

A modern architectural interior featuring a central window framed by multiple layers of concrete and glass. The space is filled with light-colored concrete steps and platforms, creating a sense of depth and perspective. The ceiling is composed of large, light-colored panels with recessed lighting strips. The overall aesthetic is clean, minimalist, and industrial.

Interim Results 2024 Announcement

Derwent London plc

DERWENT
LONDON

8 August 2024

Derwent London plc (“Derwent London” / “the Group”)
UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024
UPGRADING RENTAL GUIDANCE IN A STRENGTHENING MARKET

Paul Williams, Chief Executive of Derwent London, said:

“The pace of rental growth accelerated in H1 for the best offices in the right locations whilst investment yields have recently stabilised, helping drive greater confidence across the sector.

We have delivered another strong leasing performance, agreeing £8.8m of new rent in H1 with open-market lettings more than 10% above the December 2023 ERV, including the third pre-let at 25 Baker Street W1. YTD lettings total £10.8m, with a further £3.4m under offer. This more positive backdrop fed through into the strongest ERV growth since 2016, giving us confidence to upgrade our 2024 rental guidance to ‘3% to 6%’.

London is a world-class city with broad appeal to both international and domestic businesses. Our design-led and amenity-rich best in class offices are in demand, supported by London’s high quality transport network. Supply of space that meets occupier needs is relatively low. Our predominantly West End portfolio is well-placed to benefit, in particular our on-site projects in Marylebone and Fitzrovia.

In February 2024, we said we were nearing this cycle’s valuation low point. The outlook has continued to improve, supported by a strengthening of the UK economic environment and an initial interest rate cut, with yields on London offices looking increasingly attractive to a range of investors.

With our strong balance sheet and 40-year track record, we have the capacity and ambition to accelerate our growth plans and are exploring a number of opportunities while also continuing to build out our substantial pipeline. Combined with rising rents, we expect to deliver increasingly attractive total returns over the coming years.”

Income statement	H1 2024	H1 2023	Change
Gross rental income	£107.5m	£105.9m	1.5%
EPRA EPS	52.7p	49.5p	6.5%
Dividend	25.0p	24.5p	2.0%
IFRS loss before tax	£(27.2)m	£(143.1)m	-
Balance sheet	Jun-24	Dec-23	
EPRA NTA per share ¹	3,044p	3,129p	-2.7%
Total return	-1.0%	-11.7%	-
Net debt	£1.37bn	£1.36bn	1.0%

Leverage	Jun-24	Dec-23
EPRA LTV	29.0%	27.9%
Interest cover	4.0x	4.1x
Net debt/EBITDA	8.4x	8.8x
Cash and undrawn debt	£566m	£480m
Valuation	H1 2024	FY 2023
Valuation movement	-1.7%	-10.6% ²
Equivalent yield	5.73%	5.55%
ERV growth	2.0%	2.1% ³

¹ Explanations of how EPRA figures are derived from IFRS are shown in note 24.

² 12-month figure, split -3.7% in H1 and -7.2% in H2.

³ 12-month figure, split 0.9% in H1 and 1.2% in H2.

Portfolio highlights

- Underlying ERV growth 2.0%; strongest six-monthly performance since 2016
- Equivalent yield 5.73%, up 18bp in H1
- Capital values down 1.7%, with development values up 4.3%
- EPRA vacancy rate reduced to 3.2% (December 2023: 4.0%)
- Tenant retention/re-letting rate of 86%

Developments

- Resolution to grant planning at our c.240,000 sq ft 50 Baker Street W1 development received on 6 August 2024
- 25 Baker Street W1 offices 84% pre-let, 14.6% above appraisal ERV; 13 apartments exchanged for £68.0m
- On-site and next phase of major projects total 0.9m sq ft, all in the West End

Outlook

- 2024 ERV guidance upgraded, now ‘3% to 6%’
- Office yields increasingly attractive as the UK economic and political environment continues to stabilise
- Attractive total returns anticipated over the coming years

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:00 BST today.

To participate in the call or to access the webcast, please register at www.derwentlondon.com

A recording of the webcast will also be made available following the event on www.derwentlondon.com

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CHIEF EXECUTIVE'S STATEMENT

- Valuation cycle levelled; rental growth to drive values with stable yields
- 2024 ERV guidance upgraded, now '3% to 6%'
- Ongoing leasing success with £8.8m of new rent agreed in H1, 10.3% above ERV¹
 - A further £2.0m signed in H2 to date above ERV
 - YTD lettings £10.8m
- Strong balance sheet, with 29% LTV and capacity to invest

¹ Performance against Dec 2023 ERV excludes short-term development lettings.

Central London office occupational market gaining further momentum

The central London office market has strengthened further with the key occupier themes continuing to be quality, location and amenity. At the same time, existing supply that satisfies these requirements is limited and the market development pipeline is constrained, driving rental growth for the best space.

We delivered another good leasing performance in H1, signing £8.8m of new leases at an average 7.8% premium to December 2023 ERV, and 10.3% excluding short-term development lettings. This follows the £28.4m of activity in 2023 (8.0% above ERV). As at June 2024, a further £4.5m of space was under offer, of which £2.0m has subsequently completed, taking YTD leasing activity to £10.8m.

Activity was well spread across the portfolio and key transactions in H1 include:

- **25 Baker Street W1** – Cushman & Wakefield pre-let 17,100 sq ft at a headline rent of £107.50 psf, substantially above December 2023 ERV, on a 15-year lease without breaks;
- **The White Chapel Building E1** – Three new tenants have leased a combined 64,100 sq ft at an average headline rent of £51 psf, 5% ahead of ERV; and
- **Furnished + Flexible** – 10 new leases signed for a combined £2.5m, 11.9% above December 2023 net rent (adjusted for capex).

The Group's EPRA vacancy rate was 3.2% at 30 June 2024, a reduction of 80bp compared to 31 December 2023. Our tenant retention/re-let rate was high at 86%, ahead of our long-term average.

Property yields now stabilised; rents to support growth in values

The UK economic environment continued to improve through H1 having begun to recover late last year. With inflation now in line with the Bank of England's 2% target following a substantial reduction from its peak of 11% in October 2022, the UK base rate was cut by 25bp in August to 5.0%, and there are further cuts on the horizon.

The 5-year swap rate has responded favourably and is now 3.6%. Further declines in the cost of debt and improving availability should be expected to encourage a recovery in investment activity. At £1.9bn, transaction volumes in H1 were 65% below the 10-year H1 average. However, since the start of H2, enquiry levels are picking up with CBRE reporting £19.2bn of global equity targeting London offices.

In February, we highlighted with our 2023 full year results that "valuations are now approaching this cycle's lows". In H1, the pace of MSCI capital value declines slowed to 2.1%. Looking forward we expect a recovery in capital values, principally driven by rental growth.

Balance sheet well positioned and growth in earnings

EPRA NTA decreased by 2.7% in H1 to 3,044p as underlying capital values across our portfolio declined 1.7%. This was considerably lower than seen in 2023. ERV growth of 2.0% partly offset 18bp of outward yield shift. Development valuations rose 4.3% principally due to development surpluses coming through, increased rental assumptions and the signing of a further pre-let at 25 Baker Street W1, well above ERV.

Net debt was broadly flat in H1 at £1.37bn (2023: £1.36bn) as disposal proceeds, mainly from the sale of Turnmill EC1, and retained earnings broadly offset capital expenditure and payment of the 2023 final dividend. Together with the movement in capital values, EPRA LTV increased marginally to 29.0% (FY 2023: 27.9%).

EPRA earnings rose 6.5% to £59.2m or 52.7p per share (H1 2023: £55.6m or 49.5p), as gross rental income increased 1.5% to £107.5m compared to H1 2023, and net rental income was up 4.5% to £95.0m as direct property costs came down. The net debt/EBITDA ratio reduced slightly to 8.4 times (FY 2023: 8.8 times).

Our annual dividend remains well covered by EPRA earnings and we have increased the 2024 interim dividend by 2.0% to 25.0p. In line with our progressive policy, this is the 17th consecutive increase in our interim dividend.

Delivering the right product

We remain focused on delivering the very best office space to meet London's varied demand.

Whether it is refurbishing or delivering new-build, we are design-focused, creating 'long-life, low carbon, intelligent' buildings that meet the evolving requirements of occupiers, large or small, across a broad variety of sectors. We are always mindful to deliver the right product for the relevant submarket and know that one size does not fit all.

At the larger end, we deliver best-in-class HQ offices on long leases where we have a strong track record of working closely with occupiers to provide bespoke solutions. Well-established businesses require longer leases to assist their long-term planning and financing, a trend we do not see changing.

At the smaller end, we offer our 'Furnished + Flexible' solution, which is tailored to the building and the submarket within which it sits. This currently extends to c.170,000 sq ft either operational or under construction (3.2% of the portfolio). Over the next five years, this should increase to c.300,000 sq ft (c.6%). In addition, we have c.160,000 sq ft (3.1%) leased to third party operators, such as Fora and Soho Works, which takes our current overall 'flex' weighting to 6.3%.

Providing a mix of this longer-term Cat A space as well as shorter term, flexible and fitted space meets demand in the market, while providing us with a well-balanced portfolio and longer WAULT.

Over the last five years we have developed the DL/Member offer to further enhance our product. We know that businesses attribute as much value to the quality of the landlord, amenity and service as they do the core office space. We take a portfolio approach to the overall Derwent product, considering the full offer not just the individual building or unit.

All our occupiers, irrespective of size, benefit from portfolio amenity, community and experience via our DL/Member offering. For larger businesses, this provides opportunity for activity outside of the HQ. For smaller businesses, it offers flexible space where they can use amenity that they are unlikely to have in their own demise. In addition, each individual that occupies a Derwent building benefits from being part of a community which provides access to social responsibility and charity initiatives, social events, wellness agendas and local retail offers. DL/Member benefits include:

- **DL/ Lounges (DL/78 and DL/28)** – touch down work areas, pay as you go meeting rooms and private event space;
- **DL/ Service** – café and catering facilities;
- **DL/ App** – curated retail offers and our digital community; and
- **DL/ Experience** – a full programme of community events.

Since launching these initiatives, we have had very positive feedback from occupiers and the market, proving their value in attracting and retaining tenants, and demonstrating strong demand for our product and brand.

Outlook and guidance – rental growth upgrade and strengthening total returns

The significant rise in space under offer shows substantial pent-up demand, with occupiers prioritising high quality space in core central locations. At the same time, supply of space that meets these criteria, whether existing or under development, is low. The market is adjusting to this, and businesses with large space requirements are committing earlier, putting further pressure on supply.

Rental growth is accelerating for the best buildings. Our portfolio ERV increased 2.0% in H1, the strongest half year performance since 2016. Consequently, we are today upgrading our 2024 rental guidance to '3% to 6%'.

At 30 June 2024, our portfolio equivalent yield was 5.73%, an 18bp outward movement from 31 December 2023. With the economic outlook continuing to strengthen, the recent base rate cut plus further reductions on the horizon, we expect the yield on London offices to be increasingly attractive to a range of investors.

Looking ahead, we anticipate delivering attractive future accounting returns, given the combination of growing rents, an improved yield outlook, and visibility on development returns and earnings, underpinned by our long average lease term.

CENTRAL LONDON OFFICE MARKET

- Overall vacancy rate 8.3% but Grade A vacancy very low: West End 1.2%; City 2.1%
- Space under offer continues to rise (up 58% in H1)
- Only 7.3m sq ft of speculative development under construction
- Prime yields stable in H1 and increasingly attractive as cost of debt starts to reduce

Occupational market

The imbalance between supply and demand across the London office market remains pronounced. Grade A vacancy is 1.8% and there are only 7.3m sq ft of speculative development completions due by the end of 2027. While leasing transactions are taking longer, the increase in space under offer suggests the lower take-up in H1 should be temporary.

Overall vacancy has levelled off at 8.3%, with the West End at 4.5% and the City at 10.8%. According to CBRE, lower quality, secondhand space comprises over two-thirds of supply. The Grade A vacancy rate in the West End is only 1.2% and in the City is 2.1%. The central London development pipeline is constrained, with 12.6m sq ft of space under construction and due to complete by 2027. Of this, 42%, or 5.3m sq ft, is pre-let or under offer, rising to 54% for projects due to complete in H2 2024. In line with longer-term trends, pre-letting levels in the West End (23%) are below the City (62%).

Q2 take-up, which was 20% higher than Q1, benefited from some large Financial pre-lets in the City, and since the start of H2 the West End has seen some of the space under offer convert with the completion of several substantial pre-lets, including BDO. Occupier enquiry levels remain high across a broad range of sectors backed up by active demand rising 14% through H1 to 11.2m sq ft, 56% above the five-year average.

Investment market

Liquidity across the market has been focused on smaller lot sizes where there is less of a requirement for leverage. With £1.9bn of transactions completing in H1, below the long-term average, the average lot size was only £29m. The availability of debt has begun to improve in recent months. Last week we saw the first cut in base rates and the 5-year swap rate has fallen back to 3.6%. In a global context, London continues to enjoy a reputation as a safe haven. As a result, sentiment is improving and a rising number of investors are switching from a 'wait and see' approach to being more acquisitive.

Prime yields were unchanged in H1. At 4.0%, West End yields have increased 75bp compared to June 2022 while City yields have moved out 200bp to 5.75%.

VALUATION

- Capital values -1.7% in H1
 - Developments (+4.3%) and high quality buildings (-0.8%) continue to outperform
 - MSCI Central London office quarterly capital value index -2.1%
- ERV growth of 2.0%
- Equivalent yield 5.73%; 18bp of outward yield shift

The Group's investment portfolio was valued at £4.8bn on 30 June 2024, an underlying decrease in value of 1.7% in H1 which compares to a decline of 7.2% in H2 2023. This resulted in an £89.8m deficit in the first half which, after accounting adjustments of £0.6m (note 11), produced an overall decline of £89.2m including our share of joint ventures.

By location, our central London properties, which represent 98% of the portfolio, were down 1.8% with the West End -1.5% and City Borders -2.7%. The balance of the portfolio, our Scottish holdings, was up 3.6%.

Our portfolio's capital growth outperformed the MSCI Central London Office Quarterly Index which was down 2.1%. The wider UK All Property Index decreased by 0.6%. Since the peak of the cycle in June 2022, capital values have fallen 23% according to the MSCI Central London Office quarterly index, mainly as the result of a material correction in yields. Our portfolio has outperformed the index, with capital values down 19% since the peak.

Improvements in the occupational market fed through to a 2.0% increase in our EPRA rental values in H1, in line with earlier guidance, and ahead of the 1.2% growth in H2 2023. This is the strongest six-monthly performance since 2016.

The portfolio true equivalent yield expanded by 18bp, from 5.55% to 5.73% over the first half, a smaller increase compared to the 42bp outward movement in the second half of 2023. The initial yield is 4.3% (December 2023: 4.3%) which, after allowing for the expiry of rent frees and contractual uplifts, rises to 5.3% on a 'topped-up' basis (December 2023: 5.2%).

