DERWENT
LONDON

8 August 2019

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

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019
GOOD PROGRESS CONTINUES

Financial highlights

- EPRA[1] NAV 3,852p per share from 3,776p in December 2018, up 2.0% or 3.7% from June 2018
- Total return 3.3% compared to 3.1% in H1 2018
- Net rental income £86.3m, up 7.1% from H1 2018
- Underlying[1] earnings 51.34p per share against 51.77p in H1 2018 and 99.08p for full year 2018
- IFRS earnings 118.09p per share versus 120.22p in H1 2018 and 199.33p for full year 2018
- Interim dividend raised 9.9% to 21.00p from 19.10p per share in 2018
- Issued £175m convertible bonds 2025 and repurchased £150m convertible bonds 2019
- Interest cover 454% and LTV ratio of 17.6%
- Weighted average debt maturity increased to 8.2 years with cash and undrawn facilities of £495m

First half activity

- New lettings totalling £18.1m, 7.5% above December 2018 estimated rental value (ERV)
- Completion of Brunel Building, Paddington W2: 243,000 sq ft of which 98% let
- 790,000 sq ft under development of which 59% is pre-let
- Disposals of £76.9m (Group share), 6.9% above December 2018 book values

Second half activity to date

- Q3 lettings to date £5.1m, in line with June 2019 ERV
- Contracts exchanged to sell The Buckley Building EC1 for £103m, 4.8% above December 2018 values

Portfolio update

- Portfolio valued at £5.4bn, an underlying increase of 1.9% in H1 2019
- Uplift on developments was 13.6% in the first six months
- Total property return was 3.6% in H1 which compares to our comparator index[2] of 1.9%
- EPRA vacancy rate 1.6%, down from 1.8% in December 2018
- EPRA ERV growth was +0.4% with guidance for 2019 unchanged at +1% to -2%

[1] Explanations of how EPRA and underlying figures are derived from IFRS are shown in note 22.

[2] MSCI IPD Central London Offices Quarterly Index

Paul Williams, Chief Executive of Derwent London, said:

“Our £18m of new lettings and low vacancy rate demonstrate the continuing strength of occupier demand for Derwent London’s product. The commitment to our development strategy has increased our earnings potential, and was a major contributor to our first half total return of 3.3%. Recent refinancing activities have further strengthened our financial position with an average debt maturity of over eight years. We believe the Group is well positioned to deliver the many opportunities within its dynamic portfolio.”

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:00 BST today. The audio webcast can be accessed via www.derwentlondon.com

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

For further information, please contact:

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OVERVIEW

Derwent London continues to make good progress demonstrating the portfolio's considerable potential and our team's ability to realise it. In the first six months we achieved £18.1m of new lettings, two thirds of our entire 2018 activity. On the back of our continued letting success we committed to two new developments, signing major building contracts totalling £252m. Our debt facilities were also increased and extended; we drew down the £250m US private placement arranged last year and issued £175m convertible bonds while repurchasing our existing £150m convertible bonds due for redemption this year. As a result, our weighted average debt maturity has increased to 8.2 years from 5.9 years in December 2018. The Group's progress on so many fronts demonstrates our ability to drive performance against a background of lower central London office activity.

Asset management over the past year has seen our net rental income grow to £86.3m for the first half of 2019, up 7.1% compared to H1 2018. After an increase in administration and finance costs, underlying and EPRA earnings were £57.3m for H1 2019, a decrease of 0.7% from underlying H1 2018 earnings when surrender premiums and dilapidations receipts were £4.4m higher. EPRA earnings were unusually high in H1 2018 due to the receipt of a £15.8m access rights premium. The Group's IFRS profit before tax for the half year was £130.0m compared with £134.0m in H1 2018.

With strong dividend cover and rental income starting to flow from Brunel Building in June 2019, we have raised the interim dividend 9.9% to 21.0p per share, and we anticipate a similar level of growth for this year's final dividend.

Helped by development uplifts at Brunel Building, which was virtually fully let on completion, the portfolio revaluation surplus was 1.9% in the first half, comfortably ahead of our comparator index, against 2.2% for the whole of 2018. As a result, EPRA NAV rose 2.0% to 3,852p per share which, after adding back the final dividend paid during the period, gives a total return of 3.3% which compares to 3.1% in the first half of 2018.

We now have three projects under construction totalling 790,000 sq ft which, after including the first office pre-let of 102,600 sq ft at Soho Place W1, are 59% pre-let. This activity is important as a barometer for London office demand, and we continue to record good progress, letting a further £5.1m since June 2019. These include The Boston Consulting Group exercising its option to take a further floor at 80 Charlotte Street W1, making the commercial element 92% pre-let.

Adding the new developments at Soho Place and The Featherstone Building EC1 in the first half increased our reversion to ERV by 22% to £140.1m. Excluding £71.8m of contractual rental uplifts, which are largely already included in IFRS earnings, there is an additional £68.3m estimated to add to rental income of which 44% is pre-let. This requires a further £476m of capital expenditure including capitalised interest, with the two new developments scheduled to complete in 2022. In addition, we have planning consent on two new West End projects totalling 443,000 sq ft, which could start in late 2021/early 2022 and complete in 2025. On one of these, 19-35 Baker Street W1, we reached a major milestone in May by signing a conditional development agreement.

A key aspect of our investment strategy is to recycle our mature assets and reinvest the proceeds into our developments or buildings with long term regeneration potential. We announced today that contracts have been exchanged for the sale of The Buckley Building EC1 for £103m which, after rental 'top-ups' and costs, was 4.8% above December 2018 book value. This transaction means we are close to making c.£200m of disposals in the current year.

As responsible long-term property owners, we are committed to creating sustainable and resilient buildings and mitigating their impacts on climate change. This approach has become increasingly important to our occupiers and other stakeholders. Our Science Based Targets adopted in 2016 were independently endorsed last year[1] and the Group is working towards becoming a net zero carbon business by 2050. We are currently reviewing the specific measures that would enable this target to be met by 2030.

[1] See Sustainability Report 2018

Outlook

We see good demand for our space and continue to sell properties above book value having let over £100m by rent and sold £800m of property since the EU referendum in June 2016. Letting market activity has been lower in 2019 but this picture conceals a dynamic market with an increasing focus on occupier needs, highlighted by the strong demand for high quality modern space and the continued growth in flexible offices. We believe that these trends play to our strengths with our focus on design-led properties, good occupier amenities and middle-market rents. Investment market activity has fallen this year and may remain subdued during a period of heightened political and economic uncertainty especially in relation to Brexit. However, there is significant global capital waiting to be deployed into the London office investment market once conditions become clearer. In the absence of any significant change to the current political or economic situation we continue to expect ERV growth on our portfolio of +1% to -2% and for yields to remain firm in 2019.

Board and management changes

As previously announced, with effect from 17 May 2019 John Burns was appointed Non-Executive Chairman and Paul Williams became Chief Executive.

Since that time, Paul has broadened the roles of the executive team. Nigel George has taken responsibility for the development department with Simon Silver retaining the regeneration projects and his focus on design and architecture. David Silverman has added the leasing, asset and property management teams to his investment brief. Damian Wisniewski's job title has recently changed to Chief Financial Officer and he now has additional strategic and operational responsibilities. With the increasing focus on occupier requirements, the Group's asset and property management teams have also been strengthened with additional senior appointments.

CENTRAL LONDON OFFICE MARKET

The central London office market remains stable with low rental and capital growth, while levels of letting and investment activity are below the high levels of the past few years. However, as our own performance shows, there continues to be a sufficient number of transactions which support current rents and yields.

During the first six months of 2019 CBRE estimated that the vacancy rate fell to 4.2% from 4.5%. Take-up at 5.8m sq ft was 9% below the same period last year, but new supply was also 9% lower at 1.8m sq ft. The continuing high level of pre-lettings means that the amount of new space available to let remains relatively low.

In February, we discussed two underlying market trends. First, the continued expansion of flexible office providers, which has come to represent a broad range of formats but typically involves lettings with short leases, enhanced amenities and supportive technology. Secondly, an increasingly two-tier letting market with strong demand for modern and adaptable space but with older buildings taking longer to let. Flexible office providers have represented c.15% of central London office take-up in the last three years (17% in the six months to June 2019) and now represent c.6% of the total market. CBRE estimate that 70% of current availability is secondhand space and 39% of this is tenant controlled, or 'grey', space. We continue to expect unimproved older space to lag the market.

Looking forward, the levels of available supply have reduced slightly with 13.1m sq ft under construction for delivery in the next three and half years, of which 61% is pre-let. As a result there is 5.2m sq ft of new supply that will be available over the next few years, which is below current levels of active demand estimated at 9.7m sq ft by JLL.

Investment activity has fallen with £4.2bn of transactions in the first half, 32% below the six monthly average. In part this reflects less stock available on the market, but this trend could also be seen as a Brexit hiatus with London offices still screening attractively compared to global peers and with c.£32bn of equity selectively looking for opportunities. CBRE records prime yields unchanged at 3.75% in the West End and 4.0% in the City. During the last nine months a number of short-let or vacant properties have come to the market and these higher risk opportunities have seen significant demand from domestic as well as foreign investors. Overall domestic purchasers represented 40% of first half investment activity, their highest share of transactions since 2011.

VALUATION

The Group's investment portfolio was valued at £5.4bn at 30 June 2019. There was a revaluation surplus of £92.0m which, after accounting adjustments of £17.5m (see note 11), produced a surplus of £74.5m. The underlying valuation growth was 1.9%, following a 0.9% uplift in H2 2018. The performance came from developments, as solid progress was made through delivery and pre-letting activity. It outperformed our capital value benchmarks: the MSCI IPD Quarterly Index for Central London Offices, up 0.1%, and the wider UK All Property Index which was down 1.4%. By location, our central London properties, which represent 98% of the portfolio, increased in value by 2.0% with the West End up 2.9% and City Borders up 0.5%. The balance of the portfolio, comprising our Scottish holdings, declined 2.2%.

Our rental values on an EPRA basis rose by 0.4% over the first half, broadly similar to the 0.6% seen in the second half of last year. The City Borders were up 0.9% and the West End unchanged.

The portfolio's EPRA initial yield was 3.3% which, after allowing for the expiry of rent-free and half rent periods and contractual uplifts, rises to 4.7% on a 'topped-up' basis. The true equivalent yield moved out by 1bp to 4.74% and has risen 22bp since the EU referendum.

Our first half total property return was 3.6%, which also outperformed the MSCI IPD indices of 1.9% for Central London Offices and 0.8% for UK All Property.

