104.3**	-	-
Financial derivative termination costs		**(1.2)**	(1.2)	(6.4)
Net proceeds of share issues		**0.8**	1.0	1.2
Dividends paid to non-controlling interest holder		**-**	-	(1.6)
Dividends paid	19	**(30.9)**	(21.3)	(33.3)
Net cash from/(used in) financing activities		**69.5**	(8.0)	2.0
Increase/(decrease) in cash and cash equivalents in the period		**6.2**	(3.1)	(8.3)
Cash and cash equivalents at the beginning of the period		**6.5**	14.8	14.8
Cash and cash equivalents at the end of the period		**12.7**	11.7	6.5

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Neither the financial information for the half year to 30 June 2016 nor the half year to June 2015 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 2015 does not constitute the Group's statutory accounts, but is derived from those accounts. The Group's statutory accounts for the year to 31 December 2015 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 consolidated 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 2015 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRS IC 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 19.1%, the interest cover ratio of 371% and the £279m total of undrawn facilities and cash at 30 June 2016. They have also considered the fact that the average maturity of borrowings was extended to 7.7 years at 30 June 2016.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 24 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 a period of at least 12 months from the date of signing of these condensed consolidated financial statements and, therefore, the Board continues to adopt the going concern basis in their preparation.

2. Changes in accounting policies

The accounting policies used by the Group in these condensed consolidated financial statements are consistent with those applied by the Group in its financial statements for the year to 31 December 2015.

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 2 (amended) – Share Based Payments;
IFRS 9 Financial Instruments;
IFRS 10 (amended) – Consolidated Financial Statements;
IFRS 11 (amended) – Joint Arrangements;
IFRS 14 Regulatory Deferral Accounts;
IFRS 16 Leases;
IAS 1 (amended) – Presentation of Financial Statements;
IAS 7 (amended) – Statement of Cash Flows;
IAS 12 (amended) – Income Taxes (Recognition of deferred tax assets for unrealised losses);
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;
IAS 41 (amended) – Agriculture; and
Annual Improvements to IFRSs (2014).

In addition to the above, IFRS 15 Revenue from Contracts with Customers was in issue at the date of approval of these condensed consolidated financial statements but was not yet effective for the current accounting year and has not been adopted early. The Group has not yet completed its evaluation of the effect of its adoption.

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 2015 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 five 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 21. 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 94% office buildings* by value (30 June 2015: 93%; 31 December 2015: 94%). The Directors consider that these properties have similar economic characteristics. Therefore, these individual properties have been aggregated into a single operating segment. The remaining 6% (30 June 2015: 7%; 31 December 2015: 6%) 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 2016			
West End central	40.8	2.2	**43.0**
West End borders	8.1	-	**8.1**
City borders	23.0	0.1	**23.1**
Provincial	-	2.5	**2.5**
	71.9	**4.8**	**76.7**
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
Year to 31 December 2015			
West End central	82.5	4.0	86.5
West End borders	15.8	0.2	16.0
City borders	44.6	0.2	44.8
Provincial	-	4.7	4.7
	142.9	9.1	152.0

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 2016						
West End central	2,675.5	177.4	**2,852.9**	2,717.0	179.4	**2,896.4**
West End borders	435.2	14.0	**449.2**	454.2	14.0	**468.2**
City borders	1,637.2	6.2	**1,643.4**	1,656.3	6.2	**1,662.5**
Provincial	-	97.7	**97.7**	-	101.2	**101.2**
	4,747.9	**295.3**	**5,043.2**	**4,827.5**	**300.8**	**5,128.3**
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
31 December 2015						
West End central	2,601.4	180.3	2,781.7	2,633.8	184.1	2,817.9
West End borders	422.9	15.9	438.8	442.8	15.9	458.7
City borders	1,555.7	6.4	1,562.1	1,571.4	6.4	1,577.8
Provincial	-	96.3	96.3	-	100.1	100.1
	4,580.0	298.9	4,878.9	4,648.0	306.5	4,954.5

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 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Gross rental income	**76.7**	72.0	148.3
Other property income	**-**	2.3	3.7
Gross property income	**76.7**	74.3	152.0
Trading property sales proceeds	**12.5**	2.8	24.5
Service charge income	**11.1**	12.8	25.8
Other income	**1.1**	1.2	2.6
Gross property and other income	**101.4**	91.1	204.9

Gross rental income	**76.7**	72.0	148.3
Ground rent	**(0.3)**	(0.1)	(0.4)
Service charge income	**11.1**	12.8	25.8
Service charge expenses	**(11.8)**	(13.8)	(27.7)
	(0.7)	(1.0)	(1.9)
Other property costs	**(3.1)**	(4.0)	(7.3)
Net rental income	**72.6**	66.9	138.7
Trading property sales proceeds	**12.5**	2.8	24.5
Trading property cost of sales	**(10.6)**	(2.2)	(21.3)
Profit on trading property disposals	**1.9**	0.6	3.2
Write-down of trading property	**(1.4)**	-	-
Other property income	**-**	2.3	3.7
Other income	**1.1**	1.2	2.6
Other costs	**-**	(0.3)	(0.3)
Reverse surrender premiums	**(0.1)**	-	-
Dilapidation receipts	**0.1**	0.6	0.7
Net property and other income	**74.2**	71.3	148.6

Rental income included £5.5m (half year to 30 June 2015: £4.5m; year to 31 December 2015: £11.6m) relating to rents recognised in advance of the cash receipts. In 2015, rental income also included £0.3m 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).

In 2015, other property income related to compensation received from contractors in connection with the late delivery of pre-let schemes and recognised during the period. Other income relates to fees and commissions earned in relation to the management of the Group's properties and is recognised in the Group income statement in accordance with the delivery of services.