The total property return for the first six months was +0.3%, which compares to the MSCI Quarterly Index of -0.1% for Central London Offices and +1.9% for UK All Property.

Our better buildings continue to outperform. The valuation of those with a value in excess of £1,500 psf declined by only 0.8%, compared to those valued at sub-£1,000 psf where values fell 3.5%.

Valuation movement by capital value banding in H1 2024

Capital value banding £ psf	Weighting by value %	Capital value change %
≥£1,500	22	-0.8
£1,000 – 1,499	22	-1.5
<£1,000	46	-3.5
Sub-total	90	-2.4
On-site developments	10	4.3
Portfolio	100	-1.7

Our two on-site West End developments at 25 Baker Street W1 and Network W1 continued to make good progress. At 25 Baker Street, a third office pre-let was signed and the forward sale of a further eight of the private residential units was agreed. Together, these two projects are now 52% let or sold. Both are due to complete in 2025 and require £153m of capital expenditure to complete. They were valued at £487.3m at June 2024 and delivered a 4.3% valuation uplift, after adjusting for capital expenditure. Performance was driven by letting activity at improved rental values, additional residential forward sales at 25 Baker Street and construction progress. Excluding development properties, the portfolio declined 2.4% in value, on an underlying basis.

Portfolio reversion

Our contracted annualised cash rent as at 30 June 2024 was £199.4m. With a portfolio ERV of £311.1m there is £111.7m of potential reversion. Within this, £48.6m is contracted through rent-frees and fixed uplifts, the majority of which is already straight-lined in the income statement under IFRS accounting standards. Our annualised accounting rent roll is £206.5m. On-site developments and refurbishments could add £43.7m, of which £17.4m is pre-let. The ERV of immediately available space is £8.4m. The balance of the potential reversion of £11.0m comes from future reviews and expiries less future fixed uplifts.

LEASING & ASSET MANAGEMENT

Lettings

- £8.8m of new leases, on average 7.8% above December 2023 ERV
 - 10.3% above ERV excluding short-term development lettings
 - Includes £1.8m pre-let at 25 Baker Street W1 (now 84% pre-let), substantially above ERV
- Further £2.0m has completed in H2 to date (YTD: £10.8m), with £3.4m currently under offer

Asset management

- 30 asset management transactions with rent of £6.0m, just above ERV

EPRA vacancy rate

- Reduced to 3.2% through H1 2024

Lettings

H1 2024 saw good letting activity across the portfolio, with 27 leases signed totalling £8.8m of rent, on average 7.8% ahead of December 2023 ERV. This rises to 10.3% excluding short-term lettings at properties earmarked for development, principally Holden House W1. Activity in both the West End and City borders was ahead of December 2023 ERV. 'Furnished + Flexible' leasing activity increased to £2.5m across 10 units (35,100 sq ft), on average 11.9% ahead of December 2023 ERV.

Since the end of H1, we have agreed a further £2.0m of lettings on average 4.0% ahead of ERV, taking YTD leasing to £10.8m, and there is currently £3.4m under offer.

Leasing activity in 2024 to date

	Let			Performance vs Dec 2023 ERV (%)	
	Area '000 sq ft	Income £m pa	WAULT ¹ Years	Open market	Overall ²
H1 2024	138.9	8.8	7.3	10.3	7.8
H2 to date	32.3	2.0	6.8	4.0	4.0

¹ Weighted average unexpired lease term (to break).

² Includes short-term lettings at properties earmarked for redevelopment.

Principal lettings in 2024 to date

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
H1							
25 Baker Street W1	Cushman & Wakefield	17,100	107.50	1.8	15	-	34
The White Chapel Building E1	Pay UK	27,000	52.50	1.4	10	5	27
The White Chapel Building E1	PLP Architecture	22,300	50.00	1.1	10	-	24
The White Chapel Building E1	Breast Cancer Now	14,700	51.00	0.8	10	5	20, plus 10 if no break
The Featherstone Building EC1	incident.io ¹	6,900	86.70	0.6	2	-	1
Tea Building E1	Buttermilk ¹	7,300	66.50	0.5	4	3	2, plus 2 if no break
One Oxford Street W1	Starbucks	4,200	98.10	0.4	15	10	12
230 Blackfriars Road SE1	Hello! Magazine ¹	7,300	52.50	0.4	5.5	-	14
H2							
1-2 Stephen Street W1	Envy	19,200	61.00	1.2	15	10	24, plus 12 if no break
The Featherstone Building EC1	Wiz Cloud ¹	5,800	89.50	0.5	3	2	-
230 Blackfriars Road SE1	Instant Offices	7,300	44.00	0.3	5.3	3	17

¹ Space leased on a 'Furnished + Flexible' basis.

Leasing by location in H1 2024

Location	Pre-let income £m	Non pre-let income £m	Total income £m	Performance vs Dec 2023 ERV %
West End	1.8	1.4	3.2	9.5
City Borders	1.7	3.9	5.6	6.8
Total	3.5	5.3	8.8	7.8

Asset management progress

Asset management activity in H1 2024 totalled £6.0m across 30 transactions. There were five rent reviews which were settled on average 3.9% above the previous rent. Lease regears were agreed 5.4% above December 2023 ERV, and lease renewals were 7.9% below ERV, although a number of these were short-term development deals at 50 Baker Street W1 where works are expected to start on site in 2026, following receipt of resolution to grant planning consent on 6 August 2024.

Asset management activity in H1 2024

	Number	Area '000 sq ft	Previous rent £m pa	New rent ¹ £m pa	Uplift %	New rent vs Dec 2023 ERV %
Rent reviews	5	22.1	1.3	1.4	3.9	6.5
Lease renewals	19	53.0	2.1	2.0	(4.7)	(7.9)
Lease regears	6	40.8	2.6	2.6	1.4	5.4
Total	30	115.9	6.0	6.0	(0.2)	0.8

¹ Headline rent, shown prior to lease incentives.

During H1, the EPRA vacancy rate reduced from 4.0% to 3.2%. In total, 86% of breaks/expiries were retained or re-let prior to the end of H1, excluding space taken back for projects and disposals, in line with longer-term levels. The Group's WAULT (to break) remains attractive at 6.0 years, rising to 7.1 years when 'topped-up' for incentives and pre-lets.

Rent and service charge collection rates are 100% for the December and March quarters.

INVESTMENT

Development

- £109m of project expenditure in H1 2024
- Two major projects on site – 25 Baker Street W1 (298,000 sq ft) and Network W1 (139,000 sq ft)
 - 52% pre-let/sold
 - 25 Baker Street offices 84% pre-let (14.6% above appraisal ERV)
 - Combined 6.0% yield on cost and 14% development profit
- Medium and longer-term pipeline totals >1.3m sq ft

Disposals

- Total disposals £80.7m (after costs)
 - Turnmill EC1 sold in Q2 for £76.6m at 4.9% initial yield; 9.1% ungeared IRR

Developments and refurbishments

Major on-site projects - 437,000 sq ft (52% pre-let/sold)

We made good further progress in H1 2024 at our two on-site West End development projects, 25 Baker Street W1 and Network W1, which together total 437,000 sq ft. 25 Baker Street is now 84% pre-let and demand is positive for Network. We currently expect these to deliver a combined 14% development profit and 6.0% yield on cost. As a sensitivity, every £10 psf movement in the rent achieved on the remaining speculative space relative to the latest ERV would change the yield on cost by c.30bp.

- **25 Baker Street W1** (298,000 sq ft) – an office-led scheme in Marylebone, expected to complete in H1 2025. It comprises 218,000 sq ft of best-in-class offices, 28,000 sq ft of new destination retail around a central landscaped courtyard (part of which is being delivered for the freeholder, The Portman Estate) and 52,000 sq ft of residential, of which 45,000 sq ft is private. Occupier demand for the office space is high, with 84% pre-let at an average headline rent of £103 psf, 14.6% ahead of the appraisal ERV. In addition, the sale of the residential units is progressing well, with contracts exchanged on 13 of the 41 private units for £68.0m. This reflects an average capital value of £3,770 psf, 16% ahead of the appraisal value.
- **Network W1** (139,000 sq ft) – an office-led scheme in Fitzrovia, targeted for completion in H2 2025, comprising 134,000 sq ft of adaptable offices and 5,000 sq ft of retail. Super structure works are progressing well and the project remains on programme. We have adopted a number of circular economy measures including the reconditioning and re-use of raised access flooring, among others. There have been a number of pre-let enquiries from multiple occupiers across a variety of sectors and against a backdrop of a constrained development pipeline in the West End, especially Fitzrovia, we are confident in the leasing prospects for this high-quality space.

Major on-site development projects

Project	Total	25 Baker Street W1	Network W1
Completion		H1 2025	H2 2025
Office (sq ft)	352,000	218,000	134,000
Residential (sq ft)	52,000	52,000	-
Retail (sq ft)	33,000	28,000	5,000
Total area (sq ft)	437,000	298,000	139,000
Est. future capex ¹ (£m)	153	82	71
Total cost ² (£m)	740	490	250
ERV (c.£ psf)	-	100	95
ERV (£m pa)	34.0	20.9 ³	13.1
Pre-let/sold area (sq ft)	228,500	228,500 ⁴	-
Pre-let income (£m pa, net)	17.4	17.4	-
Yield on cost (%)	6.0	-	-
Embodied carbon intensity (kgCO ₂ e/sqm) – estimate		c.600	c.530
BREEAM rating (target)		Outstanding ⁵	Outstanding
NABERS rating (target)		4 Star or above ⁵	4 Star or above
Green finance		Elected	Elected

¹ As at 30 June 2024.

² Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. 25 Baker Street W1 includes a profit share to freeholder, The Portman Estate.

³ Long leasehold, net of 2.5% ground rent.

⁴ Includes pre-lets to PIMCO, Moelis and Cushman & Wakefield, and forward sale of 13 private residential units at 30 June 2024, the pre-sold affordable housing plus the courtyard retail and Gloucester Place offices pre-sold to The Portman Estate.

⁵ Excludes offices at 30 Gloucester Place.

Future development projects

In addition to our on-site projects, our medium to longer-term pipeline extends to c.1.3m sq ft across four projects.

Medium-term pipeline

- **Holden House W1** (c.150,000 sq ft) – from mid-2025: our updated plans for this ‘behind the façade’ project have a higher office weighting and better sustainability credentials.
- **50 Baker Street W1** (c.240,000 sq ft at 100%) – from early 2026: held in a 50:50 joint venture with Lazari Investments, this leasehold property is on The Portman Estate and headlease regear negotiations are making positive progress. Resolution to grant planning consent was secured on 6 August.

Long-term pipeline

- **Old Street Quarter EC1** (c.750,000 sq ft) could commence from 2028: Our acquisition of this 2.5-acre island site is expected to complete from 2027, conditional on delivery of the new eye hospital at St Pancras and subsequent vacant possession of the existing site. Our studies suggest there is potential for a substantial mixed-use campus development comprising both commercial and ‘living’ components.
- **230 Blackfriars Road SE1** (c.200,000 sq ft) from 2030: our early appraisals show capacity for a large office-led development for this 1960s building, more than three times the existing floor area.

Refurbishments

Refurbishment projects comprise a greater proportion of capital expenditure as we continue to upgrade the portfolio to meet the evolving requirements of an increasingly selective occupier base. We expect these projects to deliver an attractive rental uplift driven by improved amenity offer, overall quality and upgraded EPCs. Comprehensive refurbishments likely to commence over the coming years include Greencoat & Gordon House SW1 and 20 Farringdon Road EC1. Larger rolling refurbishments include 1-2 Stephen Street W1 and Middlesex House W1.

We will continue to appraise smaller units, typically <10,000 sq ft, for our 'Furnished + Flexible' product where occupiers are willing to pay a premium rent for flexible, high-quality space with their own front door. We currently have c.170,000 sq ft of this space either operational or under construction, with a further c.130,000 sq ft expected to be delivered over the coming years.

Acquisitions and disposals

Disposal activity in H1 totalled £80.7m (after costs), of which the principal transaction was the sale of Turnmill EC1 for £76.6m at a slight premium to the December 2023 book value. The sale price reflects a net yield of 4.9% and a capital value of £1,100 psf. There were no acquisitions in the period.

Major disposals in 2024 to date

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa
Turnmill EC1	Q2	70,300	76.6	4.9	4.0

SUSTAINABILITY

- Energy intensity 73 kWh/sqm, down 8% compared to H1 2023
- Site preparation and infrastructure works underway at Scottish solar park
- Carbon credits acquired to cover forecast embodied carbon emissions to 2030
- 70% of portfolio rated EPC A or B

Reduction in energy intensity

We made positive progress reducing energy consumption across the London managed portfolio in the first half. Ongoing engagement with occupiers and the completion of a variety of initiatives such as installation of the first phase of air source heat pumps at 1-2 Stephen Street W1, has delivered an 8% reduction in consumption to 27.7m kWh compared to H1 2023 (30.2m kWh). This resulted in energy intensity of 73 kWh/sqm, 8% below H1 2023 (79 kWh/sqm).

To facilitate the conversion of energy usage into a (location-based) carbon equivalent figure, DEFRA releases an updated set of carbon factors each year based on the evolving carbon intensity of the UK's energy mix. In 2023, there was a c.7% increase in carbon intensity for electricity, the first increase since 2014, linked to the impact of geopolitical instability. The 2024 carbon factors for electricity are broadly unchanged compared to 2023.

Self generating electricity – making progress with solar park delivery

Following receipt of planning consent for a c.100 acre 18.4MW solar park on our land in Scotland in 2023, our formal planning obligations have now been discharged and site preparation and infrastructure works are underway. On completion, we expect the electricity generated to be in excess of 40% of our London managed portfolio's usage, on an annualised basis.

Our approach to the circular economy

For several years we have applied circular economy principles wherever possible to our regeneration activity as part of our holistic approach to reducing embodied carbon emissions. To advance this further, our internal 'Circular Economy Group', which has representation from across the business, is formalising our strategy to enable re-use both across our portfolio as well as with the wider community. Some examples of circular economy measures already underway include the re-condition and re-use of raised access floor, maximisation of the re-use of in-situ concrete formwork and re-use of MEP within the portfolio.

Forward purchase of high quality carbon removal credits

As part of our Net Zero Carbon by 2030 pathway, we have set ourselves stretching targets to reduce the embodied carbon footprint of our regeneration activity. New builds completing from 2025 are targeting an embodied carbon intensity of ≤ 600 kgCO₂e/sqm, which reduces to ≤ 500 kgCO₂e/sqm from 2030. We have committed to offset the residual embodied carbon using robust verified carbon offset schemes, focused on carbon removal rather than avoidance or mitigation. Based on our current forecast project profile, we estimate annual embodied carbon emissions of c.15,000 tCO₂e from our regeneration activities over the coming years.