At the start of the year we were on site with two major developments, 80 Charlotte Street and Brunel Building, and have since added two new developments, Soho Place and The Featherstone Building. These four schemes were valued at £898.5m in June 2019 delivering a very strong 13.6% valuation uplift. Excluding their performance, the underlying portfolio movement was a 0.2% decline. Brunel Building, which achieved practical completion in May and is fully let or under offer, was up 21.4% and has delivered an overall profit on cost of 55%. The three developments now on site, valued at £570.6m, represent about 11% of the portfolio and are set to continue to deliver good valuation surpluses over the next few years. There are more details under 'Projects' below.

Our contracted annualised cash rent at 30 June 2019 was £163.2m, 2.3% higher than December 2018. With a portfolio ERV of £303.3m there is £140.1m of potential reversion after capital expenditure. Looking at this in more detail, £71.8m is contracted through rent-free and half rent periods and fixed uplifts. Under IFRS accounting most of this upside is already incorporated in the income statement. Our on-site developments could add £56.4m of which £30.3m was already pre-let. The letting of other vacant space across the portfolio could add £5.3m, the principal elements being space at Johnson Building EC1 (now let) and 90 Whitfield Street W1. The balance of £6.6m of potential uplifts is from future rent reviews and lease expiries.

PORTFOLIO MANAGEMENT

Traditional leases continue to represent the major part of our activity. Lettings of £18.1m in the first half proved no exception, dominated by pre-lettings at Brunel Building W2 (now completed) and our first office pre-let at Soho Place W1. The latter is now 50% pre-let, two and a half years ahead of completion. All these transactions have been previously announced.

Elsewhere we let another 87,000 sq ft across 24 transactions for £2.1m, including 6,000 sq ft at 5-8 Hardwick Street EC1 for £66 per sq ft on the offices, the temporary re-letting of the third floor at 19-35 Baker Street W1 and the two retail units at Turnmill EC1. The latter fell vacant last year, but we have re-let them significantly above December 2018 ERV.

Principal lettings in 2019 to date

Property	Tenant	Area sq ft	Office rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
H1							
1 Soho Place W1	G-Research	102,600	94.70	9.7	15	-	32
Brunel Building W2	Splunk	49,600	75.00	3.7	12	-	20
Brunel Building W2	Paymentsense	33,000	77.50	2.6	15	10	20, plus 6 if no break
H2							
80 Charlotte Street W1	BCG	40,650	82.50	3.4	15	12	Confidential
Johnson Building EC1	Oktra	18,300	47.50	0.9	10	5	10, plus 8 if no break
Johnson Building EC1	Access Intelligence	17,800	45.00	0.8	10	5	15, plus 12 if no break
		261,950	**80.50**	**21.1**			

In Q3 The Boston Consulting Group exercised its option to take the fourth floor at 80 Charlotte Street. This increases their commitment by nearly a third to 164,150 sq ft. We give more details under 'Projects' below. We have recently let the remaining 36,100 sq ft refurbished space at Johnson Building EC1 for £1.7m.

In the first six months of 2019 the portfolio's EPRA vacancy rate has fallen to 1.6% from 1.8%. Our asset and property managers were involved in 59 lease events totalling 478,000 sq ft, representing 8% of the portfolio. These transactions raised existing income by 21.4% to £24.3m and were on average 0.6% below December 2018 ERV. Lease renewals represented 21% of new income, rent reviews 51% and regears 28%. There were major contributions from The Buckley Building EC1 (now exchanged for disposal), Charlotte Building W1, 20 Farringdon Road EC1, Oliver's Yard EC1, 1 Page Street SW1 and 88 Rosebery Avenue EC1.

At 30 June 2019, 4% of our portfolio by income was let to third party flexible office providers principally The Office Group, IWG and Knotel. In addition, we have developed our own 'Cat A+/Plug and Play' format on some of our smaller spaces with the objective of making leasing of this space as frictionless as possible. Currently this covers just 20,300 sq ft over nine small units within larger buildings. To date we are securing average rental premium allowing for voids of c.15 to 20% on a net effective basis. Subject to availability, this space in our portfolio could double in the next twelve months, but even then would represent under 1% of our portfolio.

PROJECTS

At the end of May we completed the development of Brunel Building, Paddington W2. The building has 3.5m floor to ceiling heights, column-free internal floors, two major roof terraces and a ground floor restaurant. The project has opened up the canal towpath for public access for the first time in over 50 years. All the offices were fully pre-let to seven tenants representing a diverse range of industries: Sony Pictures, Splunk, Paymentsense, Hellman & Friedman, Premier League, Coach and Alpha FX. The restaurant is under offer and the property will generate £17.2m of net rent.

Our flagship development in Fitzrovia, 80 Charlotte Street W1, is continuing to progress well and The Boston Consulting Group has confirmed that it will be taking another floor representing 40,650 sq ft for £3.4m. This means that the office space is now 96% pre-let, leaving 12,250 sq ft of offices,14,000 sq ft of retail and 31,600 sq ft of residential still available. We topped out the building in May and it remains on track for completion in H1 2020.

In the first half we committed to our next two major developments. Soho Place W1 was already a cleared site and in February we signed the main building contract for £195m with Laing O'Rourke and construction is underway. Demolition work on The Featherstone Building EC1 site is nearly complete and we signed the £58m main building contract with Skanska in June. Both projects are due for completion in H1 2022 with the capital expenditure almost entirely fixed.

Major developments pipeline

Property	Area sq ft	Capex to complete £m[1]	Comment
Completed			
Brunel Building, 2 Canalside Walk W2	243,200	-	Offices and retail – 98% let
On-site			
80 Charlotte Street W1	380,000	69	321,000 sq ft offices, 45,000 sq ft residential and 14,000 sq ft retail – 85% pre-let / pre-sold overall
Soho Place W1	285,000	262[3]	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre – 42% commercial space pre-let[4]
The Featherstone Building EC1	125,000	70	110,000 sq ft offices, 13,000 sq ft workspaces and 2,000 sq ft retail
	790,000	**401**	
Major planning consents			
19-35 Baker Street W1	293,000[2]		206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Holden House W1	150,000		Retail flagship or retail and office scheme
	443,000		
Total (excluding completions)	**1,233,000**		

[1] As at 30 Jun 2019 [2] Total area - Derwent London currently has a 55% share of the joint venture
[3] Includes remaining site acquisition cost and profit share to Crossrail [4] In addition 40,000 sq ft theatre is pre-let

Looking forward, our next two major projects, comprising 443,000 sq ft in the West End, have full planning consent. The larger of these is at 19-35 Baker Street W1 where we hold a 71-year leasehold interest in a joint venture between Derwent London (55%) and The Portman Estate (45%). We have recently signed an option to unwind the joint venture, which could give the Group a new 129-year lease across the site with The Portman Estate receiving a 2.5% ground rent rising to 6% in the 29th year of the development. The new arrangement could enable work to start in late 2021.

Thereafter, we are looking at additional schemes sourced from another 25% of the portfolio, currently comprising 1.4m sq ft. These properties have been acquired over many years specifically for their latent development potential.

Parallel to these major projects we are continually looking at ways of improving the core investment portfolio. An example of this activity is our current work at Tea Building E1 where we are upgrading the entrance and at the same time have created 5,100 sq ft of new space. This minor refurbishment is due for completion in September 2019.

INVESTMENT ACTIVITY

We disposed of two properties for £76.9m in the first half, which have been previously reported. Together these achieved 6.9% above December 2018 book value net of costs.

Today we announced that contracts have been exchanged for the sale of The Buckley Building EC1 for a gross value of £103.0m, which represents a net initial yield to the purchaser of 4.4%. Net proceeds after 'top-ups' and costs are £99.6m, 4.8% above December 2018 and June 2019 book values. We regenerated and extended this building in 2013 and have just completed the first round of rent reviews. As well as endorsing the property's valuation, this disposal is an example of our strategy of selling mature assets to reinvest into our higher yielding development programme. The Group also recently sold 16 Prescot Street E1 for substantially above book value. This last disposal means that we currently hold no properties in joint ventures off balance sheet.

Disposals sold or exchanged in 2019 to date

Property	Date	Area sq ft[1]	Gross proceeds £m[1]	Gross proceeds £ psf	Net yield to purchaser %	Rent £m[1]
Premier House SW1	Q1	60,700	50.0	820	-	-
9 Prescot Street E1 (50% interest)	Q2	48,500	26.9	560	4.5	1.3
16 Prescot Street E1 (50% interest)	Q3	4,400	1.8	400	2.6	0.05
The Buckley Building EC1	Q3	85,100	103.0	1,210	4.4	4.9
Total		**198,700**	**181.7**	**910**	**-**	**6.25**

[1] Derwent London share

In June we added to our holdings at the eastern end of Oxford Street with the acquisition of 3-5 Rathbone Place W1 for £21.0m including costs. The property comprises 11,200 sq ft of offices and 6,600 sq ft restaurant and gym. The passing rent was £870,000 with the offices let at an average rent of £58 per sq ft. The building is reversionary with most of the office leases due to expire in the next few years, and in the longer term the property could form part of a larger scheme incorporating some of our other interests in the area.

FINANCIAL REVIEW

The Group's EPRA net asset value per share increased by 2.0% to 3,852p at 30 June 2019 from 3,776p at 31 December 2018. Adding back the dividends paid of 46.75p per share, the total return for the first half was 123p per share or 3.3%.

Net property and other income was £88.5m in H1 2019 against £103.4m in H1 2018, the prior period benefitting from a combined £21.8m for rights of light and access premiums, surrender premiums and dilapidations receipts. By contrast, H1 2019 only saw surrender premiums of £0.5m but growth in rental income over the period has been more significant. Gross rental income was up from £86.9m in H1 2018 to £93.1m, an increase of 7.1%, and net rental income also grew by 7.1% from £80.6m in H1 2018 to £86.3m for the first half of 2019.

Much of this increased rental income came from recent lettings or lease regears. In exchange for longer lease terms, rent-free periods have been granted and income recognised on a straight-line basis during incentive periods therefore grew to £12.1m in H1 2019 from £5.8m in H1 2018. This accounting treatment is unchanged following the introduction of IFRS 16, the new leasing standard which became effective this year, replacing SIC-15 and IAS 17.

EPRA like-for-like gross rental income was up by 3.7% compared to H1 2018 and by 3.5% when compared with H2 2018. EPRA like-for-like net rental income increased by 3.2% and 5.2%, respectively, over the same periods.