6. Profit on disposal of investment property

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Investment property			
Gross disposal proceeds	**5.2**	121.9	259.3
Costs of disposal	**(0.1)**	(0.7)	(2.7)
Net disposal proceeds	**5.1**	121.2	256.6
Carrying value	**(2.6)**	(120.8)	(215.4)
Adjustment for rents recognised in advance	-	-	(1.0)
Total profit on disposal	**2.5**	0.4	40.2

7. Finance income and total finance costs

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Finance income			
Other	**-**	-	0.1
Total finance income	-	-	0.1
Finance costs			
Bank loans and overdraft	**6.3**	6.5	12.5
Non-utilisation fees	**0.6**	0.8	1.5
Secured loan	**1.7**	1.7	3.3
Unsecured private placement notes	**2.9**	2.3	4.6
Secured bonds	**5.7**	5.7	11.4
Unsecured convertible bonds	**1.9**	2.1	4.0
Amortisation of issue and arrangement costs	**1.1**	1.2	2.3
Amortisation of the fair value of the secured bonds	**(0.5)**	(0.5)	(1.0)
Finance lease costs	**0.5**	0.5	1.1
Other	**-**	0.1	0.2
Gross interest costs	**20.2**	20.4	39.9
Less: interest capitalised	**(6.3)**	(3.0)	(5.0)
Finance costs	**13.9**	17.4	34.9
Loan arrangement costs written off	**-**	-	0.3
Total finance costs	**13.9**	17.4	35.2

Finance costs of £6.3m (half year to 30 June 2015: £3.0m; year to 31 December 2015: £5.0m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowing during each quarter. Total finance costs paid to 30 June 2016 were £18.5m (half year to 30 June 2015: £20.9m; year to 31 December 2015: £39.4m) of which £6.3m (half year to 30 June 2015: £3.0m; year to 31 December 2015: £5.0m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination costs

The Group incurred costs of £1.2m in the half year to 30 June 2016 (half year to 30 June 2015: £1.2m; year to 31 December 2015: £2.4m) deferring the start date of a 'forward-start' interest rate swap. In addition, in the year to 31 December 2015, costs of £4.0m were incurred to terminate and re-coupon interest rate swaps.

9. Share of results of joint ventures

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Revaluation surplus	**0.2**	0.4	3.6
Other profit from operations after tax	**0.3**	0.5	1.0
	0.5	0.9	4.6

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

10. Tax charge

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Corporation tax			
UK corporation tax and income tax in respect of profit for the period	**0.9**	0.8	1.8
Other adjustments in respect of prior years' tax	**-**	-	0.1
Corporation tax charge	**0.9**	0.8	1.9
Deferred tax			
Origination and reversal of temporary differences	**0.5**	0.9	0.4
Adjustment for changes in estimates	**(0.4)**	-	-
Deferred tax charge	**0.1**	0.9	0.4
Tax charge	**1.0**	1.7	2.3

In addition to the tax charge of £1.0m (half year to 30 June 2015: £1.7m; year to 31 December 2015: £2.3m) that passed through the Group income statement, a deferred tax credit of £0.2m (half year to 30 June 2015: deferred tax charge of £0.1m; year to 31 December 2015: deferred tax charge of £0.1m) was recognised in the Group statement of comprehensive income relating to revaluation of the owner-occupied property at 25 Savile Row W1.

The effective rate of tax for the half year to 30 June 2016 is lower (half year to 30 June 2015: lower; year to 31 December 2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Profit before tax	**98.5**	405.0	779.5
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**19.7**	82.0	157.8
Difference between tax and accounting profit on disposals	**(0.5)**	(0.2)	(8.3)
REIT exempt income	**(3.8)**	(3.2)	(8.8)
Expenses and fair value adjustments not allowable for tax purposes	**0.4**	(3.5)	(3.6)
Revaluation surplus attributable to REIT properties	**(12.9)**	(73.0)	(132.3)
Capital allowances	**(2.5)**	(1.7)	(3.9)
Origination and reversal of temporary differences	**0.5**	0.9	0.4
Adjustment for changes in estimates	**(0.4)**	-	-
Other differences	**0.5**	0.4	0.9
Tax charge on current period's profit	**1.0**	1.7	2.2
Adjustments in respect of prior years' tax	**-**	-	0.1
	1.0	1.7	2.3

11. Property portfolio

Carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Trading property £m	Total property portfolio £m
At 1 January 2016	4,006.8	825.5	4,832.3	36.1	10.5	4,878.9
Acquisitions	12.0	-	12.0	-	-	12.0
Capital expenditure	63.8	30.1	93.9	-	0.6	94.5
Interest capitalisation	5.4	0.9	6.3	-	-	6.3
Additions	81.2	31.0	112.2	-	0.6	112.8
Disposals	(2.6)	-	(2.6)	-	(10.2)	(12.8)
Transfers	(10.1)	-	(10.1)	-	10.1	-
Revaluation	66.6	(2.1)	64.5	0.5	-	65.0
Write-down of trading property	-	-	-	-	(1.4)	(1.4)
Movement in grossing up of headlease liabilities	-	0.7	0.7	-	-	0.7
At 30 June 2016	**4,141.9**	**855.1**	**4,997.0**	**36.6**	**9.6**	**5,043.2**
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)
Transfers 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 2015	3,464.3	576.7	4,041.0	24.8	24.0	4,089.8
Acquisitions	145.8	105.8	251.6	-	-	251.6
Capital expenditure	69.1	44.8	113.9	0.1	6.8	120.8
Interest capitalisation	4.0	0.8	4.8	-	0.2	5.0
Additions	218.9	151.4	370.3	0.1	7.0	377.4
Disposals	(214.7)	(0.7)	(215.4)	-	(20.5)	(235.9)
Transfers to joint venture	(18.7)	-	(18.7)	-	-	(18.7)
Transfers	(9.8)	-	(9.8)	9.8	-	-
Revaluation	566.8	83.2	650.0	1.4	-	651.4
Movement in grossing up of headlease liabilities	-	14.9	14.9	-	-	14.9
At 31 December 2015	4,006.8	825.5	4,832.3	36.1	10.5	4,878.9