As part of our strategic planning, we forward-purchased credits, on a phased basis, equivalent to 105,000 tCO₂e for a total amount of £3.9m or c.£35/tCO₂e in H1. This follows our procurement of 81,600 credits in 2020 for £1.0m which have been used to offset the embodied carbon at a series of completed projects.

70% of our portfolio now rated EPC A or B

In 2021, we outlined a c.£100m phased programme of works to ensure compliance with evolving EPC legislation (Minimum Energy Efficiency Standards, MEES). As at 30 June 2024, 70% of the portfolio was rated A or B (including our projects at 25 Baker Street W1 and Network W1) in line with expected 2030 legislation, which compares to the wider London office market at sub-30%. A further 18% are rated C, taking our compliance with expected 2027 legislation (EPC C or above) to 88%. The remainder of the portfolio is rated D or E, in line with current MEES requirements.

FINANCIAL REVIEW

The financial results for the first half of 2024 reflect an improving background for our brand of high-quality central London offices.

Property income and costs

Gross property and other income increased 5% to £139.9m in the first half of 2024 from £133.3m in H1 2023. Gross rental income rose to £107.5m, up 1.5% over H1 2023, and trading property sales proceeds of £3.7m (H1 2023: £nil) were recognised on the sale of Welby House SW1. Service charge income increased modestly to £26.0m from £25.0m in H1 2023 but the high energy costs seen last year have moderated. Service charge increases this year were largely due to other cost items, particularly those where wages make up a substantial proportion of the cost, such as cleaning, maintenance and security.

Net rental income increased 4.5% to £95.0m from £90.9m in H1 2023 after reductions in irrecoverable service charges and impairment costs. In H1 2023, irrecoverable service charges were higher than usual due partly to a spike in energy costs but also to higher average vacancy rates. In H1 2023, they reached £4.5m, reducing to £2.1m in H2 2023 and totalling £2.8m in the current period to 30 June 2024. Impairment charges reduced to £0.4m in H1 2024 from £1.9m in H1 2023 with only minor impairments required for retail, gym and hospitality occupiers.

Other property costs increased to £9.3m in H1 2024 from £8.6m in H1 2023. These were made up of legal and letting costs, rates, ground rent and repairs but the main increase was due to the running costs at DL/28 in The Featherstone Building EC1 which opened in Q4 2023. Amenities such as this and our DL/ Service food and beverage offer are primarily designed to support rental income and help attract and retain occupiers rather than to be separate profit centres. The cost of running DL/28, its DL/78 sister lounge in the West End and DL/ Service was £1.2m in H1 2024 compared to £0.3m in H1 2023 when only the smaller DL/78 lounge was operating.

EPRA like-for-like gross rental income, which excludes the effect of acquisitions, disposals and developments, was up 1.7% compared to H1 2023 and the lower overall property costs helped like-for-like net rental income grow 3.4% compared with H1 2023.

With £0.2m of net surrender premiums recognised in the first half of 2024, net property and other income increased 4.7% to £97.7m in H1 2024 compared to £93.3m in H1 2023.

Rent and service charge receipts have been strong in 2024 with collection rates now at almost 100% for the December and March quarter days.

Administrative expenses increased modestly to £19.8m from £19.2m in H1 2023. This is mainly due to headcount growth through 2023 and pay rises in January 2024 averaging 6.1% across our workforce.

The lower irrecoverable property costs have also helped bring our EPRA cost ratios down to 26.6% in H1 2024 (H1 2023: 28.8%) including direct vacancy costs and 21.7% (H1 2023: 23.2%) excluding direct vacancy costs. As before, we have not capitalised any of our internal development department costs in 2024 to date.

We saw significant upward movement in property investment yields from H2 2022 to the end of 2023. This continued into early 2024 but at a slower pace and yield movements have been almost flat in the last few months. The revaluation movement overall in H1 2024 was still a deficit but, at £87.2m after accounting adjustments, was significantly lower than the £196.7m in H1 2023 and £581.5m for the whole of 2023. The Group's owner-occupied office at 25 Savile Row W1 showed a £2.0m (H1 2023: £2.6m) reduction but our 50% share of the 50 Baker Street W1 joint venture showed no revaluation movement in H1 2024 after a £4.8m decline in H1 2023.

The profit on disposal of investment property of £1.5m after costs came from the sales of Turnmill EC1 and a small property in Mallow Street EC1, the proceeds together totalling £77.9m. Gross interest costs increased to £24.8m in H1 2024 from £23.0m in H1 2023 but interest capitalised rose to £5.0m from £2.7m in H1 2023 due to higher cumulative development expenditure on which interest is capitalised. This brought net finance costs in H1 2024 down to £19.8m (H1 2023: £20.3m).

The substantially lower revaluation deficit has reduced the IFRS loss before tax for the first half to £27.2m from a much larger loss of £143.1m in H1 2023. EPRA earnings, which exclude fair value movements, increased 6.5% to £59.2m from £55.6m in H1 2023 and EPRA earnings per share (EPS) were also up 6.5% to 52.74p compared to 49.51p per share in H1 2023.

Project expenditure

Capital expenditure increased to £73.7m plus £4.0m of capitalised interest on wholly-owned investment properties from £54.1m plus capitalised interest of £2.3m in H1 2023. In addition, we incurred £25.1m plus capitalised interest of £0.8m on our residential trading property at 25 Baker Street and a further £4.1m, including £0.2m of capitalised interest, on the development costs to be transferred to The Portman Estate upon completion of their retail element. Prepaid development expenditure on the Old Street Quarter site, due to be acquired no earlier than 2027, increased to £12.7m (30 June 2023: £12.1m and 31 December 2023: £12.6m).

Total return and EPRA NTA

Altogether, the Group's total accounting return for the first half of 2024 was -1.0% or -30p per share. This contrasts with -3.7% in H1 2023 and -11.7% for the whole of 2023.

EPRA Net Tangible Asset value per share fell to 3,044p, down 2.7% from 3,129p at 31 December 2023. This takes account of the 55p per share final dividend for 2023 which was paid in May 2024.

Financing and net debt

Conditions in the lending environment for real estate and offices more specifically have improved through the first half of 2024. This is notable in the number of positive refinancing discussions we have held and is also visible in the yield on our 2031 green bonds; this has reduced to about 5.2% at the time of reporting, having been as high as 5.6% in the first half of 2024 when political and economic uncertainty was elevated.

Last week's 25bp cut in the Bank of England's base rate was welcome. However, at the time of our 2023 full year results announcement in February, our outlook was that UK base rates would have fallen further by now. Uncertainty remains with the market suggesting one or more rate cuts over the next few months followed by further reductions in 2025. This is broadly positive for us and could also encourage more investment and refinancing activity in the market more generally.

With rates having stayed higher through H1 2024, we opted to put in place some relatively short-term financing. We signed a new £100m unsecured 3-year term facility plus two 1-year extension options with NatWest in June 2024. This is another example of the excellent support we receive from our relationship lending banks. It increased our available cash and undrawn facilities to £566m at 30 June 2024 (31 December 2023: £480m) in anticipation of the repayment of our £83m fixed rate loan which matures in October 2024. We have applied the £75m 1.36% interest rate swaps to this new term loan bringing the current blended cost to 3.58%. The funds were drawn in July to repay existing revolving credit facilities.

Group debt has increased slightly due mainly to the capital expenditure invested in the portfolio partly offset by the sales of Turnmill and Mallow Street for £77.1m (net). Total borrowing and derivative financial instruments were £1.37bn at 30 June 2024 against £1.36bn as at 31 December 2023. Our £175m convertible bonds mature in June 2025 and we intend to put in place additional borrowings over the next year.

Derwent London remains in a strong financial position, evidenced by Fitch confirming an unchanged credit rating in May 2024 at BBB+ for the main issuer default rating and A- for our senior unsecured debt rating, both with a stable outlook. As at 30 June 2024, 98% of our debt was at fixed rates or hedged with a weighted average term of 4.5 years, the £550m revolving bank facilities extending to between Q4 2026 and Q4 2027.

EPRA loan-to-value ratio takes account of the property valuation declines plus a 'net payables' amount of £75.6m in addition to net debt. Accordingly, it increased slightly to 29.0% at 30 June 2024 (H1 2023: 25.0% and FY 2023: 27.9%).

Interest costs remained well covered by income in H1 2024 with interest cover, excluding joint ventures, at 3.9 times (FY 2023: 4.1 times) against our covenant of 1.45 times. Including our share of the joint ventures, interest cover was 4.0 times. The weighted average interest cost on a cash basis was 3.15% as at 30 June 2024 (31 December 2023: 3.17%). On an IFRS basis, it was 3.27% against 3.29% at 31 December 2023.

Qualifying expenditure under our Green Finance Framework

Qualifying expenditure as at 30 June 2024 for each Eligible Green Project (EGP) is shown below:

Project	Look back spend £m	Subsequent spend		Cumulative spend £m
		Q4 19 - FY 2023 £	H1 2024 spend £m	
80 Charlotte Street W1	185.6	52.5	0.1	238.2
Soho Place W1	57.5	165.9	0.4	223.8
The Featherstone Building EC1	29.1	68.4	0.8	98.3
25 Baker Street W1	26.5	132.1	60.9	219.5
Network W1	23.8	12.7	13.6	50.1
	322.5	431.6	75.8	829.9

The cumulative qualifying expenditure on EGP's at 30 June 2024 was £829.9m, with £75.8m of this being incurred in H1 2024. 80 Charlotte Street, Soho Place and The Featherstone Building are all completed projects and are fully operational. 25 Baker Street, which commenced on site in 2021, is due to reach practical completion in H1 2025 and Network, which commenced on site in 2022 and was elected as an EGP in 2023, is due to reach practical completion in H2 2025.

At 30 June 2024, total drawn borrowings from Green Financing Transactions were £443.5m. This included £93.5m from the green tranche of the Group's main £450m revolving credit facility plus the £350m Green Bonds.

Dividend

The interim dividend has been increased by 2.0% to 25.0p per share from 24.5p in 2023. It will be paid as a PID on 11 October 2024 to shareholders on the register as at 6 September 2024. The dividend remains well covered by EPRA earnings and the board has also considered our other stakeholder obligations when setting the level.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and have assessed how these risks could best be mitigated, where possible, through a combination of internal controls, risk management and the purchase of insurance cover.

The principal risks and uncertainties facing the Group for the remaining six months of the financial year are set out on the following pages with the potential impact and the mitigating actions and controls in place. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board on 6 August 2024. The Group's approach to the management and mitigation of these risks is included in the 2023 Report & Accounts. The Board has confirmed that its risk appetite and key risk indicators remain appropriate.

During 2024, the Board and Risk Committee identified opportunities to consolidate and simplify the principal risks and uncertainties. As a result, the number of standalone principal risks identified by the Group has reduced from 15 to 10.

Macroeconomics have continued to have a major impact on UK real estate, with the cost of new finance remaining relatively high and property investment yields consequently rising a little further in H1 2024. We anticipate that the risk of falling property values will continue to reduce further during H2 2024.

Refinancing risk has previously been identified as a risk for the Group. Our next refinancing event is the £83m secured loan debt in October 2024. In June 2024, we entered into a £100m unsecured term loan facility to refinance the £83m secured debt.

Investment volumes in the wider market have been low in 2024 to date. Over the last five years to December 2023, we have sold £894.0m of property, primarily focused on smaller non-core buildings where there was limited capacity for extra floor area and amenity. Disposal proceeds have been recycled into our development pipeline. With property values now close to their cyclical lows, limited investment market activity and our EPRA loan-to-value at 29%, our capital strategy may consider additional debt finance as well as the recycling of assets.

Strategic risks

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

Risk, effect and progression

Controls and mitigation

1. Failure to implement the Group's strategy

The Group's success depends on implementing its strategy and responding appropriately to internal and external factors including changing work practices, occupational demand, economic and property cycles.

- The Board maintains a formal schedule of matters which are reserved solely for its approval. These matters include decisions relating to the Group's strategy, capital structure, financing, any major property acquisition or disposal, the risk appetite of the Group and the authorisation of capital expenditure above the delegated authority limits.
- Frequent strategic and financial reviews. An annual strategic review and budget is prepared for Board approval alongside two-year rolling forecasts which are prepared three times a year.
- Assess and monitor the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides resilience against occupier default.
- Maintain income from properties until development commences and have an ongoing strategy to extend income through lease renewals and regears. Developments are de-risked through pre-lets.
- Maintain sufficient headroom for all the key ratios and financial covenants, with a particular focus on interest cover.
- Develop properties in central locations where there is good potential for future demand, such as near the Elizabeth Line. We do not have any properties in the City Core or Docklands.

Financial risks

The main financial risk is that the Group becomes unable to meet its financial obligations. The probability of this occurring is low due to our significant covenant headroom, low leverage, and strong credit metrics. Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Risk, effect and progression

Controls and mitigation

2. Refinancing risks

The risk that the Group's is unable to raise finance in a cost-effective manner that optimises the capital structure of the Group.

Gradual rise in interest costs incurred as debt refinanced over the next few years, with a consequent impact on earnings and interest cover.

- £100m term loan arranged in June 2024 at competitive margin.
- Early and frequent engagement with existing and potential lenders to maintain long-term relationships.
- Preparation of five-year cash flow and annual budgets enable the Group to raise finance in advance of requirements.
- The Group's financial position is reviewed at each Executive Committee and Board meeting with update on leverage metrics and capital markets from the CFO.
- Annual review with credit rating agency and low leverage tolerance.
- Regular updates with our advisers to understand debt market trends. This includes looking at new forms of debt, considering whether security should be offered and the appropriate term.
- Recycling of capital is a key assumption in our annual budget and is updated in each rolling forecast.

3. Income decline

The risk that the Group's income declines due to external factors which are outside of its control, such as:

- macroeconomic factors;
- recession;
- demand for office space;
- the 'grey' market in office space (i.e occupier controlled vacant space); and
- occupier default or failure.

Adverse macroeconomic conditions could lead to a general property market contraction, a decline in rental values and Group income, which could impact on property valuation yields. In the event of occupier default, we could incur impairments and write-offs of IFRS 16 lease incentive receivable balances (which arise from the accounting requirement to spread any rent-free incentives given to an occupier over the respective lease term), in addition to a loss of rental income.

- The Credit Committee, chaired by the CEO or CFO, conducts detailed reviews of all prospective occupiers and monitors the financial strength of our existing occupiers.
- The Group maintains a diverse range of occupiers. We focus on letting our buildings to large and established businesses (headquarter spaces) where the risk of default is lower, rather than SMEs.
- A 'tenants on watch' register is maintained and regularly reviewed by the Executive Directors and the Board.
- Ongoing dialogue is maintained with occupiers to understand their concerns, requirements and future plans.
- Active in-house rent collection, with regular reports to the Executive Directors on day 1, 7, 14 and 21 of each rent collection cycle.
- The Group's low loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity.
- Regular review of the lease expiry profile.
- Rent deposits are held where considered appropriate.

4. Fall in property values

The potential adverse impact of the economic and political environment on property yields could give rise to a risk of a fall in property values.