Administrative expenses rose to £17.1m for the first six months after an increase in management incentives of £1.0m over H1 2018 and other staff costs up by £0.7m. This reflects a headcount up by 10 over the last year as we have added to the property and asset management teams. Our EPRA cost ratio remained at 23.3% for H1 2019, a similar level to that for the whole of 2018. As in the past, no overhead costs are capitalised.

The investment property portfolio showed an overall revaluation surplus after accounting adjustments of £75.0m for the six months to 30 June 2019, 39% higher than in the corresponding period last year, and the profit on disposal of our investment property at Premier House SW1 was £4.7m. Altogether, the profit from operations for the half year was £151.1m, up from £142.3m in H1 2018.

Due mainly to higher average borrowings, net finance costs increased by £1.3m to £12.8m in the first half of 2019 after capitalising £6.6m of interest. In addition, £7.8m was charged to the income statement on redeeming the Group's 2019 convertible bonds and writing off £0.1m of unamortised arrangement costs. Our share of joint venture results for the half year totalled £2.0m (£1.9m in H1 2018), including a profit on disposal at Prescot Street E1 of £0.8m. This brought the Group's IFRS profit before tax for the half year to £130.0m against £134.0m in H1 2018.

EPRA earnings, which exclude fair value movements, profits on disposal and the bond redemption premium, were £57.3m in H1 2019. As shown in the table below, EPRA earnings for the first half of 2018 were unusually high at £74.6m due to the various premiums received in the period but underlying earnings, which stripped out £16.9m of premiums received but still included rights of light and dilapidations receipts of £3.5m, were £57.7m. Earnings per share have shown a similar pattern with the EPRA EPS for H1 2019 of 51.34p marginally below the underlying level in H1 2018 but with the difference more than explained by surrender premiums and dilapidations receipts.

	EPRA £m	Adjustments £m	Underlying £m
Earnings in H1 2018	**74.6**	**(16.9)**	**57.7**
Movements to H1 2019 from H1 2018:			
Gross rental income	6.2	-	6.2
Surrender premiums	(2.0)	1.1	(0.9)
Rights of light/access premiums	(17.7)	15.8	(1.9)
Dilapidations receipts	(1.6)	-	(1.6)
Administration/finance/other	(2.2)	-	(2.2)
Total movements	**(17.3)**	**16.9**	**(0.4)**
Earnings in H1 2019	**57.3**	**-**	**57.3**

We expect that the current year will be our highest yet for capital expenditure as we redevelop or regenerate our older buildings into newer and greener ones fit for today's occupiers. In the first half, we incurred capital expenditure of £103.3m including £6.6m of capitalised interest and anticipate spending a little more again in the second half.

Financing and net debt

Group borrowings increased from £914.5m at 31 December 2018 to £973.3m at 30 June 2019 after net cash invested in the portfolio of £34.5m. Net debt, which includes leasehold liabilities and nets out the half-year cash balance of £31.5m, increased by a similar amount to £1,003.5m at 30 June 2019 from £956.9m at 31 December 2018. As a result, the Group's loan-to-value ratio increased marginally to 17.6% from 17.2% at the year end. Interest cover for the six-month period was 454%.

Cash from operating activities was £42.9m in H1 2019, considerably below the equivalent in H1 2018 when the various cash premiums were received, but 15% higher than in H1 2017.

Our Group facilities have been refreshed and extended in 2019 with the drawdown on 31 January of £250m of new senior unsecured US private placement notes and the subsequent refinancing in June of our £150m 2019 convertible bonds with the issue of £175m new 2025 convertible bonds. This has taken the weighted average maturity of our borrowings from 5.9 years at 31 December 2018 to 8.2 years at 30 June 2019.

The new convertible bonds will pay a cash coupon of 1.5% and have an initial conversion price of £44.96. The bonds have been bifurcated for accounting purposes and will incur an IFRS interest cost of 2.3%. The equity component of the bonds recognised at issue was £7.5m (or 7p per share), almost matching the £8.5m (or 8p per share) redemption premium paid to the 2019 bondholders to purchase their bonds. As at 30 June 2019, £2.3m of the 2019 bonds remained outstanding and were all redeemed at par on 24 July.

As a result of the refinancing activities, undrawn facilities and cash increased to £495m at 30 June 2019 and, with low levels of bank debt drawn, the Group's weighted average interest rate rose marginally to 3.56% on a cash basis and 3.70% on an IFRS basis.

Dividend

We have raised the interim dividend by 9.9% to 21.00p from 19.10p last year. It will be paid as a PID on 18 October 2019 to shareholders on the register as at 13 September 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and have assessed how these risks could best be mitigated through a combination of internal controls, risk management and the purchase of insurance cover. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board in August 2019.

The principal risks and uncertainties facing the Group in 2019 are set out on the following pages with the potential impact and the mitigating actions and controls in place. The Group's approach to the management and mitigation of these risks is included in the 2018 Annual Report.

Following the recent change in Prime Minister, there is now a heightened risk of a 'hard Brexit' due to his stated commitment to leave the European Union (EU) on 31 October 2019 with or without a deal. Leaving the EU without a deal could further elevate the current high level of economic and political uncertainty. We detail the possible effect of a hard Brexit on our business on page 47 of our 2018 Annual Report.

Strategic risks

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

Risk, effect and progression	Controls and mitigation
1. Failure to implement the Group's strategy	
The Group's strategy is not met due to poor strategy implementation or a failure to respond appropriately to internal or external factors such as: • an economic downturn and/or the Group's development programme being inconsistent with the current economic cycle; • London losing its global appeal with a consequential impact on the property investment or occupational markets. During 2019, the Group continued to benefit from a resilient central London office market despite continuing political uncertainty.	• The Group conducts an annual five-year strategic review and prepares a budget and three rolling forecasts covering the next two years. • The Board considers the sensitivity of the Group KPIs to changes in the assumptions underlying our forecasts in light of anticipated economic conditions. If considered necessary, modifications are made. • The Group's development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances. • The Group seeks to maintain income from properties until development commences and has an ongoing strategy to extend our income through lease renewals and regearing. • The Group aims to de-risk the development programme through pre-lets. • The Group maintains sufficient headroom in all the Group's key ratios and financial covenants with a focus on interest cover.

2. Adverse Brexit settlement

Risk that negotiations to leave the EU result in arrangements which are damaging to the London economy.

As a predominantly London-based group, we are particularly sensitive to any factors which impact upon London's growth and demand for office space.

- The Group's strong financing and covenant headroom enables it to weather a downturn.
- The Group's diverse and high-quality tenant base provides resilience against tenant default.
- The Group focuses on good value, middle market rent properties which are less susceptible to reductions in tenant demand. The Group's average 'topped-up' office rent is only £56.31 per sq ft (2018: £53.25 per sq ft).
- The Group develops properties in locations where there is good potential for future demand, such as near Crossrail stations.
- Income is maintained at future development sites for as long as possible.
- Ongoing strategy is to extend income through lease renewals and regearing and to de-risk the development programme though pre-lets.
- Brexit negotiations are being monitored and potential outcomes discussed with external advisers.
- Brexit risk assessments have been performed to understand how the different scenarios of Brexit could impact on our business model and strategy.

3. Management of succession

Risk that the Board's succession plans, effective during 2019, fail to retain our senior management team and lead to a loss of our culture and/or talent.

- John Burns was appointed the Non-Executive Chairman until May 2021 and will aim to retain the culture of the Group and ensure an orderly succession.
- Simon Fraser, Senior Independent Director, acts as a 'sounding board' for the Chairman and an independent point of contact for Directors and Shareholders.
- Remuneration packages are benchmarked regularly.
- Six monthly performance appraisals identify training requirements and career aspirations.
- The Board monitors the culture of the Group.

Financial risks

Significant steps have been taken in recent years to reduce or mitigate the Group's financial risks such that few are now considered to be principal risks of the Group. The main financial risk is that the Group becomes unable to meet its financial obligations, which is not currently a principal risk. Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Risk, effect and progression	Controls and mitigation
4. Fall in property values	
Increasing property yields, which may be a consequence of rising interest rates, would cause property values to fall. Interest rates have remained low for an extended period and could rise gradually over the next few years. Though there is no direct relationship, this may cause property yields to increase. The underlying value of our investment portfolio has remained resilient, increasing by 1.9% in H1 2019, despite the continuing economic uncertainties. The probability that property values will fall has increased during 2019 as normal property cycles last for approximately seven years and we are currently at over eight years into the current cycle. The Bank of England's Monetary Policy Committee increased interest rates during 2018 from 0.5 to 0.75%. The direction of future base rate changes is unclear but any rate increases are anticipated to be slow and incremental.	• The impact of yield changes is considered when potential projects are appraised. • The impact of yield changes on the Group's financial covenants and performance are monitored regularly and are subject to sensitivity analysis to ensure that adequate headroom is preserved. • The Group's mainly unsecured financing makes the management of our financial covenants straightforward. • The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant impact on our business.

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

Risk, effect and progression	Controls and mitigation
5. Risks arising from our development activities	
A. Reduced development returns	
The Group's development projects do not produce the targeted financial returns due to one or more of the following factors: • Delay on site • Increased construction costs • Adverse letting conditions For example, delays could lead to penalties payable to pre-let tenants at 80 Charlotte Street. Due to our significant development pipeline, with a number of key projects currently under construction including 80 Charlotte Street, Soho Place and The Featherstone Building, the risk of delays to our projects and/or cost overruns remain a principal risk.	• Investment appraisals, which include contingencies and inflationary cost increases, are prepared and sensitivity analysis is undertaken to judge whether an adequate return is made in all likely circumstances. • The procurement process used by the Group includes the use of highly regarded firms of quantity surveyors and is designed to minimise uncertainty regarding costs. • Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed-price contracts are negotiated. • Procedures carried out before starting work on site, such as site investigations, historical research of the property and surveys conducted as part of the planning application, reduce the risk of unidentified issues causing delays once on site. • The Group's pre-letting strategy reduces or removes the letting risk of the development as soon as possible. • Detailed reviews are performed on construction projects to ensure that forecasts are aligned with our contractors. • Post-completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures are identified, implemented and lessons learned.
B. 'On-site' risk	
Risk of project delays and/or cost overruns caused by unidentified issues e.g. asbestos in refurbishments or ground conditions in developments. For example, our successful pre-letting programme at 80 Charlotte Street means we could face a loss of rental income and penalties if the project is delayed.	• Prior to construction beginning on site, we conduct site investigations including the building's history and various surveys to identify any potential issues. • Regular monitoring of our contractors' cash flows. • Off-site inspection of key components to ensure they have been completed to the requisite quality. • Frequent meetings with key contractors and subcontractors to review their work programme.