Adjustments from fair value to carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Trading property £m	Total property portfolio £m
At 30 June 2016						
Fair value	**4,232.8**	**849.3**	**5,082.1**	**36.6**	**9.6**	**5,128.3**
Lease incentives and costs included in receivables	(90.9)	(18.1)	(109.0)	-	-	(109.0)
Grossing up of headlease liabilities	-	23.9	23.9	-	-	23.9
Carrying value	**4,141.9**	**855.1**	**4,997.0**	**36.6**	**9.6**	**5,043.2**
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 31 December 2015						
Fair value	4,095.2	810.9	4,906.1	36.1	12.3	4,954.5
Revaluation of trading property	-	-	-	-	(1.8)	(1.8)
Lease incentives and costs included in receivables	(88.4)	(8.6)	(97.0)	-	-	(97.0)
Grossing up of headlease liabilities	-	23.2	23.2	-	-	23.2
Carrying value	4,006.8	825.5	4,832.3	36.1	10.5	4,878.9

Reconciliation of fair value

	30.06.2016 £m	30.06.2015 £m	31.12.2015 £m
Portfolio including joint ventures	**5,164.0**	4,581.8	4,988.5
Joint ventures	**(35.7)**	(30.0)	(34.0)
IFRS property portfolio	**5,128.3**	4,551.8	4,954.5

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2016 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 £5,097.6m (30 June 2015: £4,521.7m; 31 December 2015: £4,924.8m) and other valuers at £30.7m (30 June 2015: £30.1m; 31 December 2015: £29.7m). Of the properties revalued by CBRE, £36.6m (30 June 2015: £35.8m; 31 December 2015: £36.1m) relating to owner-occupied property was included within property, plant and equipment, and £9.6m (30 June 2015: £29.5m; 31 December 2015: £12.3m) was in relation to trading property.

Given the close proximity of the valuation date to the EU referendum result, in common with other valuations at the same date, CBRE added the following comment:

'Following the referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale, has reduced.'

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.

During the half year ended 30 June 2016, the Group transferred, at market value, a property previously held for investment to trading property as it became the Group's intention to redevelop and sell this property. At 30 June 2016, the net realisable value of this property was lower than its cost and, in accordance with IAS 2 Inventories, the carrying value was written down by £1.4m. Any valuation movements relating to trading property will be recognised as an adjustment to EPRA net asset value.

Included within the £12.0m 'lease incentives and costs' in the table below is a £6.6m payment to Capita's existing landlord (including SDLT) to enable Capita to remain in their current office accommodation until The Copyright Building is ready for their occupation. The amount has been included in the balance sheet within 'other receivables' and will be spread in the income statement over the 20-year term of the Capita lease. Of the £6.6m, £5.3m is shown in the cash flow statement within 'property expenses' as it was paid in the period and £1.3m remains to be paid.

Reconciliation of revaluation surplus

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Total revaluation surplus	**75.6**	369.5	672.2
Share of joint ventures	**(0.2)**	(0.6)	(3.6)
Lease incentives and costs	**(12.0)**	(7.8)	(16.4)
Trading property revaluation surplus	**-**	1.0	(0.3)
Other	**0.2**	-	(0.5)
IFRS revaluation surplus	**63.6**	362.1	651.4
Reported in the:			
Revaluation surplus	**64.5**	361.0	650.0
Write-down of trading property	**(1.4)**	-	-
Group income statement	**63.1**	361.0	650.0
Group statement of comprehensive income	**0.5**	1.1	1.4
	63.6	362.1	651.4

12. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2016	36.1	1.5	1.3	38.9
Additions	-	-	0.3	0.3
Depreciation	-	-	(0.1)	(0.1)
Revaluation	0.5	-	-	0.5
At 30 June 2016	**36.6**	**1.5**	**1.5**	**39.6**
At 1 January 2015	24.8	1.5	0.9	27.2
Additions	0.1	-	0.2	0.3
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 2015	24.8	1.5	0.9	27.2
Additions	0.1	-	0.9	1.0
Transfers	9.8	-	-	9.8
Depreciation	-	-	(0.3)	(0.3)
Revaluation	1.4	-	-	1.4
At 31 December 2015	36.1	1.5	1.5	39.1
Net book value				
Cost or valuation	36.6	1.5	3.7	41.8
Accumulated depreciation	-	-	(2.2)	(2.2)
At 30 June 2016	**36.6**	**1.5**	**1.5**	**39.6**
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	36.1	1.5	3.5	41.1
Accumulated depreciation	-	-	(2.0)	(2.0)
At 31 December 2015	36.1	1.5	1.5	39.1

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.

The historic cost of the artwork at 30 June 2016 was £1.5m (30 June 2015: £1.5m; 31 December 2015: £1.5m).

13. Investments

The Group has a 50% interest in two joint ventures, Primister Limited and Prescot Street Limited Partnership.

	30.06.2016 £m	30.06.2015 £m	31.12.2015 £m
At 1 January	**30.7**	7.4	7.4
Additions	**1.7**	-	-
Transfer from investment property (see note 11)	**-**	18.7	18.7
Share of results of joint ventures (see note 9)	**0.5**	0.9	4.6
Other	**-**	(0.8)	-
	32.9	26.2	30.7

14. Other receivables (non-current)

	30.06.2016 £m	30.06.2015 £m	31.12.2015 £m
Prepayments and accrued income	**98.1**	80.0	87.0
Other	**3.7**	3.7	3.7
	101.8	83.7	90.7

Prepayments and 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 £10.9m (30 June 2015: £9.3m; 31 December 2015: £10.0m), which was included as current assets within trade and other receivables, these amounts totalled £109.0m at 30 June 2016 (30 June 2015: £89.3m; 31 December 2015: £97.0m).