A fall in property values will have an impact on the Group's net asset value and gearing levels.

- Property yields have risen significantly over the past 24 months and are now expected to be close to their cyclical peak.
- The Group's mainly unsecured financing makes management of our financial covenants more straightforward.
- The Group's low loan-to-value ratio and high interest cover ratio reduces the likelihood that falls in property values have a significant impact on our business continuity.
- The impact of valuation yield changes is considered when potential projects are appraised.
- The impact of valuation yield changes on the Group's financial covenants and performance is monitored regularly and subject to sensitivity analysis to ensure that adequate headroom is preserved.
- The Group produced a budget, five-year strategic review and three rolling forecasts during the year which contain detailed sensitivity analysis, including the effect of changes to valuation yields.

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. Reduced development returns

Returns from the Group's developments may be adversely impacted due to:

- increased construction costs and interest rates;
- labour and material shortages;
- movement in yields;
- contractor or subcontractor default;
- delays on delivery due to poor contractor performance;
- unexpected 'on-site' issues;
- adverse letting conditions; and
- other factors outside our control.

Any significant delay in completing the development projects may result in financial penalties or a reduction in the Group's targeted financial returns a deferral of rental income.

- We use known 'Tier 1' contractors with whom we have established working relationships and regularly work with tried and tested sub-contractors.
- Prior to construction beginning on site, we conduct thorough site investigations and surveys to reduce the risk of unidentified issues, including investigating the building's history and adjacent buildings/sites.
- Adequately appraise investments, including through: (a) the benchmarking of development costs; and (b) following a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors.
- Contractors are paid promptly and are encouraged to pay subcontractors promptly. Payments to contractors are in place to incentivise the achievement of project timescales, with damages agreed in the event of delay/cost overruns.
- Regular on-site supervision by a dedicated Project Manager who monitors contractor performance and identifies problems at an early stage, thereby enabling remedial action to be taken.
- 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.

6. Cyber-attack on our IT systems

The Group may be subject to a cyber attack that results in it being unable to use its information systems and/or losing data.

Such an attack could severely restrict the ability of the Group to operate, lead to an increase in costs and/or require a significant diversion of management time.

- The Group's Business Continuity Plan and cyber security incident response procedures are regularly reviewed and tested.
- Independent internal and external penetration/vulnerability tests are regularly conducted to assess the effectiveness of the Group's security.
- Multi-Factor Authentication is in place for access to our systems.
- The Group's data is regularly backed up and replicated off-site.
- Our IT systems are protected by anti-virus software, 24/7/365 threat hunting, security incident detection and response, security anomaly detection and firewalls that are frequently updated.
- Frequent staff awareness and training programmes.
- Security measures are regularly reviewed by the DIT team.

7. Cyber-attack on our buildings

The Group is exposed to cyber attacks on its properties which may result in data breaches or significant disruption to IT-enabled occupier services.

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

- The Group's cyber security incident response procedures are regularly reviewed and tested.
- Physical segregation between the building's core IT infrastructure and occupiers' corporate IT networks.
- Physical segregation of IT infrastructure between buildings across the portfolio.
- Frequent staff awareness and training programmes. Building Managers are included in any cyber security awareness training and phishing simulations.
- Our IT systems are protected by anti-virus software, 24/7/365 threat hunting, security incident detection and response, security anomaly detection and firewalls that are frequently updated.
- A vulnerability management program is in place.

8. Our resilience to climate change

If the Group fails to respond appropriately, and sufficiently, to climate-related risks or fails to benefit from the potential opportunities.

This could lead to reputational damage, loss of income and/or property values. In addition, there is a risk that the cost of construction materials and providing energy, water and other services to occupiers will rise.

- Our SBTi targets are aligned to a challenging 1.5°C climate scenario in line with our net zero carbon ambition.
- We are progressing the construction of a 18.4 MW solar park at Lochfaulds (Scotland), with delivery anticipated in 2026.
- The Board and Executive Directors receive regular updates and presentations on environmental and sustainability performance and management matters, as well as progress against our pathway to becoming net zero carbon by 2030.
- Undertake periodic multi-scenario climate risk assessments (physical and transition risks) to identify risks and agree mitigation plans.
- Production of an annual Responsibility Report with key data and performance points which are internally reviewed and externally assured.

9. Health and safety (H&S)

A major incident occurs at a managed property or development scheme which leads to significant injuries, harm, or fatal consequences.

A major health and safety incident could cause loss of life, life-changing injuries, significant business interruption, Company or Director fines or imprisonment, reputational damage, and/or loss of our licences to operate.

- Relevant and effective health, safety, and fire management policies and procedures.
- The Group has a competent and qualified (CMIOSH x3) H&S team, whose performance is monitored and reviewed by the CEO, and the H&S and Risk Committees.
- The H&S competence of our main contractors and service partners is verified by the H&S team prior to their appointment.
- Our main contractors must submit suitable Construction Phase Plans, Site Management and Logistics Plans, and Fire Management Plans, before works commence.
- The H&S team, with the support of external appointments and audits, ensure our Construction (Design and Management) (CDM) client duties are executed and monitored on a monthly basis.
- The Board, Risk Committee and Executive Directors receive frequent updates and presentations on key H&S matters, including 'Significant Incidents', legislation updates, and H&S Performance trends across the development and managed portfolio.

10. Non-compliance with law and regulations

The Group breaches any of the legislation that forms the regulatory framework within which the Group operates.

The Group's cost base could increase and management time could be diverted. This could lead to damage to our reputation and/or loss of our licence to operate.

- The Board 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, if required.
- Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs).
- A Group whistleblowing system ('Speak-up') for staff is maintained to report wrongdoing anonymously.
- Ongoing staff training and awareness programmes.
- Group policies and procedures dealing with all key legislation are available on the Group's intranet.
- Quarterly review of our anti-bribery and corruption procedures by the Risk Committee.

11. 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. Largely due to decrease in property valuations, the Group's EPRA loan-to-value ratio has increased to 29.0% as at 30 June 2024.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, accrued income arising from the spreading of lease incentives, cash at bank, trade and other payables, floating rate bank loans, fixed rate loans and private placement notes, secured and unsecured bonds and interest rate swaps.

General objectives, policies and processes

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from lease contracts in relation to its property portfolio. It is Group policy to assess the credit risk of new tenants before entering into such contracts. The Board has a Credit Committee which assesses each new tenant before a new lease is signed. The review includes the latest sets of financial statements, external ratings when available and, in some cases, forecast information and bank or trade references. The covenant strength of each tenant is determined based on this review and, if appropriate, a deposit or a guarantee is obtained. The Committee also reviews existing tenant covenants from time to time.

Impairment calculations have been carried out on trade receivables and lease incentive receivables, applying IFRS 9 and IAS 36, respectively. In addition, the Credit Committee has reviewed its register of tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA and the top 50 tenants by size with the remaining occupiers considered on a sector-by-sector basis.

As the Group operates predominantly in central London, it is subject to some geographical concentration risk. However, this is mitigated by the wide range of tenants from a broad spectrum of business sectors.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time.

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

Market risk

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

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), it 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 2024, the proportion of fixed debt held by the Group was above this range at 98% (31 December 2023: 98%). During both 2024 and 2023, 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 two-year projections of cash flow and loan balances on a regular basis as part of the Group's forecasting processes. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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

Capital disclosures

The Group's capital comprises all components of equity (share capital, share premium, other reserves and retained earnings).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern so that it can continue to provide above average long-term returns for shareholders and support for its other stakeholders; and
- to provide an above average annualised total return to shareholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders subject to the rules imposed by its REIT status. It may also seek to redeem bonds, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and loan-to-value ratio. During 2024, the Group's strategy, which was unchanged from 2023, was to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the interest cover ratio and net debt to EBITDA, are defined in the list of definitions at the end of this announcement and are derived in note 25.

The Group is also required to ensure that it has sufficient property assets which are not subject to fixed or floating charges or other encumbrances. Most of the Group's debt is unsecured and, accordingly, there was £4.2bn of uncharged property as at 30 June 2024.

Statement of Directors' responsibilities

The Directors' confirm that, to the best of their knowledge, these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report.

The Directors are listed in the Derwent London plc Annual Report of 31 December 2023 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

7 August 2024

GROUP CONDENSED INCOME STATEMENT

	Note	Half year to 30.06.2024 Unaudited £m	Half year to 30.06.2023 Unaudited £m	Year to 31.12.2023 Audited £m
Gross property and other income	5	139.9	133.3	265.9
Net property and other income	5	97.7	93.3	190.5
Administrative expenses		(19.8)	(19.2)	(39.1)
Revaluation deficit	11	(87.2)	(196.7)	(581.5)
Profit on disposal	6	1.5	1.2	1.2
Loss from operations		(7.8)	(121.4)	(428.9)
Finance income	7	0.2	0.7	0.9
Finance costs	7	(19.8)	(20.3)	(40.4)
Movement in fair value of derivative financial instruments		(0.9)	0.7	(2.1)
Financial derivative termination income	8	-	1.0	1.8
Share of results of joint ventures	9	1.1	(3.8)	(7.2)
Loss before tax		(27.2)	(143.1)	(475.9)
Tax charge	10	(0.3)	(0.1)	(0.5)
		(27.5)	(143.2)	(476.4)
Basic earnings per share	24	(24.50p)	(127.53p)	(424.25p)
Diluted earnings per share	24	(24.50p)	(127.53p)	(424.25p)

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		Half year to 30.06.2024 Unaudited £m	Half year to 30.06.2023 Unaudited £m	Year to 31.12.2023 Audited £m
Loss for the period		(27.5)	(143.2)	(476.4)
Actuarial loss on defined benefit pension scheme		-	(0.3)	(0.7)
Revaluation deficit of owner-occupied property	11	(2.0)	(2.6)	(3.9)
Deferred tax credit on revaluation	20	0.5	0.6	1.0
Other comprehensive expense that will not be reclassified to profit or loss		(1.5)	(2.3)	(3.6)
Total comprehensive expense relating to the period		(29.0)	(145.5)	(480.0)

GROUP CONDENSED BALANCE SHEET

	Note	30.06.2024 Unaudited £m	30.06.2023 Unaudited £m	31.12.2023 Audited £m
Non-current assets				
Investment property	11	4,471.1	4,852.1	4,551.4
Property, plant and equipment	12	47.5	51.4	49.9
Investments	14	36.9	39.2	35.8
Derivative financial instruments	18	-	5.7	2.9
Deferred tax	20	0.1	-	-
Pension scheme surplus		2.0	1.0	2.0
Other receivables	15	199.6	196.4	201.0
		4,757.2	5,145.8	4,843.0
Current assets				
Trading property	11	82.3	46.5	60.0
Trading stock	13	13.0	4.2	8.9
Trade and other receivables	16	51.5	51.3	42.7
Derivative financial instruments	18	2.0	-	-
Corporation tax asset		0.4	0.4	0.4
Cash and cash equivalents	22	83.2	98.4	73.0
		232.4	200.8	185.0
Total assets		4,989.6	5,346.6	5,028.0
Current liabilities				
Borrowings	18	276.1	20.0	102.9
Leasehold liabilities	18	0.4	0.4	0.4
Trade and other payables	17	178.6	164.0	148.0
Provisions		0.1	0.1	0.1
		455.2	184.5	251.4
Non-current liabilities				
Borrowings	18	1,080.6	1,258.3	1,233.2
Leasehold liabilities	18	34.0	34.4	34.2
Provisions		0.3	0.1	0.3
Deferred tax	20	-	0.1	0.1
		1,114.9	1,292.9	1,267.8
Total liabilities		1,570.1	1,477.4	1,519.2
Total net assets		3,419.5	3,869.2	3,508.8
Equity				
Share capital		5.6	5.6	5.6
Share premium		196.6	196.6	196.6
Other reserves		937.9	938.6	939.3
Retained earnings		2,279.4	2,728.4	2,367.3
Total equity		3,419.5	3,869.2	3,508.8

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders				Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	
At 1 January 2024	5.6	196.6	939.3	2,367.3	3,508.8
Loss for the period	-	-	-	(27.5)	(27.5)
Other comprehensive expense	-	-	(1.5)	-	(1.5)
Share-based payments	-	-	0.1	1.3	1.4
Dividends paid	-	-	-	(61.7)	(61.7)
At 30 June 2024 (unaudited)	5.6	196.6	937.9	2,279.4	3,419.5
At 1 January 2023	5.6	196.6	941.9	2,931.4	4,075.5
Loss for the period	-	-	-	(143.2)	(143.2)
Other comprehensive expense	-	-	(2.0)	(0.3)	(2.3)
Share-based payments	-	-	(1.3)	1.7	0.4
Dividends paid	-	-	-	(61.2)	(61.2)
At 30 June 2023 (unaudited)	5.6	196.6	938.6	2,728.4	3,869.2
At 1 January 2023	5.6	196.6	941.9	2,931.4	4,075.5
Loss for the year	-	-	-	(476.4)	(476.4)
Other comprehensive expense	-	-	(2.9)	(0.7)	(3.6)
Share-based payments	-	-	0.3	1.7	2.0
Dividends paid	-	-	-	(88.7)	(88.7)
At 31 December 2023 (audited)	5.6	196.6	939.3	2,367.3	3,508.8

GROUP CONDENSED CASH FLOW STATEMENT

		Half year to 30.06.2024 Unaudited	Half year to 30.06.2023 Unaudited Restated ¹	Year to 31.12.2023 Audited
	Note	£m	£m	£m
Operating activities				
Cash generated from operations	19	58.7	59.7	135.3
Interest received		0.2	0.7	0.8
Interest and other finance costs paid		(15.5)	(15.7)	(38.1)
Distributions from joint ventures		-	0.4	0.3
Tax paid in respect of operating activities		-	(1.3)	(1.3)
Net cash from operating activities		43.4	43.8	97.0
Investing activities				
Acquisition of properties		-	(0.9)	(3.8)
Capital expenditure ²		(67.5)	(51.9)	(151.5)
Disposal of investment properties		73.0	65.2	65.4
Repayment of joint venture loans		-	0.7	0.6
Purchase of property, plant and equipment		(0.2)	(0.4)	(0.7)
VAT movement		1.7	(4.6)	(8.0)
Net cash from/(used in) investing activities		7.0	8.1	(98.0)
Financing activities				
Net movement in revolving bank loans		19.3	27.5	84.0
Proceeds from other loan		-	0.3	0.3
Financial derivative termination income	8	-	1.0	1.8
Dividends paid	21	(59.5)	(58.9)	(88.7)
Net cash used in financing activities		(40.2)	(30.1)	(2.6)
Increase/(decrease) in cash and cash equivalents in the period		10.2	21.8	(3.6)
Cash and cash equivalents at the beginning of the period		73.0	76.6	76.6
Cash and cash equivalents at the end of the period	22	83.2	98.4	73.0

¹ Figures for the prior period ended 30 June 2023 have been restated for changes in accounting policies. See note 2 for additional information.