C. Contractor/subcontractor default

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

There have been well-publicised issues for a number of major contractors, including the insolvency of Carillion and the funding problems of other major contractors. Although the insolvency of Carillion did not significantly impact on our contractors (or subcontractors) it did highlight the ongoing issues within the construction industry and the level of risk (and thin profit margins) being accepted by contractors. We regularly monitor our contractors for any trading concerns.

- The financial standing of our main contractors is reviewed prior to awarding the project contract.
- Regular monitoring of our contractors, including their project cash flows, is carried out.
- Key construction packages are acquired early in the project's life to reduce the risks associated with later default.
- Whenever possible the Group uses contractors/subcontractors that it has previously worked with successfully.
- Regular on-site supervision by a dedicated Project Manager who monitors contractor performance and identifies problems at an early stage, thereby enabling remedial action to be taken.
- Payments to contractors to incentivise them to achieve agreed project timescale and damages agreed in the event of delays/cost overruns.
- Performance bonds are sought if considered necessary.
- Our main contractors are responsible, and assume the immediate risk, for subcontractor default.
- We use known contractors with whom we have established long-term working relationships.
- Contractors are paid promptly and are encouraged to pay subcontractors promptly.

6. Risk of business interruption

A. Cyber attack

The Group is subject to a cyber attack that results in it being unable to use its IT systems and/or losing data. This could lead to an increase in costs whilst a significant diversion of management time would have a wider impact.

Considerable time has been spent assessing cyber risk and strengthening our controls and procedures.

- The Group's Business Continuity Plan is regularly reviewed and tested.
- Independent internal and external 'penetration' tests are regularly conducted to assess the effectiveness of the Group's security.
- Multifactor authentication exists for remote access to our systems.
- Incident response and remediation policies are in place.
- The Group's data is regularly backed up and replicated and our IT systems are protected by anti-virus software and firewalls that are frequently updated.
- Annual staff awareness and training programmes.
- Security measures are regularly reviewed by the IT department.
- The Group has recently been awarded the 'Cyber Essentials' badge to demonstrate our commitment to cyber security.

B. Terrorism or other business interruption

The risk that an act of terrorism interrupts the Group's operations is considered a principal risk due to terrorist activity in European cities.

- The Group has comprehensive business continuity and incident management procedures both at Group level and for each of our managed buildings which are regularly reviewed and tested.
- Fire protection and access/security procedures are in place at all of our managed properties.
- Comprehensive property damage and business interruption insurance which includes terrorism.
- At least annually, a fire risk assessment and health and safety inspection are performed for each property in our managed portfolio.

7. Reputational damage

The Group's reputation is damaged, for example through unauthorised and/or inaccurate media coverage or failure to comply with relevant legislation.

We have invested significantly in developing a well-regarded and respected brand. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing.

- Close involvement of senior management in day-to-day operations and established procedures for approving all external announcements.
- All new members of staff benefit from an induction programme and are issued with our Group staff handbook.
- The Group employs a Head of Investor and Corporate Communications and retains services of an external PR agency, both of whom maintain regular contact with external media sources.
- A Group whistleblowing system for staff is maintained to report wrongdoing anonymously.
- Social media channels are monitored.
- Ongoing engagement with local communities in areas where the Group operates.

8. Non-compliance with regulation

A. Non-compliance with health and safety legislation

The Group's cost base is increased and management time is diverted through an incident or breach of health and safety legislation leading to reputational damage and/or loss of our licence to operate.

Following independent review of our health and safety procedures, the Group has gained a better understanding of health and safety risks.

- The Group has a qualified health and safety team whose performance is monitored and managed by the Health and Safety Committee.
- External advisors (ORSA) appointed to advise on construction health and safety.
- The Board and Executive Committee receive regular updates and presentations on key health and safety matters.
- All our properties have health, safety and fire management procedures in place which are reviewed annually.
- External project managers review health and safety on each construction site on a monthly basis.

B. Climate change and non-compliance with environmental and sustainability legislation

The Group's cost base is increased and management time is diverted due to the impacts of climate change on our portfolio and/or a breach of any legislation. This could lead to damage to our reputation, loss of income and/or property value, and loss of our licence to operate.

Although the risk of climate change remains unchanged for the Group, this is a growing area of concern for our stakeholders and is receiving additional public focus (for example, the Government's Green Finance Strategy was published in July 2019).

- The Board and Executive Committee receive regular updates and presentations on environmental and sustainability performance and management matters.
- The Sustainability Committee monitors our performance and management controls.
- Employment of qualified team led by an experienced Head of Sustainability.
- The Group benchmarks its ESG (environmental, social and governance) reporting against various industry benchmarks.
- The Group has set long-term, science-based carbon targets and actively monitors portfolio performance against these.
- Production of an Annual Sustainability Report, the key data points and performance of which are externally assured.

C. Other regulatory non-compliance

The Group's cost base is increased and management time is diverted through a breach of any of the legislation that forms the regulatory framework within which the Group operates. This could lead to damage to our reputation and/or loss of our licence to operate.

- The Board and Risk Committee receive regular reports prepared by the Group's legal advisers identifying upcoming legislative/regulatory changes. External advice is taken on any new legislation.
- Staff training and awareness programmes.
- Group policies and procedures dealing with all key legislation are available on the Group's intranet.
- A Group whistleblowing system for staff is maintained to report wrongdoing anonymously.

9. Financial instruments – risk management

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

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

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

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years.

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 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. The committee also reviews existing tenant covenants from time to time.

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 2019, due to long-term refinancing in the year to date, the proportion of fixed debt held by the Group was above this range at 94% (31 December 2018: 70%). During both 2019 and 2018, 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 2019, the Group's strategy, which was unchanged from 2018, was to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the interest cover ratio, are defined in the list of definitions at the end of this announcement and are derived in note 23.

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 2018 and a list of the current Directors is maintained on the Derwent London plc website: www.derwentlondon.com. The maintenance and integrity of the Derwent London website is the responsibility of the Directors.

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

On behalf of the Board

Paul M. Williams
Chief Executive

Damian M.A. Wisniewski
Chief Financial Officer

8 August 2019

GROUP CONDENSED INCOME STATEMENT

	Note	**Half year to 30.06.2019 Unaudited £m**	Half year to 30.06.2018 Unaudited £m	Year to 31.12.2018 Audited £m
Gross property and other income	5	**110.7**	122.3	228.0
Net property and other income	5	**88.5**	103.4	185.9
Administrative expenses		**(17.1)**	(15.2)	(32.3)
Revaluation surplus	11	**75.0**	54.0	83.4
Profit on disposal of investment property	6	**4.7**	0.1	5.2
Profit from operations		**151.1**	142.3	242.2
Finance income	7	**0.2**	-	-
Finance costs	7	**(13.0)**	(11.5)	(23.5)
Bond redemption premium	7	**(7.8)**	-	-
Movement in fair value of derivative financial instruments		**(1.3)**	3.1	4.3
Financial derivative termination costs	8	**(1.2)**	(1.8)	(3.5)
Share of results of joint ventures	9	**2.0**	1.9	2.1
Profit before tax		**130.0**	134.0	221.6
Tax charge	10	**(0.4)**	(1.6)	(2.7)
Profit for the period		**129.6**	132.4	218.9
Attributable to:				
- Equity shareholders		**131.8**	134.0	222.3
- Non-controlling interest		**(2.2)**	(1.6)	(3.4)
		129.6	132.4	218.9
Earnings per share	22	**118.09p**	120.22p	199.33p
Diluted earnings per share	22	**117.79p**	119.81p	198.91p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Half year to 30.06.2019 Unaudited £m**	Half year to 30.06.2018 Unaudited £m	Year to 31.12.2018 Audited £m
Profit for the period		**129.6**	132.4	218.9
Actuarial gains on defined benefit pension scheme		**1.1**	0.8	-
Revaluation (deficit)/surplus of owner-occupied property	11	**(0.5)**	0.5	0.7
Deferred tax credit/(charge) on revaluation	18	**0.2**	(0.2)	0.1
Other comprehensive income that will not be reclassified to profit or loss		**0.8**	1.1	0.8
Total comprehensive income relating to the period		**130.4**	133.5	219.7
Attributable to:				
- Equity shareholders		**132.6**	135.1	223.1
- Non-controlling interest		**(2.2)**	(1.6)	(3.4)
		130.4	133.5	219.7

GROUP CONDENSED BALANCE SHEET

	Note	**30.06.2019 Unaudited £m**	30.06.2018 Unaudited £m	31.12.2018 Audited £m
Non-current assets				
Investment property	11	**5,179.0**	4,857.0	5,028.2
Property, plant and equipment	12	**52.2**	52.7	53.1
Investments	13	**2.8**	41.6	29.1
Pension scheme surplus		**1.7**	0.4	0.3
Other receivables	14	**136.9**	109.1	123.1
		5,372.6	5,060.8	5,233.8
Current assets				
Trading property	11	**40.6**	28.5	36.3
Trade and other receivables	15	**56.9**	58.3	61.4
Cash and cash equivalents		**31.5**	21.4	18.3
		129.0	108.2	116.0
Total assets		**5,501.6**	5,169.0	5,349.8
Current liabilities				
Borrowings	17	**2.3**	-	148.4
Derivative financial instruments	17	**1.1**	-	-
Trade and other payables	16	**109.0**	118.0	103.1
Corporation tax liability		**1.2**	3.5	2.1
Provisions		**0.4**	0.3	0.3
		114.0	121.8	253.9
Non-current liabilities				
Borrowings	17	**971.0**	786.9	766.1
Derivative financial instruments	17	**3.8**	4.7	3.6
Leasehold liabilities	17	**61.7**	56.0	60.7
Provisions		**0.2**	0.2	0.3
Deferred tax liabilities	18	**1.2**	2.3	1.8
		1,037.9	850.1	832.5
Total liabilities		**1,151.9**	971.9	1,086.4
Total net assets		**4,349.7**	4,197.1	4,263.4
Equity				
Share capital		**5.6**	5.6	5.6
Share premium		**190.1**	189.5	189.6
Other reserves		**937.5**	941.6	943.5
Retained earnings		**3,157.7**	2,997.1	3,063.2
Equity shareholders’ funds		**4,290.9**	4,133.8	4,201.9
Non-controlling interest		**58.8**	63.3	61.5
Total equity		**4,349.7**	4,197.1	4,263.4