15. Trade and other receivables

	30.06.2016 £m	30.06.2015 £m	31.12.2015 £m
Trade receivables	**4.5**	3.3	2.4
Other receivables	**2.4**	7.8	5.4
Prepayments	**19.6**	19.8	14.9
Sales and social security taxes	**-**	-	16.5
Accrued income	**14.2**	9.6	13.5
	40.7	40.5	52.7

16. Trade and other payables

	30.06.2016 £m	30.06.2015 £m	31.12.2015 £m
Trade payables	**5.1**	3.7	0.2
Other payables	**15.7**	12.0	39.9
Sales and social security taxes	**0.3**	4.4	-
Accruals	**55.3**	44.7	49.1
Deferred income	**36.6**	36.0	34.8
	113.0	100.8	124.0

17. Borrowings and derivative financial instruments

	30.06.2016		30.06.2015		31.12.2015	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Non-current liabilities						
1.125% unsecured convertible bonds 2019	**141.5**	**148.6**	138.9	169.5	140.2	171.7
6.5% secured bonds 2026	**188.4**	**232.1**	189.3	217.3	188.9	217.2
4.68% unsecured private placement notes	**74.3**	**90.4**	74.2	81.1	74.3	81.9
4.41% unsecured private placement notes	**24.8**	**29.6**	24.8	26.9	24.8	27.2
3.57% unsecured private placement notes	**74.5**	**76.8**	-	-	-	-
3.46% unsecured private placement notes	**29.8**	**31.4**	-	-	-	-
3.99% secured loan	**82.1**	**89.6**	82.0	82.1	82.0	83.3
Unsecured bank loans	**354.0**	**359.0**	257.7	262.5	356.8	362.5
Secured bank loans	**28.0**	**28.0**	97.6	98.0	28.0	28.0
Leasehold liabilities	**23.9**	**23.9**	23.1	23.1	23.2	23.2
Borrowings	**1,021.3**	**1,109.4**	887.6	960.5	918.2	995.0
Derivative financial instruments expiring in greater than one year	**30.4**	**30.4**	20.5	20.5	17.6	17.6
Total borrowings and derivative financial instruments	**1,051.7**	**1,139.8**	908.1	981.0	935.8	1,012.6

	30.06.2016	30.06.2015	31.12.2015
Reconciliation to net debt:			
Borrowings and derivative financial instruments	**1,051.7**	908.1	935.8
Less:			
Derivative financial instruments	**(30.4)**	(20.5)	(17.6)
Cash and cash equivalents	**(12.7)**	(11.7)	(6.5)
Net debt	**1,008.6**	875.9	911.7

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 2016 or 2015.

18. Deferred tax

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2016	8.7	(3.2)	5.5
(Credited)/charged to the income statement	(0.5)	1.0	0.5
Changes in tax rates in the income statement	(0.7)	0.3	(0.4)
Changes in tax rates in other comprehensive income	(0.2)	-	(0.2)
At 30 June 2016	**7.3**	**(1.9)**	**5.4**
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 2015	7.2	(2.2)	5.0
Charged/(credited) to the income statement	1.4	(1.0)	0.4
Charged to other comprehensive income	0.1	-	0.1
At 31 December 2015	8.7	(3.2)	5.5

Deferred tax on the revaluation surplus is calculated on the basis of the chargeable gains that would crystallise on the sale of the property portfolio 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.

19. Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	**Half year to 30.06.2016 £m**	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Current period							
2016 interim dividend	21 October 2016	13.86	-	13.86	**-**	**-**	**-**
Distribution of current period profit		13.86	-	13.86			
Prior period							
2015 interim dividend	22 October 2015	12.60	-	12.60	-	-	14.0
Distribution of prior period profit		12.60	-	12.60			
Prior year							
2015 final dividend	10 June 2016	30.80	-	30.80	**34.2**	-	-
Distribution of prior year profit		43.40	-	43.40			
2014 final dividend	12 June 2015	22.35	5.65	28.00	**-**	31.1	31.0
Dividends as reported in the Group statement of changes in equity					**34.2**	31.1	45.0
2015 final scrip dividend	10 June 2016				**(1.1)**	-	-
2015 final scrip dividend withholding tax	14 July 2016				**(0.2)**	-	-
2015 final dividend withholding tax	14 July 2016				**(3.7)**	-	-
2015 interim dividend withholding tax	14 January 2016				**1.7**	-	(1.7)
2015 interim scrip dividend	22 October 2015				**-**	-	(3.3)
2014 final scrip dividend	12 June 2015				**-**	(7.7)	(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
Dividends paid as reported in the Group cash flow statement					**30.9**	21.3	33.3

20. Related party disclosure

There have been no related party transactions during the half year to 30 June 2016 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 2015.

21. 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		
	30.06.2016 '000	30.06.2015 '000	31.12.2015 '000	**30.06.2016 '000**	30.06.2015 '000	31.12.2015 '000
For use in basic measures	**111,242**	109,520	110,320	**111,383**	111,065	111,172
Dilutive effect of convertible bonds	**4,498**	4,498	4,498	**4,498**	-	4,498
Dilutive effect of share-based payments	**331**	659	355	**319**	660	363
For use in measures for which bond conversion is dilutive	**116,071**	114,677	115,173	**116,200**	111,725	116,033
Less dilutive effect of convertible bonds	**(4,498)**	(4,498)	(4,498)	**(4,498)**	-	(4,498)
For use in other diluted measures	**111,573**	110,179	110,675	**111,702**	111,725	111,535

The £150m unsecured convertible bonds 2019 ('2019 bonds') have an initial conversion price set at £33.35. In accordance with IAS 33 Earnings per Share, the effect of the conversion of the bonds is required to be recognised if they are dilutive, and not recognised if they are anti-dilutive.