² Finance costs of £5.0m (half year to 30 June 2023: £2.7m; year to 31 December 2023: £6.5m) have been included in capital expenditure (see note 7).

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information for the half year to 30 June 2024 and the half year to 30 June 2023 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 2023 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 2023 have been delivered to the Registrar of Companies. The Auditors' report on those accounts was unmodified, did not draw attention to any matters by way of an emphasis of matter and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information in these condensed consolidated interim financial statements is that of the holding company and all of its subsidiaries (the 'Group') together with the Group's share of its joint ventures. The Group's condensed consolidated interim financial statements have been prepared in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and should be read in conjunction with the Annual Report and Accounts for the year to 31 December 2023, which have been prepared in accordance with UK-adopted International Accounting Standards, (the 'applicable framework'), and with the provisions of the Companies Act 2006 (the 'applicable legal requirements'). The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, the revaluation of property, plant and equipment, assets held for sale, pension scheme, and financial assets and liabilities held at fair value.

As with most other UK property companies and real estate investment trusts ('REITs'), the Group presents many of its financial measures in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA'). These measures, which provide consistency across the sector, are all derived from the IFRS figures in note 24.

Going concern

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

- The Group's latest rolling forecast for the period to 31 December 2025, in particular the cash flows, borrowings, undrawn facilities, including the severe but plausible downside case.
- The headroom under the Group's financial covenants.
- The risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the 12 months following approval of these interim financial statements.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Directors have considered the relatively long-term and predictable nature of the income receivable under the tenant leases, the Group's EPRA loan-to-value ratio of 29.0%, the interest cover ratio of 398%, the £566m total of undrawn facilities and unrestricted cash and the fact that the average maturity of borrowings was 4.5 years at 30 June 2024. The impact of the current economic situation, interest rates and cost inflation on the business and its occupiers have been considered. The likely impact of climate change has been incorporated into the Group's forecasts which have also taken account of a programme of EPC upgrades across the portfolio. Based on the Group's forecasts, rental income would need to decline by 63% and property values would need to fall by 52% before breaching its financial covenants.

The £83m fixed rate loan and the £175m unsecured convertible bond, which mature in October 2024 and June 2025, respectively, are current liabilities and therefore the Group is in a net current liabilities position. However, as noted above, the Group has access to £566m of available undrawn facilities and cash to meet all current liabilities as they fall due. Included in this balance is a £100m unsecured term loan facility which was signed on 24 June 2024.

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

Having due regard to these matters and after making appropriate enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these condensed consolidated interim financial statements and, therefore, the Directors continue 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 2023, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

New standards adopted during the period

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

IAS 1 (amended) – Classification of liabilities as current or non-current, Non-current Liabilities with Covenants;
IAS 7 (amended) – Statement of Cash Flows;
IFRS 7 (amended) – Supplier Finance Arrangements;
IFRS 16 (amended) – Lease Liability in a Sale and Leaseback.

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, with the exception of IFRS 18 where the Directors are assessing its potential impact.

IAS 21 (amended) – The Effects of Changes in Foreign Exchange rates;
IFRS 7 and IFRS 9 (amended) – Classification and Measurement of Financial Instruments;
IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture;
IFRS 18 – Presentation and Disclosure in Financial Statements';
IFRS 19 – Subsidiaries without Public Accountability: Disclosures.

Restatement – Presentation of the Statement of Cash Flows – Change from the direct method to the indirect method

In December 2023, the Group made a voluntary change to its accounting policy in relation to the presentation of the cash flow statement and, as a result, the operating cash flows are presented using the 'indirect' method as set out in IAS 7 Statement of Cash Flows. The alternative presentation allowed under IAS 7 known as the 'direct' method was used previously.

The indirect method contains a number of adjustments including non-cash items included within the income statement and also sets out the main working capital movements. As a result, it provides a clearer understanding of the linkages between the profit/loss from operations and the cash flow from operations. It aligns more closely with practice within the real estate industry and provides more relevant information to users of the accounts.

The Group adopted the change in accounting policy and accordingly, the comparative cash flow statement for the period ended 30 June 2023 has been restated as shown in the table below.

	Half year to 30.06.2023 £m		Half year to 30.06.2023 Restated £m
Direct method		Indirect method	
Operating activities		Operating activities	
Rents received	98.5	Cash generated from operations (note 19)	59.7
Surrender premiums and other property income	0.7	Interest received	0.7
Property expenses	(16.9)	Interest and other finance costs paid	(15.7)
Service charge balance inflows	50.3	Distributions from joint ventures	0.4
Service charge balance outflows	(42.9)	Tax paid in respect of operating activities	(1.3)
Tenant deposit inflows	0.7		
Tenant deposit outflows	(1.0)	Net cash from operating activities	43.8
Cash paid to and on behalf of employees	(16.3)		
Other administrative expenses	(5.8)		
Interest received	0.7	Note 19. Cash generated from operations	
Interest paid	(13.8)	Loss from operations	(121.4)
Other finance costs	(1.9)	Adjustment for non-cash items:	
Other income	3.9	Revaluation deficit	196.7
Expenditure on trading properties/stock	(8.6)	Depreciation and amortisation	0.5
Distribution received from joint venture	0.4	Lease incentive/cost spreading	(3.8)
Tax paid in respect of operating activities	(1.3)	Share based payments	0.9
VAT movement	(2.9)	Ground rent adjustment	0.2
Net cash from operating activities	43.8		
		Adjustment for other items:	
		Profit on disposal	(1.2)
		Changes in working capital:	
		Increase in receivables balance	(11.7)
		Increase in payables balance	8.5
		Increase in trading property and trading stock	(9.0)
		Cash generated from operations	59.7

3. Significant judgments, key assumptions and estimates

The preparation of financial statements in accordance with the applicable framework requires the use of certain significant accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on these condensed financial statements.

Key sources of estimation uncertainty

Property portfolio valuation

The Group uses the valuation carried out by external valuers as the fair value of its property portfolio. The valuation considers a range of assumptions including future rental income, investment yields, anticipated outgoings and maintenance costs, future development expenditure and appropriate discount rates. The external valuers also make reference to market evidence of transaction prices for similar properties and take into account the impact of climate change and related Environmental, Social and Governance considerations. More information is provided in note 11, including sensitivity disclosures.

Other areas of estimation

Impairment testing of trade receivables and other financial assets

Trade receivables and accrued rental income recognised in advance of receipt are subject to impairment testing under IFRS 9 and IAS 36, respectively. This accrued rental income arises due to the spreading of rent-free and reduced rent periods, capital contributions and contracted rent uplifts in accordance with IFRS 16 Leases.

Impairment testing of trade receivables and other financial assets is no longer considered a key source of estimation uncertainty as the Group no longer deems that the inherent uncertainty is likely to have a material impact within the next 12 months. Accordingly, the associated sensitivities and balances have not been disclosed.

Due to their size, the lease incentive receivables (non-current) of £172.3m and lease incentive receivables (current) of £20.9m, net of impairments, remain an area of estimation uncertainty for the Group.

Significant judgments

As a REIT, the Group benefits from tax advantages. Income and chargeable gains on the qualifying property rental business are exempt from corporation tax. Income that does not qualify as property income within the REIT rules is subject to corporation tax in the normal way. There are a number of tests that are applied annually, and in relation to forecasts, to ensure the Group remains well within the limits allowed within those tests.

The Group met all the criteria with a substantial margin in each case, thereby ensuring its REIT status is maintained. The Directors intend that the Group should continue as a REIT for the foreseeable future.

In July 2023, it was confirmed that the Group has maintained its low risk rating with HMRC following continued regular dialogue and a focus on transparency and full disclosure.

4. Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case are the four executive Directors assisted by the other twelve members of the Executive Committee) in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA Earnings and Net Asset Value metrics. Reconciliations of each of these figures to their statutory equivalents are detailed in note 24. 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 96% office buildings* in central London by value (30 June 2023: 97%; 31 December 2023: 96%). The Directors consider that these individual properties have similar economic characteristics and therefore have been aggregated into a single operating segment. The remaining 4% (30 June 2023: 3%; 31 December 2023: 4%) represented a mixture of retail, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

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

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

Gross property income

	Office buildings £m	Other £m	Total £m
Half year to 30 June 2024			
West End central	62.3	1.1	63.4
West End borders/other	8.4	-	8.4
City borders	33.2	0.4	33.6
Provincial	-	2.4	2.4
Gross property income (excl. joint venture)	103.9	3.9	107.8
Share of joint venture gross property income	1.2	-	1.2
Total	105.1	3.9	109.0
Half year to 30 June 2023			
West End central	61.2	0.8	62.0
West End borders/other	9.0	-	9.0
City borders	32.5	0.2	32.7
Provincial	-	2.2	2.2
Gross property income (excl. joint venture)	102.7	3.2	105.9
Share of joint venture gross property income	1.1	-	1.1
Total	103.8	3.2	107.0
Year to 31 December 2023			
West End central	123.7	1.7	125.4
West End borders/other	17.3	-	17.3
City borders	65.2	0.5	65.7
Provincial	-	4.5	4.5
Gross property income (excl. joint venture)	206.2	6.7	212.9
Share of joint venture gross property income	2.2	-	2.2
Total	208.4	6.7	215.1

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 2024						
West End central	2,959.4	123.8	3,083.2	3,088.9	129.2	3,218.1
West End borders/other	292.7	-	292.7	307.0	-	307.0
City borders	1,136.4	6.1	1,142.5	1,168.4	6.1	1,174.5
Provincial	-	79.1	79.1	-	79.7	79.7
Group (excl. joint venture)	4,388.5	209.0	4,597.5	4,564.3	215.0	4,779.3
Share of joint venture	34.8	-	34.8	34.7	-	34.7
Total	4,423.3	209.0	4,632.3	4,599.0	215.0	4,814.0
30 June 2023						
West End central	3,101.2	84.6	3,185.8	3,219.0	88.7	3,307.7
West End borders/other	331.0	-	331.0	348.9	-	348.9
City borders	1,344.8	7.5	1,352.3	1,382.2	7.5	1,389.7
Provincial	-	76.9	76.9	-	77.4	77.4
Group (excl. joint venture)	4,777.0	169.0	4,946.0	4,950.1	173.6	5,123.7
Share of joint venture	38.1	-	38.1	38.0	-	38.0
Total	4,815.1	169.0	4,984.1	4,988.1	173.6	5,161.7
31 December 2023						
West End central	2,945.4	99.2	3,044.6	3,068.1	109.5	3,177.6
West End borders/other	302.3	-	302.3	318.4	-	318.4
City borders	1,228.8	6.7	1,235.5	1,266.3	6.7	1,273.0
Provincial	-	75.1	75.1	-	75.7	75.7
Group (excl. joint venture)	4,476.5	181.0	4,657.5	4,652.8	191.9	4,844.7
Share of joint venture	34.0	-	34.0	33.8	-	33.8
Total	4,510.5	181.0	4,691.5	4,686.6	191.9	4,878.5

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

5. Property and other income

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Gross rental income	107.5	105.9	212.8
Surrender premiums received	0.2	-	0.1
Other property income	0.1	-	-
Gross property income	107.8	105.9	212.9
Trading property sales proceeds ¹	3.7	-	-
Service charge income ¹	26.0	25.0	48.5
Other income ¹	2.4	2.4	4.5
Gross property and other income	139.9	133.3	265.9
Gross rental income	107.5	105.9	212.8
Movement in impairment of receivables	(0.3)	(1.9)	(2.0)
Movement in impairment of prepayments	(0.1)	-	(0.6)
Service charge income ¹	26.0	25.0	48.5
Service charge expenses	(28.8)	(29.5)	(55.1)
Property costs	(9.3)	(8.6)	(17.4)
Net rental income	95.0	90.9	186.2
Trading property sales proceeds ¹	3.7	-	-
Trading property cost of sales	(3.7)	-	-
Profit on disposal of trading properties	-	-	-
Other property income	0.1	-	-
Other income	2.4	2.4	4.5
Net surrender premiums received	0.2	-	0.1
Dilapidation receipts	-	0.1	0.1
Write-down of trading property	-	(0.1)	(0.4)
Net property and other income	97.7	93.3	190.5

¹ In line with IFRS 15 Revenue from Contracts with Customers, the Group recognised £32.1m (half year to 30 June 2023: £27.4m; year to 31 December 2023: £53.0m) of other income, trading property sales proceeds and service charge income within gross property and other income.

Gross rental income includes £3.8m (half year to 30 June 2023: £3.0m; year to 31 December 2023: £5.9m) relating to rents recognised in advance of cash receipts.

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

6. Profit on disposal

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Investment property			
Gross disposal proceeds	77.9	66.2	66.3
Costs of disposal	(0.8)	(0.6)	(0.7)
Net disposal proceeds	77.1	65.6	65.6
Carrying value	(70.4)	(64.0)	(64.0)
Adjustment for lease costs and rents recognised in advance	(5.2)	(0.4)	(0.4)
Profit on disposal of investment property	1.5	1.2	1.2

Included within gross disposal proceeds is £77.4m relating to the disposal of the Group's freehold interest in Turmill EC1 in June 2024.

7. Finance income and finance costs

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Finance income			
Net interest received on defined benefit pension scheme asset	-	-	(0.1)
Bank interest receivable	(0.1)	(0.7)	(0.8)
Other	(0.1)	-	-
Finance income	(0.2)	(0.7)	(0.9)
Finance costs			
Bank loans	2.1	0.1	1.1
Non-utilisation fees	0.9	1.1	2.2
Unsecured convertible bonds	2.0	2.0	3.9
Unsecured green bonds	3.4	3.3	6.7
Secured bonds	5.7	5.7	11.4
Unsecured private placement notes	7.8	7.8	15.6
Secured loan	1.7	1.7	3.3
Amortisation of issue and arrangement costs	1.3	1.3	2.6
Amortisation of the fair value of the secured bonds	(0.8)	(0.7)	(1.5)
Obligations under headleases	0.6	0.7	1.3
Other	0.1	-	0.3
Gross interest costs	24.8	23.0	46.9
Less: interest capitalised	(5.0)	(2.7)	(6.5)
Finance costs	19.8	20.3	40.4

Finance costs of £5.0m (half year to 30 June 2023: £2.7m; year to 31 December 2023: £6.5m) 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 2024 were £20.6m (half year to 30 June 2023: £18.4m; year to 31 December 2023: £44.6m) of which £5.0m (half year to 30 June 2023: £2.7m; year to 31 December 2023: £6.5m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination income

The Group incurred no costs or income in the half year to 30 June 2024 (half year to 30 June 2023: income of £1.0m; year to 31 December 2023: income of £1.8m) deferring or terminating interest rate swaps.

9. Share of results of joint ventures

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Net property income	1.2	1.1	2.2
Administrative expenses	(0.1)	(0.1)	(0.2)
Revaluation deficit	-	(4.8)	(9.2)
Share of results of joint ventures	1.1	(3.8)	(7.2)

The share of results of joint ventures for the period ended 30 June 2024 includes the Group's 50% share in the Derwent Lazari Baker Street Limited Partnership. See note 14 for further details of the Group's joint ventures.