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2019	5.6	189.6	943.5	3,063.2	4,201.9	61.5	4,263.4
Profit/(loss) for the period	-	-	-	131.8	131.8	(2.2)	129.6
Other comprehensive (expense)/income	-	-	(0.3)	1.1	0.8	-	0.8
Share-based payments	-	0.5	(1.1)	2.6	2.0	-	2.0
Bond redemption	-	-	(12.1)	11.2	(0.9)	-	(0.9)
Bond issue	-	-	7.5	-	7.5	-	7.5
Dividends paid	-	-	-	(52.2)	(52.2)	(0.5)	(52.7)
At 30 June 2019 (unaudited)	**5.6**	**190.1**	**937.5**	**3,157.7**	**4,290.9**	**58.8**	**4,349.7**
At 1 January 2018	5.6	189.2	942.9	2,990.6	4,128.3	64.9	4,193.2
Profit/(loss) for the period	-	-	-	134.0	134.0	(1.6)	132.4
Other comprehensive income	-	-	0.3	0.8	1.1	-	1.1
Share-based payments	-	0.3	(1.6)	2.6	1.3	-	1.3
Dividends paid	-	-	-	(130.9)	(130.9)	-	(130.9)
At 30 June 2018 (unaudited)	5.6	189.5	941.6	2,997.1	4,133.8	63.3	4,197.1
At 1 January 2018	5.6	189.2	942.9	2,990.6	4,128.3	64.9	4,193.2
Profit/(loss) for the year	-	-	-	222.3	222.3	(3.4)	218.9
Other comprehensive income	-	-	0.8	-	0.8	-	0.8
Share-based payments	-	0.4	(0.2)	2.5	2.7	-	2.7
Dividends paid	-	-	-	(152.2)	(152.2)	-	(152.2)
At 31 December 2018 (audited)	5.6	189.6	943.5	3,063.2	4,201.9	61.5	4,263.4

GROUP CONDENSED CASH FLOW STATEMENT

	Note	**Half year to 30.06.2019 Unaudited £m**	Half year to 30.06.2018 Unaudited £m	Year to 31.12.2018 Audited £m
Operating activities				
Rental income		**82.2**	79.0	159.5
Surrender premiums and other property income		**0.5**	22.1	22.2
Property expenses		**(10.7)**	(4.9)	(19.1)
Cash paid to and on behalf of employees		**(14.2)**	(12.6)	(22.0)
Other administrative expenses		**(5.6)**	(2.0)	(5.2)
Interest received	7	**0.2**	-	-
Interest paid	7	**(7.9)**	(8.3)	(17.4)
Other finance costs	7	**(1.7)**	(1.5)	(2.6)
Other income		**1.9**	0.7	2.9
Tax paid in respect of operating activities		**(1.8)**	(0.4)	(3.1)
Net cash from operating activities		**42.9**	72.1	115.2
Investing activities				
Acquisition of properties		**(20.7)**	(12.9)	(57.3)
Capital expenditure on the property portfolio	7	**(101.3)**	(78.8)	(187.5)
Reimbursement of capital expenditure		**1.2**	15.2	15.9
Disposal of investment and trading properties		**57.9**	-	0.3
Investment in joint ventures		**-**	-	(0.8)
Dividend and loan repayment from joint venture		**28.8**	-	13.5
Purchase of property, plant and equipment		**-**	(0.3)	(0.8)
Disposal of property, plant and equipment		**0.1**	-	-
VAT (paid)/received		**(0.5)**	15.0	7.6
Net cash used in investing activities		**(34.5)**	(61.8)	(209.1)
Financing activities				
Net proceeds of bond issue		**171.3**	-	-
Drawdown of private placement notes		**248.8**	-	(0.2)
Net movement in revolving bank loans		**(207.5)**	54.5	180.5
Bond redemption		**(147.7)**	-	-
Bond redemption premium		**(8.5)**	-	-
Financial derivative termination costs	8	**(1.2)**	(1.8)	(3.5)
Net proceeds of share issues		**0.5**	0.3	0.4
Dividends paid to non-controlling interest holder		**(0.5)**	-	-
Dividends paid	19	**(50.4)**	(128.9)	(152.0)
Net cash from/(used in) financing activities		**4.8**	(75.9)	25.2
Increase/(decrease) in cash and cash equivalents in the period		**13.2**	(65.6)	(68.7)
Cash and cash equivalents at the beginning of the period		**18.3**	87.0	87.0
Cash and cash equivalents at the end of the period		**31.5**	21.4	18.3

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information for the half year to 30 June 2019 and the half year to 30 June 2018 was not subject to an audit but has been subject to a review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

The comparative financial information presented herein for the year to 31 December 2018 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 2018 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 2018 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 and financial assets and liabilities held for trading.

As with most other UK property companies and REITs, the Group presents many of its financial measures in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA'). These measures, which provide consistency across the sector, are all derived from the IFRS figures in note 22.

Going concern

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

- The Group's latest rolling forecast for the next two years, in particular the cash flows, borrowings and undrawn facilities.
- 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 17.6%, the interest cover ratio of 454% and the £495m total of undrawn facilities and cash at 30 June 2019. They have also considered the fact that the average maturity of borrowings was 8.2 years at 30 June 2019.

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

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

2. Changes in accounting policies

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2018, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

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

IFRIC 23 – Uncertainty over Income Tax Treatments;
IFRS 9 (amended) – Prepayment Features with Negative Compensation and modifications of financial liabilities;
IAS 28 (amended) – Long-term interests in Associates and Joint Ventures;
IAS 19 (amended) – Plan Amendment, Curtailment or Settlement;
Annual Improvements to IFRSs (2015 – 2017 cycle).

IFRS 16 Leases (effective 1 January 2019)
The main impact of this leasing standard, which replaces IAS 17 and SIC-15, is the removal of the distinction between operating and finance leases for lessees, which will result in almost all leases being recognised on the balance sheet. As the Group does not hold any material operating leases as lessee, the impact of the standard is not material to the financial statements. This standard does not substantially affect the accounting for rental income earned by the Group as lessor.

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

References to Conceptual Framework in IFRSs (amended);
IFRS 17 – Insurance Contracts;
IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture.

3. Significant judgments, key assumptions and estimates

Some of the significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is a summary of those policies which management consider critical because of the level of complexity, judgment or estimation involved in their application and their impact on the financial statements.

Key sources of estimation uncertainty
- Property portfolio valuation.
- Borrowings and derivatives.

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

A full explanation of these policies is included in the 2018 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 five 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 and underlying earnings and net asset value. Reconciliations of each of these figures to their statutory equivalents are detailed in note 22. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property and trading property and comprised 97% office buildings* in central London by value (30 June 2018: 97%; 31 December 2018: 97%). The Directors consider that these individual properties have similar economic characteristics and therefore have been aggregated into a single operating segment. The remaining 3% (30 June 2018: 3%; 31 December 2018: 3%) 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. 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 2019			
West End central	40.5	0.1	**40.6**
West End borders	9.7	-	**9.7**
City borders	40.8	0.2	**41.0**
Provincial	-	2.3	**2.3**
	91.0	**2.6**	**93.6**
Half year to 30 June 2018			
West End central	56.3	0.1	56.4
West End borders	10.0	-	10.0
City borders	38.2	0.2	38.4
Provincial	-	2.3	2.3
	104.5	2.6	107.1
Year to 31 December 2018			
West End central	95.5	0.1	95.6
West End borders	19.3	-	19.3
City borders	76.1	0.5	76.6
Provincial	-	4.5	4.5
	190.9	5.1	196.0

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 2019						
West End central	2,801.6	58.2	**2,859.8**	2,805.4	61.0	**2,866.4**
West End borders	435.2	-	**435.2**	461.6	-	**461.6**
City borders	1,873.2	7.7	**1,880.9**	1,933.6	7.6	**1,941.2**
Provincial	-	90.2	**90.2**	-	91.7	**91.7**
	5,110.0	**156.1**	**5,266.1**	**5,200.6**	**160.3**	**5,360.9**
30 June 2018						
West End central	2,487.4	45.7	2,533.1	2,481.5	47.0	2,528.5
West End borders	443.8	-	443.8	465.8	-	465.8
City borders	1,850.7	7.5	1,858.2	1,900.9	7.4	1,908.3
Provincial	-	97.4	97.4	-	99.7	99.7
	4,781.9	150.6	4,932.5	4,848.2	154.1	5,002.3
31 December 2018						
West End central	2,659.4	53.8	2,713.2	2,658.1	54.9	2,713.0
West End borders	439.2	-	439.2	462.5	-	462.5
City borders	1,859.5	7.7	1,867.2	1,913.7	7.7	1,921.4
Provincial	-	91.9	91.9	-	93.8	93.8
	4,958.1	153.4	5,111.5	5,034.3	156.4	5,190.7

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 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Gross rental income	**93.1**	86.9	175.1
Surrender premiums received	**0.5**	2.5	3.2
Other property income	**-**	17.7	17.7
Gross property income	**93.6**	107.1	196.0
Service charge income	**15.4**	14.0	29.1
Other income	**1.7**	1.2	2.9
Gross property and other income	**110.7**	122.3	228.0
Gross rental income	**93.1**	86.9	175.1
Ground rent expense	**(0.7)**	(0.6)	(1.4)
Service charge income	**15.4**	14.0	29.1
Service charge expenses	**(16.6)**	(15.1)	(32.0)
	(1.2)	(1.1)	(2.9)
Other property costs	**(4.9)**	(4.6)	(9.7)
Net rental income	**86.3**	80.6	161.1
Other property income	**-**	17.7	17.7
Other income	**1.7**	1.2	2.9
Other costs	**-**	-	(0.4)
Surrender premiums received	**0.5**	2.5	3.2
Reverse surrender premiums	**-**	-	(0.1)
Dilapidation receipts	**-**	1.6	1.7
Write-down of trading property	**-**	(0.2)	(0.2)
Net property and other income	**88.5**	103.4	185.9

Gross rental income included £12.1m (half year to 30 June 2018: £5.8m; year to 31 December 2018: £13.4m) relating to rents recognised in advance of cash receipts.

In the prior period, other property income included £15.8m for granting a new access rights deed to a neighbouring property owner, with the remaining £1.9m relating to rights of light income.