For the half year to 30 June 2016 and for the year ended 31 December 2015, the shares attributable to the conversion of the 2019 bonds were dilutive for net asset value (NAV), EPRA NAV per share and unadjusted earnings per share but anti-dilutive for EPRA earnings per share. For the half year to 30 June 2015, they were dilutive for unadjusted earnings per share but anti-dilutive for EPRA earnings per share and all NAV per share measures.

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

Profit before tax and earnings per share

		Adjustments				
	IFRS £m	A £m	B £m	C £m	D £m	EPRA £m
Half year to 30 June 2016						
Net property and other income	74.2	(1.9)	1.4	-	-	73.7
Total administrative expenses	(15.3)	-	-	-	-	(15.3)
Revaluation surplus	64.5	-	(64.5)	-	-	-
Profit on disposal of investment property	2.5	(2.5)	-	-	-	-
Net finance costs	(13.9)	-	-	-	-	(13.9)
Movement in fair value of derivative financial instruments	(12.8)	-	-	12.8	-	-
Financial derivative termination costs	(1.2)	-	-	1.2	-	-
Share of results of joint ventures	0.5	-	(0.2)	-	-	0.3
Profit before tax	**98.5**	**(4.4)**	**(63.3)**	**14.0**	**-**	**44.8**
Tax charge	(1.0)	-	(1.2)	-	-	(2.2)
Profit for the period	97.5	(4.4)	(64.5)	14.0	-	42.6
Non-controlling interest	1.0	-	(2.1)	(0.2)	-	(1.3)
Profit for the period attributable to equity shareholders	98.5	(4.4)	(66.6)	13.8	-	41.3
Interest effect of dilutive convertible bonds	1.9	-	-	-	(1.9)	-
Diluted earnings	100.4	(4.4)	(66.6)	13.8	(1.9)	41.3
Earnings per share	**88.55p**					**37.13p**
Diluted earnings per share	86.50p					37.02p
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

			Adjustments			
	IFRS	A	B	C	D	EPRA
	£m	£m	£m	£m	£m	£m
Year to 31 December 2015						
Net property and other income	148.6	(3.2)	-	-	-	145.4
Total administrative expenses	(30.0)	-	-	-	-	(30.0)
Revaluation surplus	650.0	-	(650.0)	-	-	-
Profit on disposal of investment property	40.2	(40.2)	-	-	-	-
Net finance costs	(35.1)	-	-	-	0.3	(34.8)
Movement in fair value of derivative financial instruments	7.6	-	-	(7.6)	-	-
Financial derivative termination costs	(6.4)	-	-	6.4	-	-
Share of results of joint ventures	4.6	-	(3.6)	-	-	1.0
Profit before tax	779.5	(43.4)	(653.6)	(1.2)	0.3	81.6
Tax charge	(2.3)	-	1.4	-	-	(0.9)
Profit for the year	777.2	(43.4)	(652.2)	(1.2)	0.3	80.7
Non-controlling interest	(11.0)	0.4	8.4	0.2	-	(2.0)
Profit for the year attributable to equity shareholders	766.2	(43.0)	(643.8)	(1.0)	0.3	78.7
Interest effect of dilutive convertible bonds	4.0	-	-	-	(4.0)	-
Diluted earnings	770.2	(43.0)	(643.8)	(1.0)	(3.7)	78.7
Earnings per share	694.53p					71.34p
Diluted earnings per share	668.73p					71.11p

Net asset value and net asset value per share

	£m	Undiluted p	Diluted p
At 30 June 2016			
Net assets attributable to equity shareholders - diluted	4,131.9		3,556
Remove conversion of 1.125% unsecured convertible bonds 2019	(141.5)		
Net assets attributable to equity shareholders - undiluted	3,990.4	3,583	
Adjustment for:			
Deferred tax on revaluation surplus	7.3		
Fair value of derivative financial instruments	30.4		
Fair value adjustment to secured bonds	14.5		
Non-controlling interest in respect of the above	(3.3)		
EPRA net asset value - undiluted	4,039.3	3,626	
Adjustment for:			
Potential conversion of 1.125% unsecured convertible bonds 2019	141.5		
EPRA net asset value - diluted	**4,180.8**		**3,598**
Adjustments for:			
Mark-to-market of secured bonds 2026	(57.1)		
Mark-to-market of secured fixed rate loan 2024	(6.6)		
Mark-to-market of unsecured fixed rate private placement notes 2029 and 2034	(20.0)		
Mark-to-market of unsecured fixed rate private placement notes 2028 and 2031	(3.2)		
Deferred tax on revaluation surplus	(7.3)		
Fair value of derivative financial instruments	(30.4)		
Unamortised issue and arrangement costs	(8.6)		
Non-controlling interest in respect of the above	3.3		
EPRA triple net asset value - diluted	**4,050.9**		**3,486**
Adjustment for 1.125% unsecured convertible bonds 2019:			
Remove conversion of bonds	(141.5)		
Unamortised issue and arrangement costs	(1.8)		
Mark-to-market of bonds	(5.3)		
EPRA triple net asset value - undiluted	3,902.3	3,503	