10. Tax charge

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Deferred tax			
Origination and reversal of temporary differences	0.3	0.1	0.5
Tax charge	0.3	0.1	0.5

In addition to the tax charge of £0.3m (half year to 30 June 2023: charge of £0.1m; year to 31 December 2023: charge of £0.5m) that passed through the Group income statement, a deferred tax credit of £0.5m (half year to 30 June 2023: credit of £0.6m; year to 31 December of 2023: charge of £1.0m) was recognised in the Group statement of comprehensive income. See note 20 for further details.

The effective rate of tax for the half year to 30 June 2024 is lower (half year to 30 June 2023: lower; year to 31 December 2023: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Loss before tax	(27.2)	(143.1)	(475.9)
Expected tax credit based on the standard rate of corporation tax in the UK of 25.00% (2023: 23.50%) ¹	(6.8)	(33.6)	(111.8)
Difference between tax and accounting profit on disposals	(0.4)	(0.3)	6.1
REIT exempt income	(11.3)	(10.1)	(20.8)
Revaluation deficit attributable to REIT properties	22.5	46.9	131.7
Expenses and fair value adjustments not allowable for tax purposes	-	0.9	2.1
Capital allowances	(3.9)	(4.0)	(7.6)
Other differences	0.2	0.3	0.8
Tax on current period's loss	0.3	0.1	0.5
Tax charge	0.3	0.1	0.5

¹ Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 (on 24 May 2021) and include increasing the main rate to 25% effective on or after 1 April 2023. Deferred taxes at the balance sheet date have been measured using the expected enacted tax rate and this is reflected in these financial statements.

11. Property portfolio

Carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner- occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
At 1 January 2024	3,280.5	1,270.9	4,551.4	46.1	-	60.0	4,657.5
Capital expenditure	35.4	38.3	73.7	-	-	25.1	98.8
Interest capitalisation	0.9	3.1	4.0	-	-	0.8	4.8
Additions	36.3	41.4	77.7	-	-	25.9	103.6
Disposals	(69.8)	(0.6)	(70.4)	-	-	(3.6)	(74.0)
Revaluation	(71.4)	(15.8)	(87.2)	(2.0)	-	-	(89.2)
Movement in grossing up of headlease liabilities	-	(0.4)	(0.4)	-	-	-	(0.4)
At 30 June 2024	3,175.6	1,295.5	4,471.1	44.1	-	82.3	4,597.5
At 1 January 2023	3,700.5	1,301.5	5,002.0	50.0	54.2	39.4	5,145.6
Acquisitions	0.6	-	0.6	-	-	-	0.6
Capital expenditure	25.2	28.9	54.1	-	-	6.8	60.9
Interest capitalisation	0.5	1.8	2.3	-	-	0.4	2.7
Additions	26.3	30.7	57.0	-	-	7.2	64.2
Disposals	(7.3)	(2.5)	(9.8)	-	(54.2)	-	(64.0)
Revaluation	(177.6)	(19.1)	(196.7)	(2.6)	-	-	(199.3)
Write-down of trading property	-	-	-	-	-	(0.1)	(0.1)
Movement in grossing up of headlease liabilities	-	(0.4)	(0.4)	-	-	-	(0.4)
At 30 June 2023	3,541.9	1,310.2	4,852.1	47.4	-	46.5	4,946.0
At 1 January 2023	3,700.5	1,301.5	5,002.0	50.0	54.2	39.4	5,145.6
Acquisitions	3.8	-	3.8	-	-	-	3.8
Capital expenditure	59.8	72.5	132.3	-	-	20.0	152.3
Interest capitalisation	1.1	4.2	5.3	-	-	1.0	6.3
Additions	64.7	76.7	141.4	-	-	21.0	162.4
Disposals	(7.3)	(2.5)	(9.8)	-	(54.2)	-	(64.0)
Revaluation	(477.4)	(104.1)	(581.5)	(3.9)	-	-	(585.4)
Write-down of trading property	-	-	-	-	-	(0.4)	(0.4)
Movement in grossing up of headlease liabilities	-	(0.7)	(0.7)	-	-	-	(0.7)
At 31 December 2023	3,280.5	1,270.9	4,551.4	46.1	-	60.0	4,657.5

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 2024						
Fair value	3,340.5	1,307.7	4,648.2	44.1	87.0	4,779.3
Revaluation of trading property	-	-	-	-	(4.7)	(4.7)
Lease incentives and costs included in receivables	(164.9)	(45.3)	(210.2)	-	-	(210.2)
Grossing up of headlease liabilities	-	33.1	33.1	-	-	33.1
Carrying value	3,175.6	1,295.5	4,471.1	44.1	82.3	4,597.5
At 30 June 2023						
Fair value	3,709.4	1,316.8	5,026.2	47.4	50.1	5,123.7
Revaluation of trading property	-	-	-	-	(3.6)	(3.6)
Lease incentives and costs included in receivables	(167.5)	(40.5)	(208.0)	-	-	(208.0)
Grossing up of headlease liabilities	-	33.9	33.9	-	-	33.9
Carrying value	3,541.9	1,310.2	4,852.1	47.4	46.5	4,946.0
At 31 December 2023						
Fair value	3,450.0	1,278.8	4,728.8	46.1	69.8	4,844.7
Revaluation of trading property	-	-	-	-	(9.8)	(9.8)
Lease incentives and costs included in receivables	(169.5)	(41.5)	(211.0)	-	-	(211.0)
Grossing up of headlease liabilities	-	33.6	33.6	-	-	33.6
Carrying value	3,280.5	1,270.9	4,551.4	46.1	60.0	4,657.5

Reconciliation of fair value

	30.06.2024 £m	30.06.2023 £m	31.12.2023 £m
Portfolio including the Group's share of joint ventures	4,814.0	5,161.7	4,878.5
Less: joint ventures	(34.7)	(38.0)	(33.8)
IFRS property portfolio	4,779.3	5,123.7	4,844.7

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2024 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. There were no such instances in the year.

The valuation reports produced by the external valuers are based on information provided by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's financial and property management systems and is subject to the Group's overall control environment. In addition, the valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market related, such as yields and discount rates, and are based on their professional judgement and market observation and take into account the impact of climate change and related Environmental, Social and Governance considerations. Each property is considered a separate asset class based on the unique nature, characteristics and risks of the property.

The external valuations for the entire portfolio at June 2024 were carried out by Knight Frank LLP.

Knight Frank valued the properties at £4,779.3m (30 June 2023: £5,087.0m; 31 December 2023: £4,807.9m) and other valuers at £nil (30 June 2023: £36.7m; 31 December 2023: £36.8m). The combined value was £4,779.3m (30 June 2023: £5,123.7m; 31 December 2023: £4,844.7m). Of the properties revalued, £44.1m (30 June 2023: £47.4m; 31 December 2023: £46.1m) relating to owner-occupied property was included within property, plant and equipment and £87.0m (30 June 2023: £50.1m; 31 December 2023: £69.8m) 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.

Net zero carbon and EPC compliance

The Group published its pathway to net zero carbon in July 2020 and has set 2030 as its target date to achieve this. £75.8m (half year to 30 June 2023: £44.5m; year to 31 December 2023: £102.4m) of eligible 'green' capital expenditure, in accordance with the Group's Green Finance Framework, was incurred in the half year to 30 June 2024 on the major developments at 80 Charlotte Street W1, Soho Place W1, The Featherstone Building EC1, 25 Baker Street W1 and Network W1. In addition, the Group continues to hold carbon credits to support certain externally validated green projects to offset embodied carbon.

To quantify one of the impacts of climate change on the valuation, an independent third-party assessment was carried out in 2021 to estimate the cost of EPC upgrades across the portfolio. Following a review of the latest scope changes in building regulation, subsequent inflation, disposals, and work carried out to date, the estimated amount was £91m at 30 June 2024. Of this amount, a specific deduction of £44m was included in the 30 June 2024 external valuation. In addition, further amounts have been allowed for in the expected costs of future refurbishment projects.

Reconciliation of revaluation deficit

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Total revaluation deficit	(89.8)	(201.5)	(583.3)
Share of joint ventures	-	4.7	9.3
Lease incentives and costs	(4.4)	(2.9)	(5.8)
Trading property revaluation adjustment	5.1	1.0	(5.2)
Other	(0.1)	(0.7)	(0.8)
IFRS revaluation deficit	(89.2)	(199.4)	(585.8)
Reported in the:			
Revaluation deficit	(87.2)	(196.7)	(581.5)
Write-down of trading property	-	(0.1)	(0.4)
Group income statement	(87.2)	(196.8)	(581.9)
Group statement of comprehensive income	(2.0)	(2.6)	(3.9)
	(89.2)	(199.4)	(585.8)

Sensitivity of measurement to variations in the significant unobservable inputs

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Reversionary yield	Decrease	Increase
True equivalent yield	Decrease	Increase

There are inter-relationships between these inputs as they are partially determined by market conditions. An increase in the reversionary yield may accompany an increase in gross ERV and would mitigate its impact on the fair value measurement.

A sensitivity analysis was performed to ascertain the impact on the fair value of a 25 basis point shift in true equivalent yield and a £2.50 psf shift in ERV on the property valuations. The Group believes this captures the range of variations in these key valuation assumptions. The results are shown in the tables below:

	West End central	West End borders/other	City borders	Provincial commercial	Total
True equivalent yield					
+25bp	(4.5%)	(3.6%)	(3.8%)	(2.4%)	(4.2%)
-25bp	5.0%	3.9%	4.1%	2.5%	4.6%
ERV					
+£2.50 psf	3.8%	5.0%	4.5%	17.7%	4.3%
-£2.50 psf	(3.8%)	(5.0%)	(4.5%)	(17.7%)	(4.3%)

12. Property, plant and equipment

	Owner-occupied property £m	Other £m	Total £m
At 1 January 2024	46.1	3.8	49.9
Additions	-	0.1	0.1
Depreciation	-	(0.5)	(0.5)
Revaluation	(2.0)	-	(2.0)
At 30 June 2024	44.1	3.4	47.5
At 1 January 2023	50.0	4.3	54.3
Additions	-	0.2	0.2
Depreciation	-	(0.5)	(0.5)
Revaluation	(2.6)	-	(2.6)
At 30 June 2023	47.4	4.0	51.4
At 1 January 2023	50.0	4.3	54.3
Additions	-	0.6	0.6
Depreciation	-	(1.1)	(1.1)
Revaluation	(3.9)	-	(3.9)
At 31 December 2023	46.1	3.8	49.9
Net book value			
Cost or valuation	44.1	9.3	53.4
Accumulated depreciation	-	(5.9)	(5.9)
At 30 June 2024	44.1	3.4	47.5
Net book value			
Cost or valuation	47.4	8.8	56.2
Accumulated depreciation	-	(4.8)	(4.8)
At 30 June 2023	47.4	4.0	51.4
Net book value			
Cost or valuation	46.1	9.2	55.3
Accumulated depreciation	-	(5.4)	(5.4)
At 31 December 2023	46.1	3.8	49.9

Artwork, which is included within 'Other', is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in December 2021. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3.

13. Trading stock

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
Trading stock	13.0	4.2	8.9
	13.0	4.2	8.9

Trading stock relates to capitalised development expenditure incurred which is due to be transferred under development agreements to a third party upon completion. This has been included in trading stock, as opposed to trading property, as the Group does not have an ownership interest in the property.

14. Investments

The Group has a 50% interest in three joint venture vehicles, Derwent Lazari Baker Street Limited Partnership, Dorrington Derwent Holdings Limited and Primister Limited.

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
At 1 January	35.8	43.9	43.9
Revaluation deficit (see note 9)	-	(4.8)	(9.2)
Other profit from operations (see note 9)	1.1	1.0	2.0
Distributions received	-	(0.3)	(0.3)
Repayment of shareholder loan	-	(0.6)	(0.6)
	36.9	39.2	35.8

The Group's share of its investments in joint ventures is represented by the following amounts in the underlying joint venture entities.

	Joint ventures			Group share		
	30.06.2024	30.06.2023	31.12.2023	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m	£m	£m	£m
At 1 January	67.9	85.0	85.0	33.9	42.5	42.5
Additions	1.7	0.6	1.3	0.8	0.3	0.6
Revaluation	-	(9.5)	(18.4)	-	(4.8)	(9.2)
Movement in headlease liability	0.2	0.2	-	0.1	0.1	-
Non-current assets	69.8	76.3	67.9	34.8	38.1	33.9
Current assets	7.5	5.2	7.2	3.8	2.6	3.6
Current liabilities	(2.9)	(2.5)	(2.8)	(1.4)	(1.3)	(1.4)
Non-current liabilities	(121.0)	(120.9)	(121.0)	(60.5)	(60.4)	(60.5)
Net liabilities	(46.6)	(41.9)	(48.7)	(23.3)	(21.0)	(24.4)
Loans provided to joint ventures				60.2	60.2	60.2
Total investment in joint ventures				36.9	39.2	35.8

15. Other receivables (non-current)

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
Prepayments and accrued income			
Rents recognised in advance	172.3	169.5	173.9
Initial direct letting costs	14.6	14.8	14.5
Other	12.7	12.1	12.6
	199.6	196.4	201.0

Prepayments and accrued income include £172.3m (30 June 2023: £169.5m; 31 December 2023: £173.9m) after impairments relating to rents recognised in advance as a result of spreading tenant lease incentives over the expected terms of their respective leases. This includes rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts. In addition, £14.6m (30 June 2023: £14.8m; 31 December 2023: £14.5m) relates to the spreading effect of the initial direct costs of letting over the same term. Together with £23.3m (30 June 2023: £23.7m; 31 December 2023: £22.6m), which was included as accrued income within trade and other receivables (see note 16), these amounts totalled £210.2m at 30 June 2024 (30 June 2023: £208.0m; 31 December 2023: £211.0m).

Other prepayments represent £12.7m (30 June 2023: £12.1m; 31 December 2023: £12.6m) of costs incurred in relation to Old Street Quarter EC1. This was after a £0.7m (30 June 2023: £nil; 31 December 2023: £0.6m) impairment in accordance with IAS 36 Impairment of Assets. In May 2022, the Group entered into a conditional contract to acquire the freehold of Old Street Quarter island site. The site is being sold by Moorfields Eye Hospital NHS Foundation Trust and UCL, together the Oriel joint initiative ("Oriel"). Completion is subject to Oriel's receipt of final Treasury approval (received in February 2023), delivery by Oriel of a new hospital at St Pancras and subsequent vacant possession of the site, which is anticipated in 2027.