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

6. Profit on disposal of investment property

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Gross disposal proceeds	**50.4**	0.1	5.4
Costs of disposal	**(0.5)**	-	-
Net disposal proceeds	**49.9**	0.1	5.4
Carrying value	**(45.2)**	-	(0.2)
Profit on disposal of investment property	**4.7**	0.1	5.2

7. Finance income and total finance costs

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Finance income			
Other	**0.2**	-	-
Finance income	**0.2**	-	-
Finance costs			
Bank loans and overdraft	**1.2**	1.1	3.6
Non-utilisation fees	**1.0**	1.1	1.9
Unsecured convertible bonds	**2.0**	1.9	3.9
Secured bonds	**5.7**	5.7	11.4
Unsecured private placement notes	**7.1**	4.2	8.3
Secured loan	**1.7**	1.7	3.3
Amortisation of issue and arrangement costs	**1.1**	1.0	2.1
Amortisation of the fair value of the secured bonds	**(0.6)**	(0.5)	(1.2)
Finance lease costs	**0.3**	0.3	0.7
Other	**0.1**	0.1	0.2
Gross interest costs	**19.6**	16.6	34.2
Less: interest capitalised	**(6.6)**	(5.1)	(10.7)
Finance costs	**13.0**	11.5	23.5
Bond redemption premium	**7.8**	-	-
Total finance costs	**20.8**	11.5	23.5

Finance costs of £6.6m (half year to 30 June 2018: £5.1m; year to 31 December 2018: £10.7m) 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 2019 were £16.2m (half year to 30 June 2018: £14.9m; year to 31 December 2018: £30.7m) of which £6.6m (half year to 30 June 2018: £5.1m; year to 31 December 2018: £10.7m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

Included in the bond redemption premium of £7.8m is £0.1m of unamortised loan arrangement costs written off.

8. Financial derivative termination costs

The Group incurred costs of £1.2m in the half year to 30 June 2019 (half year to 30 June 2018: £1.8m; year to 31 December 2018: £3.5m) deferring, re-couponing or terminating interest rate swaps.

9. Share of results of joint ventures

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Revaluation surplus/(deficit)	**0.9**	0.1	(0.1)
Profit on disposal of investment property	**0.8**	1.3	1.3
Other profit from operations after tax	**0.3**	0.5	0.9
	2.0	1.9	2.1

In May 2019, Prescot Street GP Limited and Prescot Street Nominees Limited, in which the Group has a 50% shareholding, disposed of the freehold interest in 9 Prescot Street E1 for £53.9m before costs, generating a profit of £1.6m.

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

10. Tax charge

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Corporation tax			
UK corporation tax and income tax in respect of profit for the period	**0.8**	1.8	2.9
Other adjustments in respect of prior years' tax	**-**	-	0.2
Corporation tax charge	**0.8**	1.8	3.1
Deferred tax			
Origination and reversal of temporary differences	**(0.4)**	(0.2)	(0.4)
Deferred tax credit	**(0.4)**	(0.2)	(0.4)
Tax charge	**0.4**	1.6	2.7

In addition to the tax charge of £0.4m (half year to 30 June 2018: £1.6m; year to 31 December 2018: £2.7m) that passed through the Group income statement, a deferred tax credit of £0.2m (half year to 30 June 2018: charge of £0.2m; year to 31 December of 2018: credit of £0.1m) was recognised in the Group statement of comprehensive income relating to the revaluation of the owner-occupied property at 25 Savile Row W1.

The effective rate of tax for the half year to 30 June 2019 is lower (half year to 30 June 2018: lower; year to 31 December 2018: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Profit before tax	**130.0**	134.0	221.6
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)*	**24.7**	25.5	42.1
Difference between tax and accounting profit on disposals	**(0.9)**	(4.1)	(1.0)
REIT exempt income	**(4.8)**	(5.5)	(10.7)
Revaluation surplus attributable to REIT properties	**(14.2)**	(10.3)	(15.2)
Expenses and fair value adjustments not allowable for tax purposes	**(1.6)**	(2.0)	(8.1)
Capital allowances	**(2.7)**	(1.9)	(4.6)
Other differences	**(0.1)**	(0.1)	-
Tax charge on current period's profit	**0.4**	1.6	2.5
Adjustments in respect of prior years' tax	**-**	-	0.2
Tax charge	**0.4**	1.6	2.7

*Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reducing the main rate to 19% from 1 April 2017 and then to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the expected enacted tax rate and this is reflected in these financial statements.

11. Property portfolio

Carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Trading property £m	Total property portfolio £m
At 1 January 2019	4,034.1	994.1	5,028.2	47.0	36.3	5,111.5
Acquisitions	21.0	-	21.0	-	-	21.0
Capital expenditure	58.3	34.4	92.7	-	4.0	96.7
Interest capitalisation	3.4	2.9	6.3	-	0.3	6.6
Additions	82.7	37.3	120.0	-	4.3	124.3
Disposals	(45.4)	0.2	(45.2)	-	-	(45.2)
Revaluation	11.8	63.2	75.0	(0.5)	-	74.5
Movement in grossing up of headlease liabilities	-	1.0	1.0	-	-	1.0
At 30 June 2019	**4,083.2**	**1,095.8**	**5,179.0**	**46.5**	**40.6**	**5,266.1**
At 1 January 2018	3,867.0	803.7	4,670.7	46.5	25.3	4,742.5
Acquisitions	7.8	5.1	12.9	-	-	12.9
Capital expenditure	37.3	35.2	72.5	-	3.3	75.8
Interest capitalisation	2.6	2.4	5.0	-	0.1	5.1
Additions	47.7	42.7	90.4	-	3.4	93.8
Revaluation	22.8	31.2	54.0	0.5	-	54.5
Write-down of trading property	-	-	-	-	(0.2)	(0.2)
Movement in grossing up of headlease liabilities	-	41.9	41.9	-	-	41.9
At 30 June 2018	3,937.5	919.5	4,857.0	47.0	28.5	4,932.5
At 1 January 2018	3,867.0	803.7	4,670.7	46.5	25.3	4,742.5
Acquisitions	52.1	5.1	57.2	-	-	57.2
Capital expenditure	84.5	75.7	160.2	(0.2)	10.8	170.8
Interest capitalisation	5.2	5.1	10.3	-	0.4	10.7
Additions	141.8	85.9	227.7	(0.2)	11.2	238.7
Disposals	(0.2)	-	(0.2)	-	-	(0.2)
Revaluation	25.5	57.9	83.4	0.7	-	84.1
Write-down of trading property	-	-	-	-	(0.2)	(0.2)
Movement in grossing up of headlease liabilities	-	46.6	46.6	-	-	46.6
At 31 December 2018	4,034.1	994.1	5,028.2	47.0	36.3	5,111.5

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 2019						
Fair value	**4,212.1**	**1,059.1**	**5,271.2**	**46.5**	**43.2**	**5,360.9**
Revaluation of trading property	-	-	-	-	(2.6)	(2.6)
Lease incentives and costs included in receivables	(128.9)	(25.0)	(153.9)	-	-	(153.9)
Grossing up of headlease liabilities	-	61.7	61.7	-	-	61.7
Carrying value	**4,083.2**	**1,095.8**	**5,179.0**	**46.5**	**40.6**	**5,266.1**
At 30 June 2018						
Fair value	4,042.6	883.1	4,925.7	47.0	29.6	5,002.3
Revaluation of trading property	-	-	-	-	(1.1)	(1.1)
Lease incentives and costs included in receivables	(105.1)	(19.6)	(124.7)	-	-	(124.7)
Grossing up of headlease liabilities	-	56.0	56.0	-	-	56.0
Carrying value	3,937.5	919.5	4,857.0	47.0	28.5	4,932.5
At 31 December 2018						
Fair value	4,151.4	955.0	5,106.4	47.0	37.3	5,190.7
Revaluation of trading property	-	-	-	-	(1.0)	(1.0)
Lease incentives and costs included in receivables	(117.3)	(21.6)	(138.9)	-	-	(138.9)
Grossing up of headlease liabilities	-	60.7	60.7	-	-	60.7
Carrying value	4,034.1	994.1	5,028.2	47.0	36.3	5,111.5

Reconciliation of fair value

	30.06.2019 £m	30.06.2018 £m	31.12.2018 £m
Portfolio including the Group's share of joint ventures	**5,362.7**	5,029.2	5,217.6
Less: joint ventures	**(1.8)**	(26.9)	(26.9)
IFRS property portfolio	**5,360.9**	5,002.3	5,190.7

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2019 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 £5,327.8m (30 June 2018: £4,969.2m; 31 December 2018: £5,157.8m) and Savills at £33.1m (30 June 2018: £33.1m; 31 December 2018: £32.9m). Of the properties revalued by CBRE, £46.5m (30 June 2018: £47.0m; 31 December 2018: £47.0m) relating to owner-occupied property was included within property, plant and equipment and £43.2m (30 June 2018: £29.6m; 31 December 2018: £37.3m) was included within trading property.

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

Reconciliation of revaluation surplus

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Total revaluation surplus	**92.0**	58.2	100.2
Share of joint ventures	**(0.9)**	(0.1)	(0.2)
Lease incentives and costs	**(15.0)**	(4.0)	(16.5)
Trading property revaluation adjustment	**(1.6)**	0.2	0.4
IFRS revaluation surplus	**74.5**	54.3	83.9
Reported in the:			
Revaluation surplus	**75.0**	54.0	83.4
Write-down of trading property	**-**	(0.2)	(0.2)
Group income statement	**75.0**	53.8	83.2
Group statement of comprehensive income	**(0.5)**	0.5	0.7
	74.5	54.3	83.9

12. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2019	47.0	1.6	4.5	53.1
Depreciation	-	-	(0.4)	(0.4)
Revaluation	(0.5)	-	-	(0.5)
At 30 June 2019	**46.5**	**1.6**	**4.1**	**52.2**
At 1 January 2018	46.5	1.6	4.1	52.2
Additions	-	-	0.3	0.3
Depreciation	-	-	(0.3)	(0.3)
Revaluation	0.5	-	-	0.5
At 30 June 2018	47.0	1.6	4.1	52.7
At 1 January 2018	46.5	1.6	4.1	52.2
Additions	(0.2)	-	1.1	0.9
Depreciation	-	-	(0.7)	(0.7)
Revaluation	0.7	-	-	0.7
At 31 December 2018	47.0	1.6	4.5	53.1
Net book value				
Cost or valuation	46.5	1.6	6.7	54.8
Accumulated depreciation	-	-	(2.6)	(2.6)
At 30 June 2019	**46.5**	**1.6**	**4.1**	**52.2**
Net book value				
Cost or valuation	47.0	1.6	6.2	54.8
Accumulated depreciation	-	-	(2.1)	(2.1)
At 30 June 2018	47.0	1.6	4.1	52.7
Net book value				
Cost or valuation	47.0	1.6	7.0	55.6
Accumulated depreciation	-	-	(2.5)	(2.5)
At 31 December 2018	47.0	1.6	4.5	53.1

The artwork is periodically valued by Bonhams using their extensive market knowledge. The latest valuation was carried out in May 2018 and the Directors consider that there have been no material valuation movements since that date. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3.