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:			
Mark-to-market of secured bonds 2026	(42.3)		
Mark-to-market of secured fixed rate loan 2024	0.9		
Mark-to-market of unsecured convertible bonds 2019	(28.3)		
Mark-to-market of unsecured fixed rate private placement notes 2029 and 2034	(8.0)		
Deferred tax on revaluation surplus	(8.2)		
Fair value of derivative financial instruments	(20.5)		
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 31 December 2015			
Net assets attributable to equity shareholders - diluted	4,062.7		3,501
Remove conversion of 1.125% unsecured convertible bonds 2019	(140.2)		
Net assets attributable to equity shareholders - undiluted	3,922.5	3,528	
Adjustment for:			
Revaluation of trading properties net of tax	1.4		
Deferred tax on revaluation surplus	8.7		
Fair value of derivative financial instruments	17.6		
Fair value adjustment to secured bonds	15.0		
Non-controlling interest in respect of the above	(3.7)		
EPRA net asset value - undiluted	3,961.5	3,563	
Adjustment for:			
Potential conversion of 1.125% unsecured convertible bonds 2019	140.2		
EPRA net asset value - diluted	4,101.7		3,535
Adjustment for:			
Mark-to-market of secured bonds 2026	(42.2)		
Mark-to-market of secured fixed rate loan 2024	(0.3)		
Mark-to-market of unsecured fixed rate private placement notes 2029 and 2034	(9.1)		
Deferred tax on revaluation surplus	(8.7)		
Fair value of derivative financial instruments	(17.6)		
Unamortised issue and arrangement costs	(8.7)		
Non-controlling interest in respect of the above	3.7		
EPRA triple net asset value - diluted	4,018.8		3,463
Adjustment for 1.125% unsecured convertible bonds 2019:			
Remove conversion of bonds	(140.2)		
Unamortised issue and arrangement costs	(2.1)		
Mark-to-market of bonds	(29.4)		
EPRA triple net asset value - undiluted	3,847.1	3,460	

Cost ratios

	Half year to 30.06.2016 £m	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Administrative expenses	**15.3**	14.8	30.0
Other property costs	**3.1**	4.0	7.3
Other costs	**-**	0.3	0.3
Dilapidation receipts	**(0.1)**	(0.6)	(0.7)
Net service charge costs	**0.7**	1.0	1.9
Service charge costs recovered through rents but not separately invoiced	**(0.1)**	(0.2)	(0.2)
Management fees received less estimated profit element	**(1.1)**	(1.2)	(2.6)
Share of joint ventures' expenses	**0.2**	0.1	0.3
EPRA costs (including direct vacancy costs) (A)	**18.0**	18.2	36.3
Direct vacancy costs	**(1.2)**	(1.9)	(3.1)
EPRA costs (excluding direct vacancy costs) (B)	**16.8**	16.3	33.2
Gross rental income	**76.7**	72.0	148.3
Ground rent	**(0.3)**	(0.1)	(0.4)
Service charge components of rental income	**(0.1)**	(0.2)	(0.2)
Share of joint ventures' rental income less ground rent	**0.6**	0.6	1.4
Adjusted gross rental income (C)	**76.9**	72.3	149.1
EPRA cost ratio (including direct vacancy costs) (A/C)	**23.4%**	25.2%	24.3%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**21.8%**	22.5%	22.3%

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)	**5,128.3**	4,551.8	4,954.5
Portfolio cost ratio (A/D) - annualised	**0.7%**	0.8%	0.7%

The Group has not capitalised any overhead or operating expenses in either 2016 or 2015.

22. Gearing and interest cover

NAV gearing

	Note	**30.06.2016 £m**	30.06.2015 £m	31.12.2015 £m
Net debt	17	**1,008.6**	875.9	911.7
Net assets		**4,062.3**	3,630.9	3,995.4
NAV gearing		**24.8%**	24.1%	22.8%

Loan-to-value ratio

	Note	**30.06.2016 £m**	30.06.2015 £m	31.12.2015 £m
Net debt	17	**1,008.6**	875.9	911.7
Fair value adjustment of secured bonds		**(14.5)**	(15.5)	(15.0)
Unamortised issue and arrangement costs		**10.4**	10.8	10.8
Leasehold liabilities	17	**(23.9)**	(23.1)	(23.2)
Drawn debt		**980.6**	848.1	884.3
Fair value of property portfolio	11	**5,128.3**	4,551.8	4,954.5
Loan-to-value ratio		**19.1%**	18.6%	17.8%

Net interest cover ratio

	Note	**Half year to 30.06.2016 £m**	Half year to 30.06.2015 £m	Year to 31.12.2015 £m
Net property and other income	5	**74.2**	71.3	148.6
Adjustments for:				
Other income	5	**(1.1)**	(1.2)	(2.6)
Other property income	5	**-**	(2.3)	(3.7)
Profit on disposal of trading properties	5	**(1.9)**	(0.6)	(3.2)
Write-down of trading property	5	**1.4**	-	-
Reverse surrender premiums	5	**0.1**	-	-
Adjusted net property income		**72.7**	67.2	139.1
Finance income	7	**-**	-	(0.1)
Finance costs	7	**13.9**	17.4	34.9
Adjustments for:				
Finance income	7	**-**	-	0.1
Other finance costs	7	**-**	(0.1)	(0.2)
Amortisation of fair value adjustment to secured bonds	7	**0.5**	0.5	1.0
Amortisation of issue and arrangement costs	7	**(1.1)**	(1.2)	(2.3)
Finance costs capitalised	7	**6.3**	3.0	5.0
		19.6	19.6	38.4
Net interest cover ratio		**371%**	343%	362%

23. Total return

	Half year to 30.06.2016 p	Half year to 30.06.2015 p	Year to 31.12.2015 p
EPRA net asset value on a diluted basis			
At end of period	**3,598.00**	3,226.00	3,535.00
At start of period	**(3,535.00)**	(2,908.00)	(2,908.00)
Increase	**63.00**	318.00	627.00
Dividend per share	**30.80**	28.00	40.60
Increase including dividend	**93.80**	346.00	667.60
Total return	**2.7%**	11.9%	23.0%

24. Risk management and internal control

Derwent London aims to deliver above average long-term returns to shareholders whilst operating within the Group's risk appetite. The Board uses the Group's risk management system to ensure that risks to the Group's strategy are identified, understood and managed, recognising that such risks are inherent in running any business.