The total movement in tenant lease incentives is shown below:

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
At 1 January	194.1	188.8	188.8
Amounts taken to income statement	3.8	3.0	5.9
Lease incentive reversal	0.1	(0.5)	0.5
Disposal of investment properties	(4.7)	(0.3)	(0.3)
Write off to bad debt	(0.1)	(0.1)	(0.8)
	193.2	190.9	194.1
Amounts included in trade and other receivables (see note 16)	(20.9)	(21.4)	(20.2)
At period end	172.3	169.5	173.9

16. Trade and other receivables

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
Trade receivables	8.7	13.0	10.4
Other receivables	5.7	4.9	2.0
Prepayments	12.8	8.7	6.9
Accrued income			
Rents recognised in advance	20.9	21.4	20.2
Initial direct letting costs	2.4	2.3	2.4
Other	1.0	1.0	0.8
	51.5	51.3	42.7

Trade receivables are split as follows:

less than three months due	8.3	10.5	10.3
between three and six months due	0.2	2.3	0.1
between six and twelve months due	0.2	0.2	-
	8.7	13.0	10.4

Trade receivables are stated net of impairment.

In response to the Group's climate change agenda, costs of £1.3m (30 June 2023: £1.1m; 31 December 2023: £1.1m) were incurred in relation to a c.100 acre, 18.4MW solar park on its Scottish land and have been included within prepayments. Planning consent for this project was received in June 2023.

The Group has £4.7m (30 June 2023: £5.8m; 31 December 2023: £4.6m) of provision for bad debts as shown below. £2.3m has been included in trade receivables, £0.5m in accrued income and £1.9m in prepayments and accrued income within other receivables (non-current). See note 15.

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
Provision for bad debts			
At 1 January	4.6	5.0	5.0
Trade receivables provision	0.3	0.7	0.5
Lease incentive provision	(0.2)	0.5	-
Service charge provision	0.2	0.5	0.7
Released	(0.2)	(0.9)	(1.6)
At period end	4.7	5.8	4.6
The provision for bad debts are split as follows:			
less than three months due	0.9	2.5	0.7
between three and six months due	0.2	0.1	0.3
between six and twelve months due	0.8	0.3	0.8
greater than twelve months due	2.8	2.9	2.8
	4.7	5.8	4.6

17. Trade and other payables

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
Trade payables	8.0	10.2	0.7
Other payables ¹	3.0	1.6	3.6
Other taxes	5.5	5.0	3.3
Accruals	49.7	34.9	30.5
Deferred income	49.5	53.0	50.8
Tenant rent deposits	26.5	27.0	27.0
Service charge balances	36.4	32.3	32.1
	178.6	164.0	148.0

¹ Other payables for the half year ended 30 June 2023 has been re-presented to disaggregate service charge balances and has no impact on the total amount disclosed.

Deferred income primarily related to rents received in advance.

18. Net debt and derivative financial instruments

	30.06.2024		30.06.2023		31.12.2023	
	Book value £m	Fair value £m	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
Other loans	20.0	20.0	20.0	20.0	20.0	20.0
3.99% secured loan 2024	83.0	82.4	-	-	82.9	81.8
1.5% unsecured convertible bonds 2025	173.1	168.2	-	-	-	-
	276.1	270.6	20.0	20.0	102.9	101.8
Non-current liabilities						
1.5% unsecured convertible bonds 2025	-	-	171.1	157.3	172.1	164.7
6.5% secured bonds 2026	179.0	176.5	180.3	172.3	179.6	178.1
1.875% unsecured green bonds 2031	347.0	276.4	346.6	242.9	346.8	279.0
Unsecured private placement notes 2026 - 2034	453.6	391.3	453.3	392.8	453.5	399.0
3.99% secured loan 2024	-	-	82.7	79.5	-	-
Unsecured bank loans	101.0	104.0	24.3	27.5	81.2	84.0
	1,080.6	948.2	1,258.3	1,072.3	1,233.2	1,104.8
Borrowings	1,356.7	1,218.8	1,278.3	1,092.3	1,336.1	1,206.6
Derivative financial instruments expiring in less than one year	(2.0)	(2.0)	-	-	-	-
greater than one year	-	-	(5.7)	(5.7)	(2.9)	(2.9)
Total borrowings and derivative financial instruments	1,354.7	1,216.8	1,272.6	1,086.6	1,333.2	1,203.7
Reconciliation to net debt:						
Borrowings and derivative financial instruments	1,354.7		1,272.6		1,333.2	
Adjustments for:						
Leasehold liabilities	34.4		34.8		34.6	
Derivative financial instruments	2.0		5.7		2.9	
Cash at bank excluding restricted cash (see note 22)	(20.3)		(39.1)		(13.9)	
Net debt	1,370.8		1,274.0		1,356.8	

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 discounting the contractual cash flows by the replacement rate. The replacement rate is the sum of the current underlying Gilt rate plus the market implied margin. These 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 2024 or 2023.

Unsecured bank borrowings are accounted for at amortised costs. At 30 June 2024, there was £104.0m (30 June 2023: £27.5m; 31 December 2023: £84.0m) drawn on the RCFs and the unamortised arrangement fees were £3.0m (30 June 2023: £3.4m; 31 December 2023: £2.8m), resulting in the carrying value being a £101.0m (30 June 2023: £24.1m; 31 December 2023: £81.2m).

Other loans consist of a £20.0m interest-free loan with no fixed repayment date from a third party providing development consultancy services on the residential element of the 25 Baker Street W1 development. The loan will be repaid from the sale proceeds of these residential apartments after completion of the scheme. The agreement provides for a profit share on completion of the sales which, under IFRS 9 Financial Instruments, has been deemed to have a carrying value of £nil at 30 June 2024 (30 June 2023: £nil; 31 December 2023: £nil). The carrying value of the loan at 30 June 2024 was £20.0m (30 June 2023: £20.0m; 31 December 2023: £20.0m).

The 3.99% secured loan 2024 was secured by a fixed charge over £241.4m (30 June 2023: £258.7m; 31 December 2023: £246.6m) of the Group's properties. In addition, the secured bonds 2026 were secured by a floating charge over a number of the Group's subsidiary companies which contained £384.4m (30 June 2023: £420.5m; 31 December 2023: £395.9m) of the Group's properties.

All additional drawings in the period have been made from existing revolving credit facilities, and there are no new debt facilities in the period. The Group continue to maintain significant headroom on all financial covenants.

In June 2024, Derwent London plc signed an agreement for an unsecured term loan facility of £100m. As of 30 June 2024, the Group had not drawn any funds from this facility. The loan is for a three-year term and has two one-year extension options.

19. Cash generated from operations

The cash flow statement has been restated, with operating cash flows now being presented using the 'indirect' method as set out in IAS 7 Statement of Cash Flows. See note 2 Changes in accounting policies for more information.

	Half year to 30.06.2024	Half year to 30.06.2023 Restated ¹	Year to 31.12.2023
	£m	£m	£m
Loss from operations	(7.8)	(121.4)	(428.9)
Adjustment for non-cash items:			
Revaluation deficit	87.2	196.7	581.5
Depreciation and amortisation	0.5	0.5	1.1
Lease incentive/cost spreading	(4.1)	(3.8)	(6.6)
Share based payments	1.6	0.9	2.5
Ground rent adjustment	0.2	0.2	0.3
Adjustment for other items:			
Profit on disposal	(1.5)	(1.2)	(1.2)
Changes in working capital:			
Increase in receivables balance	(3.3)	(11.7)	(3.7)
Increase in payables balance	12.3	8.5	17.5
Increase in trading property and trading stock	(26.4)	(9.0)	(27.2)
Cash generated from operations	58.7	59.7	135.3

¹ Prior year figures have been restated for changes in accounting policies. See note 2 for additional information.

Cash generated from operations included £3.6m cash inflows (half year to 30 June 2023: £nil; year to 31 December 2023: £nil) from disposal of trading property. It also included £17.3m cash outflows (half year to 30 June 2023: £7.1m; year to 31 December 2023: £19.2m) in relation to expenditure on trading properties and £4.9m cash outflows (half year to 30 June 2023: £1.5m; year to 31 December 2023: £5.5m) in relation to expenditure on trading stock.

20. Deferred tax

	Revaluation (deficit)/ surplus £m	Other £m	Total £m
At 1 January 2024	2.8	(2.7)	0.1
Charged to the income statement	-	0.3	0.3
Credited to other comprehensive income	(0.5)	-	(0.5)
At 30 June 2024	2.3	(2.4)	(0.1)
At 1 January 2023	3.7	(3.1)	0.6
Charged to the income statement	0.1	-	0.1
Credited to other comprehensive income	(0.6)	-	(0.6)
At 30 June 2023	3.2	(3.1)	0.1
At 1 January 2023	3.7	(3.1)	0.6
Charged to the income statement	0.1	0.4	0.5
Credited to other comprehensive income	(1.0)	-	(1.0)
At 31 December 2023	2.8	(2.7)	0.1

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

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

21. Dividend

	Payment date	Dividend per share			Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
		PID p	Non- PID p	Total p			
Current period							
2024 interim dividend	11 October 2024	25.00	-	25.00	-	-	
Prior year							
2023 final dividend	31 May 2024	39.00	16.00	55.00	61.7	-	
2023 interim dividend	13 October 2023	24.50	-	24.50	-	27.5	
		63.50	16.00	79.50			
2022 final dividend	2 June 2023	38.50	16.00	54.50	-	61.2	
Dividends as reported in the Group statement of changes in equity					61.7	61.2	
2023 final dividend withholding tax	12 July 2024				(5.9)	-	
2023 interim dividend withholding tax	12 January 2024				3.7	-	
2022 final dividend withholding tax	14 July 2023				-	(6.0)	
2022 interim dividend withholding tax	13 January 2023				-	3.7	
Dividends paid as reported in the Group cash flow statement					59.5	58.9	
						88.7	

22. Cash and cash equivalents

	30.06.2024	30.06.2023	31.12.2023
	£m	£m	£m
Cash at bank	20.3	39.1	13.9
Cash held in restricted accounts			
Tenant rent deposits	26.5	27.0	27.0
Service charge balances	36.4	32.3	32.1
	83.2	98.4	73.0

23. Related party disclosure

There have been no related party transactions during the half year to 30 June 2024 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 2023.

24. 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		
	30.06.2024	30.06.2023	31.12.2023	30.06.2024	30.06.2023	31.12.2023
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	'000	'000	'000	'000	'000	'000
For use in basic measures	112,258	112,291	112,291	112,258	112,291	112,291
Dilutive effect of share-based payments	336	229	243	359	224	257
For use in other diluted measures	112,594	112,520	112,534	112,617	112,515	112,548

The £175m unsecured convertible bonds 2025 ('2025 bonds') have an initial conversion price set at £44.96.

The Group recognises the effect of conversion of the bonds if they are both dilutive and, based on the share price, likely to convert. For both the half years to 30 June 2024 and 2023 and for the year ended 31 December 2023, the Group did not recognise the dilutive impact of the conversion of the 2025 bonds on its earnings per share (EPS) or net asset value (NAV) per share metrics as, based on the share price at the end of each period, the bonds were not expected to convert.

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

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

Earnings and earnings per share

	IFRS £m	Adjustments			EPRA basis £m
		A £m	B £m	C £m	
Half year to 30 June 2024 (unaudited)					
Net property and other income	97.7	-	0.1	-	97.8
Administrative expenses	(19.8)	-	-	-	(19.8)
Revaluation surplus	(87.2)	-	87.2	-	-
Profit on disposal of investments	1.5	(1.5)	-	-	-
Net finance costs	(19.6)	-	-	-	(19.6)
Movement in fair value of derivative financial instruments	(0.9)	-	-	0.9	-
Share of results of joint ventures	1.1	-	-	-	1.1
Loss before tax	(27.2)	(1.5)	87.3	0.9	59.5
Tax charge	(0.3)	-	-	-	(0.3)
(Loss)/earnings attributable to equity shareholders	(27.5)	(1.5)	87.3	0.9	59.2
(Loss)/earnings per share	(24.50p)				52.74p
Diluted (loss)/earnings per share	(24.50p)				52.58p

The diluted loss per share for the period to 30 June 2024 has been restricted to a loss of 24.50p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

Half year to 30 June 2023 (unaudited)					
Net property and other income	93.3	-	0.1	-	93.4
Administrative expenses	(19.2)	-	-	-	(19.2)
Revaluation surplus	(196.7)	-	196.7	-	-
Profit on disposal of investments	1.2	(1.2)	-	-	-
Net finance costs	(19.6)	-	-	-	(19.6)
Movement in fair value of derivative financial instruments	0.7	-	-	(0.7)	-
Financial derivative termination costs	1.0	-	-	(1.0)	-
Share of results of joint ventures	(3.8)	-	4.8	-	1.0
Loss before tax	(143.1)	(1.2)	201.6	(1.7)	55.6
Tax charge	(0.1)	-	0.1	-	-
(Loss)/earnings attributable to equity shareholders	(143.2)	(1.2)	201.7	(1.7)	55.6
(Loss)/earnings per share	(127.53p)				49.51p
Diluted (loss)/earnings per share	(127.53p)				49.41p

The diluted loss per share for the period to 30 June 2023 was restricted to a loss of 127.53p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

	IFRS £m	Adjustments			EPRA basis £m
		A £m	B £m	C £m	
Year to 31 December 2023 (audited)					
Net property and other income	190.5	-	1.0	-	191.5
Administrative expenses	(39.1)	-	-	-	(39.1)
Revaluation surplus	(581.5)	-	581.5	-	-
Profit on disposal of investments	1.2	(1.2)	-	-	-
Net finance costs	(39.5)	-	-	-	(39.5)
Movement in fair value of derivative financial instruments	(2.1)	-	-	2.1	-
Financial derivative termination costs	1.8	-	-	(1.8)	-
Share of results of joint ventures	(7.2)	-	9.2	-	2.0
Loss before tax	(475.9)	(1.2)	591.7	0.3	114.9
Tax charge	(0.5)	-	0.1	-	(0.4)
(Loss)/earnings attributable to equity shareholders	(476.4)	(1.2)	591.8	0.3	114.5
(Loss)/earnings per share	(424.25p)				101.97p
Diluted (loss)/earnings per share	(424.25p)				101.75p

The diluted loss per share for the year to 31 December 2023 was restricted to a loss of 424.25p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

EPRA net asset value metrics

	30.06.2024	30.06.2023	31.12.2023
	Unaudited	Unaudited	Audited
	£m	£m	£m
Net assets attributable to equity shareholders	3,419.5	3,869.2	3,508.8
Adjustments for:			
Revaluation of trading properties	4.7	3.6	9.8
Deferred tax on revaluation surplus ¹	1.2	1.6	1.4
Fair value of derivative financial instruments	(2.0)	(5.7)	(2.9)
Fair value adjustment to secured bonds	4.3	5.8	5.0
EPRA Net Tangible Assets	3,427.7	3,874.5	3,522.1
Per share measure - diluted	3,044p	3,444p	3,129p
Net assets attributable to equity shareholders	3,419.5	3,869.2	3,508.8
Adjustments for:			
Revaluation of trading properties	4.7	3.6	9.8
Fair value adjustment to secured bonds	4.3	5.8	5.0
Mark-to-market of fixed rate debt	141.9	190.6	133.4
Unamortised issue and arrangement costs	(7.0)	(8.8)	(7.4)
EPRA Net Disposal Value	3,563.4	4,060.4	3,649.6
Per share measure - diluted	3,164p	3,609p	3,243p
Net assets attributable to equity shareholders	3,419.5	3,869.2	3,508.8
Adjustments for:			
Revaluation of trading properties	4.7	3.6	9.8
Deferred tax on revaluation surplus	2.3	3.2	2.8
Fair value of derivative financial instruments	(2.0)	(5.7)	(2.9)
Fair value adjustment to secured bonds	4.3	5.8	5.0
Purchasers' costs ²	325.0	348.4	329.4
EPRA Net Reinstatement Value	3,753.8	4,224.5	3,852.9
Per share measure - diluted	3,333p	3,755p	3,423p

¹ Only 50% of the deferred tax on the revaluation surplus is excluded.