13. Investments

The Group has a 50% interest in three joint ventures, Dorrington Derwent Holdings Limited, Primister Limited and Prescot Street Limited Partnership.

	30.06.2019 £m	30.06.2018 £m	31.12.2018 £m
At 1 January	**29.1**	39.7	39.7
Share of results of joint ventures (see note 9)	**2.0**	1.9	2.1
Additions	**-**	-	0.8
Repayment of loan	**(21.0)**	-	-
Distributions received	**(7.3)**	-	(13.5)
	2.8	41.6	29.1

14. Other receivables (non-current)

	30.06.2019 £m	30.06.2018 £m	31.12.2018 £m
Prepayments and accrued income	**136.9**	109.1	123.1

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 £17.0m (30 June 2018: £15.6m; 31 December 2018: £15.8m), which was included as current assets within trade and other receivables (see note 15), these amounts totalled £153.9m at 30 June 2019 (30 June 2018: £124.7m; 31 December 2018: £138.9m).

15. Trade and other receivables

	30.06.2019 £m	30.06.2018 £m	31.12.2018 £m
Trade receivables	**9.8**	9.1	10.7
Other receivables	**3.9**	4.0	4.1
Prepayments	**23.3**	21.5	20.6
Accrued income	**19.9**	23.7	26.0
	56.9	58.3	61.4

16. Trade and other payables

	30.06.2019 £m	30.06.2018 £m	31.12.2018 £m
Trade payables	**3.1**	1.8	1.4
Other payables	**20.4**	19.7	17.8
Other taxes	**1.2**	8.3	2.5
Accruals	**42.9**	46.1	38.7
Deferred income	**41.4**	42.1	42.7
	109.0	118.0	103.1

17. Net debt and derivative financial instruments

	30.06.2019		30.06.2018		31.12.2018	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
1.125% unsecured convertible bonds 2019	**2.3**	**2.3**	-	-	148.4	152.3
	2.3	**2.3**	-	-	148.4	152.3
Non-current liabilities						
1.125% unsecured convertible bonds 2019	**-**	**-**	147.0	157.0	-	-
1.5% unsecured convertible bonds 2025	**163.6**	**164.1**	-	-	-	-
6.5% secured bonds 2026	**185.3**	**222.7**	186.4	222.3	185.9	222.1
2.68% unsecured private placement notes 2026	**54.7**	**55.4**	-	-	-	-
3.46% unsecured private placement notes 2028	**29.8**	**31.7**	29.8	30.7	29.8	30.9
4.41% unsecured private placement notes 2029	**24.8**	**29.9**	24.8	28.9	24.8	29.0
2.87% unsecured private placement notes 2029	**92.5**	**95.5**	-	-	-	-
2.97% unsecured private placement notes 2031	**49.8**	**51.8**	-	-	-	-
3.57% unsecured private placement notes 2031	**74.6**	**78.9**	74.6	75.8	74.6	76.4
3.09% unsecured private placement notes 2034	**51.7**	**54.5**	-	-	-	-
4.68% unsecured private placement notes 2034	**74.4**	**95.0**	74.4	90.7	74.4	90.9
3.99% secured loan 2024	**82.0**	**88.1**	81.8	86.7	81.9	87.0
Unsecured bank loans	**60.0**	**62.0**	140.4	143.5	267.0	269.5
Secured bank loan	**27.8**	**28.0**	27.7	28.0	27.7	28.0
	971.0	**1,057.6**	786.9	863.6	766.1	833.8
Borrowings	**973.3**	**1,059.9**	786.9	863.6	914.5	986.1
Derivative financial instruments expiring in						
less than one year	**1.1**	**1.1**	-	-	-	-
greater than one year	**3.8**	**3.8**	4.7	4.7	3.6	3.6
	4.9	**4.9**	4.7	4.7	3.6	3.6
Total borrowings and derivative financial instruments	**978.2**	**1,064.8**	791.6	868.3	918.1	989.7

Reconciliation to net debt:	30.06.2019	30.06.2018	31.12.2018
Borrowings and derivative financial instruments	**978.2**	791.6	918.1
Adjustments for:			
Leasehold liabilities	**61.7**	56.0	60.7
Derivative financial instruments	**(4.9)**	(4.7)	(3.6)
Cash and cash equivalents	**(31.5)**	(21.4)	(18.3)
Net debt	**1,003.5**	821.5	956.9

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 2019 or 2018.

18. Deferred tax liabilities

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2019	3.6	(1.8)	1.8
Credited to the income statement	(0.2)	(0.2)	(0.4)
Credited to other comprehensive income	(0.2)	-	(0.2)
At 30 June 2019	**3.2**	**(2.0)**	**1.2**
At 1 January 2018	4.5	(2.2)	2.3
Credited to the income statement	(0.2)	-	(0.2)
Charged to other comprehensive income	0.2	-	0.2
At 30 June 2018	4.5	(2.2)	2.3
At 1 January 2018	4.5	(2.2)	2.3
(Credited)/charged to the income statement	(0.8)	0.4	(0.4)
Credited to other comprehensive income	(0.1)	-	(0.1)
At 31 December 2018	3.6	(1.8)	1.8

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 historical cost of the properties. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT regime.

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

19. Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	**Half year to 30.06.2019 £m**	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Current period							
2019 interim dividend	18 October 2019	21.00	-	21.00	**-**	-	-
Distribution of current period profit		21.00	-	21.00			
Prior year							
2018 final dividend	7 June 2019	30.00	16.75	46.75	**52.2**	-	-
2018 interim dividend	19 October 2018	19.10	-	19.10	**-**	-	21.3
Distribution of prior year profit		49.10	16.75	65.85			
2017 final dividend	8 June 2018	35.00	7.40	42.40	**-**	47.3	47.3
2017 special dividend	8 June 2018	-	75.00	75.00	**-**	83.6	83.6
Dividends as reported in the Group statement of changes in equity					**52.2**	130.9	152.2
2018 final dividend withholding tax	12 July 2019				**(4.1)**	-	-
2018 interim dividend withholding tax	14 January 2019				**2.3**	-	(2.3)
2017 final dividend withholding tax	14 July 2018				**-**	(4.1)	-
2017 interim dividend withholding tax	14 January 2018				**-**	2.1	2.1
Dividends paid as reported in the Group cash flow statement					**50.4**	128.9	152.0

20. Post balance sheet events

Contracts were exchanged on 2 August 2019 for the sale of The Buckley Building EC1 for a net sale price of £99.6m with completion expected in September 2019.

21. Related party disclosure

There have been no related party transactions during the half year to 30 June 2019 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 2018.

22. 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		
	30.06.2019 '000	30.06.2018 '000	31.12.2018 '000	**30.06.2019 '000**	30.06.2018 '000	31.12.2018 '000
For use in basic measures	**111,608**	111,460	111,521	**111,660**	111,536	111,540
Dilutive effect of share-based payments	**287**	380	239	**281**	388	239
For use in other diluted measures	**111,895**	111,840	111,760	**111,941**	111,924	111,779

The Group recognises the effect of conversion of the convertible bonds if they are both dilutive and, based on the share price, likely to convert. £147.7m of the £150m unsecured convertible bonds 2019 ('2019 bonds') were redeemed in the period up to 30 June 2019. The remaining 2019 bonds had a conversion price of £31.43 and the new £175m unsecured convertible bonds 2025 ('2025 bonds') have a conversion price of £44.96.

For both the half years to 30 June 2018 and 2019 and for the year ended 31 December 2018, the Group did not recognise the dilutive impact of the conversion of the 2019 bonds or 2025 bonds on its earnings per share (EPS) or net asset value (NAV) per share measures as, based on the share price at the end of each period, the bonds were not expected to convert.

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

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

In addition to the EPRA performance measures, underlying performance measures which exclude certain items considered to be non-recurring are used by the Directors to assess the operating performance of the Group. A reconciliation of the EPRA and underlying earnings is presented below.

Earnings and earnings per share

	IFRS £m	Adjustments A £m	B £m	C £m	EPRA basis £m
Half year to 30 June 2019					
Net property and other income	88.5	-	-	-	88.5
Administrative expenses	(17.1)	-	-	-	(17.1)
Revaluation surplus	75.0	-	(75.0)	-	-
Profit on disposal of investment property	4.7	(4.7)	-	-	-
Net finance costs	(20.6)	-	-	7.8	(12.8)
Movement in fair value of derivative financial instruments	(1.3)	-	-	1.3	-
Financial derivative termination costs	(1.2)	-	-	1.2	-
Share of results of joint ventures	2.0	(0.8)	(0.9)	-	0.3
Profit before tax	130.0	(5.5)	(75.9)	10.3	58.9
Tax charge	(0.4)	-	(0.2)	-	(0.6)
Profit for the period	129.6	(5.5)	(76.1)	10.3	58.3
Non-controlling interest	2.2	-	(3.2)	-	(1.0)
Earnings attributable to equity shareholders	**131.8**	**(5.5)**	**(79.3)**	**10.3**	**57.3**
Earnings per share	**118.09p**				**51.34p**
Diluted earnings per share	117.79p				51.21p

	IFRS £m	Adjustments A £m	B £m	C £m	EPRA basis £m
Half year to 30 June 2018					
Net property and other income	103.4	-	0.2	-	103.6
Administrative expenses	(15.2)	-	-	-	(15.2)
Revaluation surplus	54.0	-	(54.0)	-	-
Profit on disposal of investment property	0.1	(0.1)	-	-	-
Net finance costs	(11.5)	-	-	-	(11.5)
Movement in fair value of derivative financial instruments	3.1	-	-	(3.1)	-
Financial derivative termination costs	(1.8)	-	-	1.8	-
Share of results of joint ventures	1.9	(1.3)	(0.1)	-	0.5
Profit before tax	134.0	(1.4)	(53.9)	(1.3)	77.4
Tax charge	(1.6)	-	(0.2)	-	(1.8)
Profit for the period	132.4	(1.4)	(54.1)	(1.3)	75.6
Non-controlling interest	1.6	-	(3.1)	0.5	(1.0)
Earnings attributable to equity shareholders	134.0	(1.4)	(57.2)	(0.8)	74.6
Earnings per share	120.22p				66.93p
Diluted earnings per share	119.81p				66.70p