Overall responsibility for risk management and the Group's system of internal controls rests with the Board which has delegated responsibility to the Audit Committee and the Risk Committee. Executive management is responsible for developing the Group's risk management system and for designing, implementing, maintaining and evaluating the systems of internal control.

The Board is responsible for managing the Group's risk profile in an environment that reflects the culture and organisation of the business. Key matters to note in this regard are:

- Senior management encourages an open and transparent culture throughout the business.
- The close day-to-day involvement of the Directors in the business allows any system weaknesses to be identified quickly.
- The Group mainly operates from a single office in central London which is within close proximity to most of its properties.
- The senior management team is experienced and stable and overall staff turnover is low.
- The Group has a Whistleblowing Policy which is supported by an independent advice line.

The Group's risk management framework was prepared within the context of this operating environment and consists of its Risk Appetite Statement, a Risk Management Policy document and a Risk Management Process document. The Board's approach to risk management recognises that not all risk can be eliminated at an acceptable cost and that there are some risks that, given its experience, the Board will choose to accept.

The Risk Register, which is prepared by the Executive Committee, is the core element of the Group's risk management process. The first stage in its preparation is for the Committee to identify the risks facing the Group. An assessment is then made collectively by the Committee of the following matters:

- The likelihood of each risk occurring.
- The potential impact of the risk on each different aspect of the business.
- The strength of the controls operating over the risk.

This approach allows the final assessment to reflect the effect of the controls and any mitigating procedures that are in place.

The Register and its method of preparation have been reviewed by the Risk Committee. In order to gain a more comprehensive understanding of the risks facing the business and the management thereof, the Risk Committee periodically receives presentations from senior managers.

Code Provision C.2.3. of the 2014 version of the UK Corporate Governance Code requires the Board to monitor the Company's risk management and internal control systems. To comply with this requirement, the Group has introduced a set of key risk indicators to enhance its assessment of the operation of the key controls. These are reviewed at each meeting of the Risk Committee. In addition, both the Executive Committee and the Risk Committee reviewed the top ten risks facing the Group following the result of the EU referendum.

Following these processes, the Board is satisfied that the Group's risk management and internal control systems operated effectively throughout the period.

The Group's Risk Register includes 45 risks split between strategic risks, operational risks and finance risks.

The principal risks and uncertainties facing the Group in 2016 are set out on the following pages together with the potential effects, controls and mitigating factors.

Strategic risks

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

Risk, effect and progression	Controls and mitigation	Action
1. Inconsistent strategy The Group's strategy is inconsistent with the state of its market. **2. 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 such as: the effect of the Chinese economic slowdown; London losing its 'Safe Haven' status or terrorist activity. This would reduce the value of the Group's portfolio with a consequent effect on two of its KPIs – total return and total property return. The Board sees the level of both these risks to be broadly unchanged since last year.	• 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 sensitivity of the Group's KPIs and key ratios to changes in the main assumptions underlying the forecast thereby modelling different economic scenarios. • The Group's plans can then be set so as to best realise its long-term strategic goals given the most likely economic and market conditions and the Group's risk appetite. 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 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. • Pre-lets are sought to de-risk major projects.	• The last annual strategic review was carried out by the Board in July 2016. 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. • 47% of the Group's portfolio has been identified for future redevelopment. • During the period the Group's loan-to-value ratio rose from 18% to 19%, its net interest cover ratio was above 370% and the REIT ratios were comfortably met. • Pre-lets were secured over 236,700 sq ft during 2016.

3. 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.

The Board considers the risk to be unchanged since last year.

- 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.

4. Brexit risk

The arrangements for the UK to leave the European Union are damaging to the UK economy and/or London.

This could result from a number of causes such as: onerous regulations on immigration; disadvantageous trade agreements; loss of the financial 'passport' or the prolonged period of uncertainty caused by the negotiations.

The Board has assessed this risk as high.

- The Group's development pipeline has a degree of flexibility that enables the Board to change the strategy for individual properties to reflect prevailing circumstances.
- The Group's resilient financing and covenant headroom enables it to survive a downturn.
- The Group's diverse tenant base and the overall quality of the covenants provides resilience against tenant default.
- Financially strong and reputable contractors are used which should result in less reliance on 'unofficial' labour.

- The Group's five year strategy review and rolling forecast are used to monitor the effectiveness of varying the strategy for particular properties.
- During the period the Group's loan-to-value ratio rose from 18% to 19%, its net interest cover ratio was above 370% and the REIT ratios were comfortably met.
- The Group's Credit Committee has assessed the strength of 42 potential tenants in the period.
- In accordance with the Modern Slavery Act, enquiries are made regarding the use of cheap labour at the time of appointment.
- The financial accounts of main contractors and major sub-contractors are reviewed.

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
5. Fall in property values Following the UK's Brexit vote property values fall. This would affect the following KPIs: • Loan-to-value ratio. • Total return. • Total property return. Considerable uncertainty exists regarding the impact of the Brexit vote in property values but a fall in values could be initiated by a number of factors such as: reduced rental growth; increased voids; over supply of new developments or reduced confidence levels. The Board continues to assess this risk as high.	• The impact of changes in property values 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 impact of yield changes is considered when potential projects are appraised. • The Group's move towards mainly unsecured financing over the last few years has made management of its financial covenants less complicated.	• The Group produces three rolling forecasts each year which contain detailed sensitivity analyses including the effect of changing property values. • Quarterly management accounts report the Group's performance against covenants. • Project appraisals are regularly reviewed and updated in order to monitor the effect of changes to property values.