² Includes Stamp Duty Land Tax. Total costs assumed to be 6.8% of the portfolio's fair value.

Cost ratios (unaudited)

	Half year to 30.06.2024	Half year to 30.06.2023	Year to 31.12.2023
	£m	£m	£m
Administrative expenses	19.8	19.2	39.1
Write-off/impairment of receivables	0.3	1.9	2.0
Other property costs	8.3	7.4	15.2
Dilapidation receipts	-	(0.1)	(0.1)
Net service charge costs	2.8	4.5	6.6
Service charge costs recovered through rents but not separately invoiced	(0.5)	(0.3)	(0.9)
Management fees received less estimated profit element	(2.4)	(2.4)	(4.5)
Share of joint ventures' expenses	0.2	0.2	0.4
EPRA Costs (including direct vacancy costs) (A)	28.5	30.4	57.8
Direct vacancy costs	(5.2)	(5.9)	(10.4)
EPRA Costs (excluding direct vacancy costs) (B)	23.3	24.5	47.4
Gross rental income	107.5	105.9	212.8
Ground rent	(1.0)	(1.2)	(2.2)
Service charge components of rental income	(0.5)	(0.3)	(0.9)
Share of joint ventures' rental income less ground rent	1.2	1.2	2.4
Adjusted gross rental income (C)	107.2	105.6	212.1
EPRA Cost Ratio (including direct vacancy costs) (A/C)	26.6%	28.8%	27.3%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	21.7%	23.2%	22.3%
In addition to the EPRA Cost Ratios, the Group has calculated an additional cost ratio based on its property portfolio fair value to recognise the 'total return' nature of the Group's activities.			
Property portfolio at fair value (D)	4,779.3	5,123.7	4,844.7
Portfolio cost ratio (A/D) - annualised	1.2%	1.2%	1.2%

In accordance with our accounting policy, the Group has not capitalised any overhead or operating expenses in either the first half of 2024 or the whole of 2023.

Property-related capital expenditure (unaudited)

	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Group (excluding joint ventures)			
Acquisitions	-	0.6	3.8
Development	80.0	51.0	127.3
Investment properties			
Incremental lettable space	0.8	1.7	-
No incremental lettable space	18.0	8.2	25.0
Capitalised interest	4.8	2.7	6.3
Joint ventures (50% share)			
Development	0.8	0.3	0.6
Total capital expenditure	104.4	64.5	163.0
Conversion from accrual to cash basis			
Group (excluding joint ventures)	(18.8)	(4.2)	12.1
Joint ventures (50% share)	(0.1)	0.1	0.1
Total capital expenditure on a cash basis	85.5	60.4	175.2

25. Gearing and interest cover**NAV gearing**

	Note	30.06.2024 £m	30.06.2023 £m	31.12.2023 £m
Net debt	18	1,370.8	1,274.0	1,356.8
Net assets		3,419.5	3,869.2	3,508.8
NAV gearing		40.1%	32.9%	38.7%

Loan-to-value ratio

	Note	30.06.2024 £m	30.06.2023 £m	31.12.2023 £m
Group loan-to-value				
Net debt	18	1,370.8	1,274.0	1,356.8
Fair value adjustment of secured bonds		(4.3)	(5.8)	(5.0)
Unamortised discount on unsecured green bonds		1.4	1.6	1.5
Unamortised issue and arrangement costs		7.0	8.8	7.4
Leasehold liabilities	18	(34.4)	(34.8)	(34.6)
Drawn debt net of cash (A)		1,340.5	1,243.8	1,326.1
Fair value of property portfolio (B)	11	4,779.3	5,123.7	4,844.7
Loan-to-value ratio (A/B)		28.0%	24.3%	27.4%
Proportionally consolidated loan-to-value				
Drawn debt net of cash (A)		1,340.5	1,243.8	1,326.1
Share of cash and cash equivalents in joint ventures		(2.2)	(1.0)	(2.2)
Drawn debt net of cash including Group's share of joint ventures (C)		1,338.3	1,242.8	1,323.9
Fair value of property portfolio (B)		4,779.3	5,123.7	4,844.7
Share of fair value of property portfolio of joint venture		34.7	38.0	33.8
Fair value of property portfolio including Group's share of joint venture (D)		4,814.0	5,161.7	4,878.5
Proportionally consolidated loan-to-value (C/D)		27.8%	24.1%	27.1%
EPRA loan-to-value				
Drawn debt net of cash including Group's share of joint ventures (C)		1,338.3	1,242.8	1,323.9
Debt with equity characteristics		(20.0)	(20.0)	(20.0)
Adjustment for hybrid debt instruments		1.3	2.6	2.0
Net payables adjustment		75.6	65.9	57.2
Adjusted debt (E)		1,395.2	1,291.3	1,363.1
Fair value of property portfolio including Group's share of joint venture (D)		4,814.0	5,161.7	4,878.5
EPRA loan-to-value (E/D)		29.0%	25.0%	27.9%

Net interest cover ratio

	Note	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Group net interest cover ratio				
Net property and other income	5	97.7	93.3	190.5
Adjustments for:				
Other income	5	(2.4)	(2.4)	(4.5)
Other property income	5	(0.1)	-	-
Net surrender premiums	5	(0.2)	-	(0.1)
Write-down of trading property	5	-	0.1	0.4
Adjusted net property income		95.0	91.0	186.3
Finance income	7	(0.2)	(0.7)	(0.9)
Finance costs	7	19.8	20.3	40.4
		19.6	19.6	39.5
Adjustments for:				
Finance income	7	0.2	0.7	0.9
Other finance costs	7	(0.1)	-	(0.3)
Amortisation of fair value adjustment to secured bonds	7	0.8	0.7	1.5
Amortisation of issue and arrangement costs	7	(1.3)	(1.3)	(2.6)
Finance costs capitalised	7	5.0	2.7	6.5
		24.2	22.4	45.5
Net interest cover ratio		393%	406%	409%
Proportionally consolidated net interest cover ratio				
Adjusted net property income		95.0	91.0	186.3
Share of joint ventures' net property income		1.2	1.1	2.2
Adjusted net property income including share of joint ventures		96.2	92.1	188.5
Net interest payable		24.2	22.4	45.5
Proportionally consolidated net interest cover ratio		398%	411%	414%

Net debt to EBITDA

	Note	Half year to 30.06.2024 £m	Half year to 30.06.2023 £m	Year to 31.12.2023 £m
Net debt to EBITDA				
Net debt (A)	18	1,370.8	1,274.0	1,356.8
Loss for the period		(27.5)	(143.2)	(476.4)
Add back: tax charge	10	0.3	0.1	0.5
Loss before tax		(27.2)	(143.1)	(475.9)
Add back: net finance charges	7	19.6	19.6	39.5
Add back: movement in fair value of derivative financial instruments		0.9	(0.7)	2.1
Add back: financial derivative termination income	8	-	(1.0)	(1.8)
		(6.7)	(125.2)	(436.1)
Add back: profit on disposal of investment property	6	(1.5)	(1.2)	(1.2)
Add back: revaluation deficit	11	87.2	196.7	581.5
Add back: share of joint venture revaluation deficit	9	-	-	9.2
Add back: depreciation	12	0.5	0.5	1.1
EBITDA for the period		79.5	70.8	154.5
EBITDA - prior 6 month period		83.7	80.7	n/a
EBITDA - rolling 12 months (B)		163.2	151.5	154.5
Net debt to EBITDA (A/B)		8.4	8.4	8.8

26. Total return

	Half year to 30.06.2024 p	Half year to 30.06.2023 p	Year to 31.12.2023 p
EPRA Net Tangible Assets on a diluted basis			
At end of period	3,044	3,444	3,129
At start of period	(3,129)	(3,632)	(3,632)
Decrease	(85)	(188)	(503)
Dividend per share	55	55	79
Decrease adding back dividend	(30)	(133)	(424)
Total return	(1.0%)	(3.7%)	(11.7%)

27. List of definitions

Better Buildings Partnership (BBP)

The BBP is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of existing commercial building stock.

Building Research Establishment Environmental Assessment Method (BREEAM)

An environmental impact assessment method for non-domestic buildings. Performance is measured across a series of ratings; Good, Very Good, Excellent and Outstanding.

Capital return

The annual valuation movement arising on the Group's portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure.

Company Voluntary Arrangement (CVA)

An insolvency procedure allowing a company with debt problems or that is insolvent to reach a voluntary agreement with its creditors to repay its debt over a fixed period.

Diluted figures

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

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Earnings/earnings per share (EPS)

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

Energy Performance Certificate (EPC)

An EPC is an asset rating detailing how energy efficient a building is, rated by carbon dioxide emission on a scale of A-G, where an A rating is the most energy efficient. They are legally required for any building that is to be put on the market for sale or rent.

Estimated rental value (ERV)

This is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

European Public Real Estate Association (EPRA)

A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA's Best Practices Recommendations includes guidelines for the calculation of the following performance measures which the Group has adopted.

- EPRA Earnings Per Share

Earnings from operational activities.

- EPRA loan-to-value ratio (LTV)

Debt divided by the property value. Debt is equal to drawn facilities less cash, adjusted for debt with equity characteristics, adding back the equity portion of hybrid debt instruments and including net payables if applicable. Property value is equal to the fair value of the property portfolio including net receivables if applicable.

- EPRA Net Reinstatement Value (NRV) per share

NAV adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

- EPRA Net Tangible Assets (NTA) per share

Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

- EPRA Net Disposal Value (NDV) per share

Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

- **EPRA capital expenditure**

The total expenditure incurred on the acquisition, enhancement, and development of investment properties. This can include amounts spent on any investment properties under construction or related development projects, as well as the amounts spent on the completed (operational) investment property portfolio. Capitalised finance costs included in the financial statements are also presented within this total. The costs are presented on both an accrual and a cash basis, for both the Group and the proportionate share of joint ventures.

- **EPRA Cost Ratio (including direct vacancy costs)**

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

- **EPRA Cost Ratio (excluding direct vacancy costs)**

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

- **EPRA Net Initial Yield (NIY)**

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

- **EPRA 'topped-up' Net Initial Yield**

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

- **EPRA Vacancy Rate**

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

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

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

Fair value adjustment

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

Ground rent

The rent payable by the Group for its leasehold properties. Under IFRS, a liability is recognised using the discounted payments due. Fixed lease payments made are allocated between the interest payable and the reduction in the outstanding liability. Any variable payments are recognised in the income statement in the period to which it relates.

Headroom

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

Interest rate swap

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

Key Performance Indicators (KPIs)

Activities and behaviours, aligned to both business objectives and individual goals, against which the performance of the Group is annually assessed.

Lease incentives

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

Loan-to-value ratio (LTV)

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

Mark-to-market

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

MSCI Inc. (MSCI IPD)

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

National Australian Built Environment Rating System (NABERS)

This is a building performance rating system, introduced into the UK, which provides an energy performance benchmark using a simple star rating system on a 1-6 scale. This helps property owners understand and communicate a building's performance versus other similar buildings to occupiers. Ratings are validated on an annual basis.

NAV gearing

Net debt divided by net assets.

Net assets per share or net asset value (NAV)

Equity shareholders' funds divided by the number of ordinary shares in issue at the balance sheet date.

Net debt

Borrowings plus bank overdraft less unrestricted cash and cash equivalents.

Net debt to EBITDA

Net Debt to EBITDA is the ratio of gross debt less unrestricted cash to earnings before interest, tax, depreciation and amortisation (EBITDA).

Net interest cover ratio

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

Property income distribution (PID)

Dividends from profits of the Group's tax-exempt property rental business under the REIT regulations.

Non-PID

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

Real Estate Investment Trust (REIT)

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

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

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

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

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

Rent reviews

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

Reversion

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

Scrip dividend

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

Task Force on Climate-related Financial Disclosures (TCFD)

Set up by the Financial Stability Board (FSB) in response to the G20 Finance Ministers and Central Bank Governors request for greater levels of decision-useful, climate-related information; the TCFD was asked to develop climate-related disclosures that could promote more informed investment, credit (or lending), and insurance underwriting decisions. In turn, this would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

'Topped-up' rent

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

Total property return (TPR)

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

Total return

The movement in EPRA Net Tangible Assets per share on a diluted basis between the beginning and the end of each financial period plus the dividend per share paid during the period expressed as a percentage of the EPRA Net Tangible Assets per share on a diluted basis at the beginning of the year.

Total shareholder return (TSR)

The growth in the ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the period, expressed as a percentage of the share price at the beginning of the year.

Transmission and distribution (T&D)

The emissions associated with the transmission and distribution losses in the grid from the transportation of electricity from its generation source.

Underlying portfolio

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

Underlying valuation increase

The valuation increase on the underlying portfolio.

Yields**- Net initial yield**

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

- Reversionary yield

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

- True equivalent yield

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

- Yield shift

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

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

Independent review report to Derwent London plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Derwent London plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results 2024 Announcement of Derwent London plc for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Group Condensed Balance Sheet as at 30 June 2024;
- 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 2024 Announcement of Derwent London plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). 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 2024 Announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results 2024 Announcement, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Results 2024 Announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results 2024 Announcement, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results 2024 Announcement based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

7 August 2024

Notes to editors

Derwent London plc

Derwent London plc owns 63 buildings in a commercial real estate portfolio predominantly in central London valued at £4.8 billion as at 30 June 2024, making it the largest London office-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via redevelopment or refurbishment, effective asset management and capital recycling. We typically acquire central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or the Tech Belt. We capitalise on the unique qualities of each of our properties – taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design. Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

We are frequently recognised in industry awards for the quality, design and innovation of our projects. Landmark buildings in our 5.3 million sq ft portfolio include 1 Soho Place W1, 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

As part of our commitment to lead the industry in mitigating climate change, Derwent London has committed to becoming a net zero carbon business by 2030, publishing its pathway to achieving this goal in July 2020. Our science-based carbon targets validated by the Science Based Targets initiative (SBTi). In 2013 the Company launched a voluntary Community Fund which has to date supported over 160 community projects in the West End and the Tech Belt.

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

For further information see www.derwentlondon.com or follow us on X (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.