Earnings and earnings per share

	IFRS	Adjustments A	Adjustments B	Adjustments C	EPRA basis
	£m	£m	£m	£m	£m
Year to 31 December 2018					
Net property and other income	185.9	-	0.2	-	186.1
Administrative expenses	(32.3)	-	-	-	(32.3)
Revaluation surplus	83.4	-	(83.4)	-	-
Profit on disposal of investment property	5.2	(5.2)	-	-	-
Net finance costs	(23.5)	-	-	-	(23.5)
Movement in fair value of derivative financial instruments	4.3	-	-	(4.3)	-
Financial derivative termination costs	(3.5)	-	-	3.5	-
Share of results of joint ventures	2.1	(1.3)	0.1	-	0.9
Profit before tax	221.6	(6.5)	(83.1)	(0.8)	131.2
Tax charge	(2.7)	0.3	(0.7)	-	(3.1)
Profit for the year	218.9	(6.2)	(83.8)	(0.8)	128.1
Non-controlling interest	3.4	-	(5.5)	0.1	(2.0)
Earnings attributable to equity shareholders	222.3	(6.2)	(89.3)	(0.7)	126.1
Earnings per share	199.33p				113.07p
Diluted earnings per share	198.91p				112.83p

Underlying earnings and underlying earnings per share

	Half year to 30.06.2019	Half year to 30.06.2018	Year to 31.12.2018
		£m	£m
EPRA earnings attributable to equity shareholders	**57.3**	74.6	126.1
Net income from grant of access rights	**-**	(15.8)	(15.6)
Surrender premiums relating to subsequent periods	**-**	(1.1)	-
Underlying earnings attributable to equity shareholders	**57.3**	57.7	110.5
Underlying earnings per share	**51.34p**	51.77p	99.08p

Net asset value and net asset value per share

	£m	Undiluted p	Diluted p
At 30 June 2019			
Net assets attributable to equity shareholders	4,290.9	3,843	3,833
Adjustment for:			
Revaluation of trading properties net of tax	2.1		
Deferred tax on revaluation surplus	3.2		
Fair value of derivative financial instruments	4.9		
Fair value adjustment to secured bonds	11.2		
Non-controlling interest in respect of the above	(0.8)		
EPRA net asset value	**4,311.5**	**3,861**	**3,852**
Adjustment for:			
Mark-to-market of secured bonds 2026	(47.7)		
Mark-to-market of secured loan 2024	(5.1)		
Mark-to-market of unsecured private placement notes	(37.7)		
Mark-to-market of 1.5% unsecured convertible bonds 2025	3.3		
Deferred tax on revaluation surplus	(3.2)		
Fair value of derivative financial instruments	(4.9)		
Unamortised issue and arrangement costs	(10.6)		
Non-controlling interest in respect of the above	0.8		
EPRA triple net asset value	**4,206.4**	**3,767**	**3,758**

	£m	Undiluted p	Diluted p
At 30 June 2018			
Net assets attributable to equity shareholders	4,133.8	3,706	3,693
Adjustment for:			
Revaluation of trading properties net of tax	0.9		
Deferred tax on revaluation surplus	4.5		
Fair value of derivative financial instruments	4.7		
Fair value adjustment to secured bonds	12.4		
Non-controlling interest in respect of the above	(1.1)		
EPRA net asset value	4,155.2	3,725	3,713
Adjustment for:			
Mark-to-market of secured bonds 2026	(47.3)		
Mark-to-market of secured loan 2024	(3.7)		
Mark-to-market of unsecured private placement notes	(21.1)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(9.4)		
Deferred tax on revaluation surplus	(4.5)		
Fair value of derivative financial instruments	(4.7)		
Unamortised issue and arrangement costs	(7.6)		
Non-controlling interest in respect of the above	1.1		
EPRA triple net asset value	4,058.0	3,638	3,626

	£m	Undiluted p	Diluted p
At 31 December 2018			
Net assets attributable to equity shareholders	4,201.9	3,767	3,759
Adjustment for:			
Revaluation of trading properties net of tax	0.8		
Deferred tax on revaluation surplus	3.6		
Fair value of derivative financial instruments	3.6		
Fair value adjustment to secured bonds	11.8		
Non-controlling interest in respect of the above	(0.9)		
EPRA net asset value	4,220.8	3,784	3,776
Adjustment for:			
Mark-to-market of secured bonds 2026	(47.1)		
Mark-to-market of secured loan 2024	(4.0)		
Mark-to-market of unsecured private placement notes	(22.2)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(3.6)		
Deferred tax on revaluation surplus	(3.6)		
Fair value of derivative financial instruments	(3.6)		
Unamortised issue and arrangement costs	(6.5)		
Non-controlling interest in respect of the above	0.9		
EPRA triple net asset value	4,131.1	3,704	3,696

Cost ratios

	Half year to 30.06.2019 £m	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Administrative expenses	**17.1**	15.2	32.3
Other property costs	**4.9**	4.6	9.7
Other costs	**-**	-	0.4
Dilapidation receipts	**-**	(1.6)	(1.7)
Net service charge costs	**1.2**	1.1	2.9
Service charge costs recovered through rents but not separately invoiced	**(0.2)**	(0.1)	(0.3)
Management fees received less estimated profit element	**(1.7)**	(1.2)	(2.9)
Share of joint ventures' expenses	**0.3**	0.2	0.4
EPRA costs (including direct vacancy costs) (A)	**21.6**	18.2	40.8
Direct vacancy costs	**(1.6)**	(2.0)	(4.4)
EPRA costs (excluding direct vacancy costs) (B)	**20.0**	16.2	36.4
Gross rental income	**93.1**	86.9	175.1
Ground rent	**(0.7)**	(0.6)	(1.4)
Service charge components of rental income	**(0.2)**	(0.1)	(0.3)
Share of joint ventures' rental income less ground rent	**0.6**	1.0	1.7
Adjusted gross rental income (C)	**92.8**	87.2	175.1
EPRA cost ratio (including direct vacancy costs) (A/C)	**23.3%**	20.9%	23.3%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**21.6%**	18.6%	20.8%

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)	**5,360.9**	5,002.3	5,190.7
Portfolio cost ratio (A/D) - annualised	**0.8%**	0.7%	0.8%

The Group has not capitalised any overhead or operating expenses in either 2019 or 2018.

23. Gearing and interest cover

NAV gearing

	Note	**30.06.2019 £m**	30.06.2018 £m	31.12.2018 £m
Net debt	17	**1,003.5**	821.5	956.9
Net assets		**4,349.7**	4,197.1	4,263.4
NAV gearing		**23.1%**	19.6%	22.4%

Loan-to-value ratio

	Note	**30.06.2019 £m**	30.06.2018 £m	31.12.2018 £m
Net debt	17	**1,003.5**	821.5	956.9
Fair value adjustment of secured bonds		**(11.2)**	(12.4)	(11.8)
Unamortised issue and arrangement costs		**10.6**	7.5	6.5
Leasehold liabilities	17	**(61.7)**	(56.0)	(60.7)
Drawn debt		**941.2**	760.6	890.9
Fair value of property portfolio	11	**5,360.9**	5,002.3	5,190.7
Loan-to-value ratio		**17.6%**	15.2%	17.2%

Net interest cover ratio

	Note	**Half year to 30.06.2019 £m**	Half year to 30.06.2018 £m	Year to 31.12.2018 £m
Net property and other income	5	**88.5**	103.4	185.9
Adjustments for:				
Other income	5	**(1.7)**	(1.2)	(2.9)
Other property income	5	**-**	(17.7)	(17.7)
Net surrender premiums	5	**(0.5)**	(2.5)	(3.2)
Write-down of trading property	5	**-**	0.2	0.2
Reverse surrender premiums	5	**-**	-	0.1
Adjusted net property income		**86.3**	82.2	162.4
Finance income	7	**(0.2)**	-	-
Finance costs	7	**13.0**	11.5	23.5
		12.8	11.5	23.5
Adjustments for:				
Finance income	7	**0.2**	-	-
Other finance costs	7	**(0.1)**	(0.1)	(0.2)
Amortisation of fair value adjustment to secured bonds	7	**0.6**	0.5	1.2
Amortisation of issue and arrangement costs	7	**(1.1)**	(1.0)	(2.1)
Finance costs capitalised	7	**6.6**	5.1	10.7
		19.0	16.0	33.1
Net interest cover ratio		**454%**	514%	491%

24. Total return

	Half year to 30.06.2019 p	Half year to 30.06.2018 p	Year to 31.12.2018 p
EPRA net asset value on a diluted basis			
At end of period	**3,852**	3,713	3,776
At start of period	**(3,776)**	(3,716)	(3,716)
Increase/(decrease)	**76**	(3)	60
Dividend per share	**47**	117	137
Increase including dividend	**123**	114	197
Total return	**3.3%**	3.1%	5.3%

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. EPRA published its latest Best Practices Recommendations in November 2016. 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.

In addition, the Group has adopted the following recommendation for investment property reporting.

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

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

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

Ground rent
The rent payable by the Group for its leasehold properties. Under IFRS, 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.

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

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

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

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

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

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 and leasehold liabilities plus bank overdraft less cash and cash equivalents.

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

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

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

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

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

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

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

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

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

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

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

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

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

Total return
The movement in EPRA 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 interim condensed consolidated financial statements (the "interim financial statements") in the interim results of Derwent London plc for the 6 month period ended 30 June 2019. 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 Guidance and Transparency Rules sourcebook 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 2019;
- the Group condensed income statement and group condensed statement of comprehensive income for the period then ended;
- the Group condensed cash flow statement for the period then ended;
- the Group condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook 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 Guidance and Transparency Rules sourcebook 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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, 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
8 August 2019

Notes to editors

Derwent London plc

Derwent London plc owns 84 buildings in a commercial real estate portfolio predominantly in central London valued at £5.4 billion (including joint ventures) as at 30 June 2019, making it the largest London-focused real estate investment trust (REIT).

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

The Company typically acquires 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. The Company capitalises on the unique qualities of each of its 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 the Company's long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in the Company's 5.7 million sq ft portfolio include Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2019 to date, the Group has won the CoStar West End Deal of the Year for Brunel Building. In 2018, the Group won EG Offices Company of the Year, whilst White Collar Factory scooped RIBA National and London awards, RICS National and London awards, two BCO awards for Commercial Workplace and Innovation, an EG Creative Places award and an NLA Wellbeing award. 25 Savile Row also won RIBA National and London awards and SKA Gold for the fit-out. In 2013 the Company launched a voluntary Community Fund and has to date supported 89 community projects in 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.