Operational risks

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

Risk, effect and progression	Controls and mitigation	Action
6. 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 • increased construction costs • adverse letting conditions This would have an effect on the Group's total return and total property return KPIs. The Board considers this risk to have remained broadly the same	• Standardised appraisals including contingencies and inflationary cost increases 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. • Development costs are benchmarked to ensure that the Group obtains competitive pricing. • 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 is advised by leading planning consultants and has considerable in-house planning expertise. Two major planning consents were received in 2015, and a further two have been secured in the year to date. • Executive Directors represent the Group on a number of local bodies which ensures that it remains aware of local planning 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. • The Group's style of accommodation remains in

since last year.	• The Group's cost committee meets on a weekly basis to consider new budget requests or amendments. • 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.	demand as evidenced by our highest 6 month letting activity of 267,700 sq ft in the first half. • The Group has often secured significant pre-lets of the space in its development programme which significantly 'de-risks' those projects. 13 pre-lets were secured in 2016 over 236,700 sq ft.
7. Business interruption The Group is either the victim of a cyber-attack or suffers a 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. Following the enhancements introduced in 2015 the Board considers the risk to have remained stable over the period.	• The Group's IT systems are protected by anti-virus software and firewalls which are continually updated. • The Group's data is regularly backed up and replicated. • The Group's Business Continuity Plan was revised during 2015 and successfully tested in November. • Multifactor authentication has been introduced for both internal and external access to the systems. • The Group's IT department has access to cyber threat intelligence and analytics data. • Incident response and remediation policies are in place. • Cyber insurance is being evaluated.	• Independent internal and external penetration tests are regularly conducted to assess the effectiveness of the Group's security. • Staff awareness programmes are delivered to alert staff to the techniques that may be used to gain unauthorised access to the Group's systems. • An IT Security Committee has been established which reports its findings to the IT Steering Group. • The Head of IT regularly reports to the Executive Committee. • An independent benchmarking review of the Group's cyber security has been carried out in 2016 which shows an improvement from 2015.
8. 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. This risk remains high due to the increased scale of the Group's development activity and the associated increase in Health and	• Each year the Group's Risk Committee receives a report prepared by the Group's lawyers identifying legislative/regulatory changes expected over the next 12 months and 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 Opportunities, Harassment and Whistleblowing	• 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 year. No incidents have been reported under the Group's whistleblowing policy in 2016. • The Group has reviewed the requirements of the Modern

Safety risks.	are available to all staff on the Company intranet. • Members of staff attend external briefings in order to remain cognizant of regulatory changes. • The Group has a comprehensive set of IT security policies.	Slavery Act and revised its policies where appropriate in preparation for reporting in compliance with the legislation. • CDM 2015 regulations have been implemented. • Procedures have been refined to comply with the new Market Abuse Regulations.
9. Contractor/sub-contractor default Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major sub-contractor defaulting during the project. This would primarily affect the Group's total property return KPI. This risk remains high given the scale of the Group's development activity.	• Whenever possible the Group uses contractors/sub-contractors that it has worked with successfully previously. • The resilience of a project's critical path is increased by establishing procedures to manage any sub-contractor default effectively. • Key construction packages are acquired early in the project. • Performance bonds are sought if considered necessary.	• As the size of the Group's projects has increased so the contractors have become more substantial. • The financial accounts of both main contractors and major sub-contractors are reviewed.
10. Shortage of key staff 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 risk is seen to be unchanged over the year.	• The Nominations Committee consider succession matters as a standing agenda item. • Requirements for senior management succession are considered as part of the five-year strategic review. • The remuneration packages of all employees are benchmarked regularly. • Six-monthly appraisals identify training requirements which are fulfilled over the next six months.	• The Group recruited 2 new members of staff during the first half. • Staff turnover so far in 2016 was low at 9%. • The average length of employment is 7.3 years.

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 years.

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 2016, the proportion of fixed debt held by the Group was just above this range at 86% (31 December 2015: 85%). During both 2016 and 2015, the Group's borrowings at variable rate were denominated in sterling.

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

Liquidity risk

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

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

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

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

Capital disclosures

The Group's capital comprises all components of equity (share capital, share premium, other reserves, 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 2016, the Group's strategy, which was unchanged from 2015, 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 22.

25. 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**

Earnings from operational activities.

- **EPRA net asset value per share**

NAV adjusted to include trading 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 the ERV of the EPRA portfolio.

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

The growth in rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period, 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 all non-core items divided by interest payable on borrowings and non-utilisation fees.

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

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

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

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

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

REITs must distribute at least 90% of the Group's income profits from its tax exempt property rental business, by way of dividend, known as a property income distribution. Property income distributions from the tax exempt property rental business will suffer withholding tax at 20% with withholding tax exemption for certain UK resident companies and tax exempt bodies.

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

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

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

Scrip dividend
Derwent London 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 (TPR)
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 adjusted 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 (TSR)
The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the period, expressed as a percentage of the share price at the beginning of the year.

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.

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

Independent review report to Derwent London plc

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Derwent London plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Derwent London plc for the 6 month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:

- the Group condensed balance sheet as at 30 June 2016;
- the Group condensed income statement and statement of comprehensive income for the period then ended;
- the Group condensed cash flow statement for the period then ended;
- the Group condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 1 to the interim financial statements, 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.

Responsibilities for the interim financial statements and the review

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

Our responsibility is to express a conclusion on the interim financial statements 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim 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 interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 August 2016

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 interim 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.

Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £5.2 billion (including joint ventures) as at 30 June 2016, 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 6.2 million sq ft portfolio 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 2015 Derwent London topped the real estate sector for the sixth year in a row and was placed third overall in the Management Today 2015 awards for 'Britain's Most Admired Companies'. In addition the Group won awards by Architects' Journal, British Council for Offices, Civic Trust and RIBA and achieved EPRA Gold for corporate and sustainability reporting. In 2016 Turnmill and The Corner House won RIBA National awards.

As part of its wider sustainability programme, in 2013 Derwent London launched a dedicated £250,000 voluntary Community Fund and, in 2016, made a further commitment of £300,000 for the next three years for Fitzrovia and the Tech Belt.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER.

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

Forward-looking statements

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

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