DERWENT
LONDON

Derwent London plc
Announcement 2022

DERWENT LONDON

28 February 2023

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022
WELL POSITIONED IN THE CONTINUING FLIGHT TO QUALITY

Paul Williams, Chief Executive of Derwent London, said:

“The £14.7m of lettings we have announced today further demonstrate the depth of demand for our distinctively designed, sustainable offices and we anticipate rental growth accelerating for the best buildings over the medium-term. We have an opportunity-rich pipeline, underpinned by our high quality core portfolio. Our balance sheet remains strong helped by another year of active capital recycling.”

Lettings activity

- 2022 lettings of £9.8m, 13.0% above December 2021 ERV
- 2023 lettings of £14.7m year to date, including:
  - PIMCO – 106,100 sq ft pre-let at 25 Baker Street W1, at rent of £11.0m on a 15-year lease (no breaks)
  - Buro Happold – 31,100 sq ft let at The Featherstone Building EC1, at rent of £2.3m on a 15-year lease with a break at 10

Financial highlights

- EPRA net tangible assets[1] 3,632p per share, down 8.3% from 3,959p at 31 December 2021
- Net rental income of £188.5m, up 6.0% from £177.9m (restated)
- IFRS loss before tax of £279.5m from a profit of £252.5m in 2021
- EPRA earnings £119.7m or 106.6p per share, down 1.8% from 108.5p (restated)
- Full year dividend of 78.5p, up 2.6% from 76.5p
- Total return -6.3% from 5.8% in 2021
- Interest cover of 423%, EPRA loan-to-value ratio of 23.9%
- Net debt of £1,257.2m, broadly unchanged from £1,251.5m
- Undrawn facilities and cash of £577m[2]

Portfolio highlights

- Portfolio valued at £5.36bn, an underlying decline of 6.8% with development valuations up 4.8%
- True equivalent yield of 4.88% compared to 4.50% at December 2021
- Portfolio ERV growth of 1.3%
- Total property return of -3.4% outperforming our benchmark[3] at -8.0%
- £133.0m of property acquisitions and £121.8m[4] of capital expenditure
- £206.4m[5] of disposals, £25.6m above December 2021 book value; further £53.6m sold in 2023
- Development pipeline
  - Three schemes completed in 2022, totalling 450,500 sq ft
  - Two major projects on-site, totalling 435,000 sq ft, due for completion in 2025
- £29.6m of asset management transactions, 5.3% above December 2021 ERV
- EPRA vacancy increased to 6.4% from 1.6% in December 2021; reduces to 5.0% for 2023 lettings to date

Sustainability

- Fully compliant with 2023 EPC legislation; 65.3% compliant with expected 2030 requirements
- Energy intensity reduced 4% to 123 kWh/sqm, ahead of target for third consecutive year

Outlook

- Our guidance is for average ERVs across our portfolio to increase by 0% to +3%
- Upward yield pressure easing; yields for our portfolio to be more resilient than wider London office market

[1] Explanations of how EPRA figures are derived from IFRS are shown in note 25
[2] Excludes restricted cash
[3] MSCI Central London Offices Quarterly Index
[4] Including capitalised interest
[5] Disposals exclude the sale of trading property

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:45 GMT today. The webcast can be accessed via www.derwentlondon.com

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

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

For further information, please contact:

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CHAIRMAN'S STATEMENT

Derwent London aims to add value to its portfolio through a combination of major projects and refurbishment schemes, while recycling capital out of assets where we see lower forward returns. We are committed to delivering high quality and sustainable offices through the economic cycle.

Global events in 2022 caused a marked increase in uncertainty. However, we have seen confidence return to the market in recent months as the economic outlook has improved.

Following the decision in 2021 to retain our larger modern developments for longer and to dispose of non-core properties, the business made good progress against this strategic objective and has seen relative outperformance against its property benchmarks. This, together with our objective of operating with low leverage, gives us firepower for further development and future investment opportunities.

Estimated rental values across our portfolio rose by 1.3% over 2022 but the rapid outward movement in property yields seen in the second half took our portfolio fair value to £5.36bn after a revaluation deficit for the year of £430.9m, including our share of joint ventures. This was a reversal from the £73.0m revaluation surplus seen at the half year and took the Group's EPRA net tangible asset (NTA) value to 3,632p at 31 December 2022. This equates to an 8.3% decrease over the year from 3,959p in December 2021.

Gross rental income rose 6.0% to £207.0m for the year. EPRA earnings were marginally lower than 2021 at 106.6p per share (2021 restated: 108.5p) but, after deducting premiums received in both years, underlying EPRA earnings were slightly up year on year.

We propose raising the final dividend by 1.0p to 54.5p, in line with our progressive and well covered dividend policy. It will be paid on 2 June 2023 to shareholders on the register of members at 28 April 2023. This takes the full year's dividend to 78.5p, an annual increase of 2.6%. EPRA earnings covered the 2022 interim and final dividends 1.4 times.

In 2022, we refreshed our Vision, Purpose and Values:

- **Vision**: We craft inspiring and distinctive space where people thrive.
- **Purpose**: We design and curate long-life, low carbon, intelligent offices that contribute to London's position as a leading global city, while aiming to deliver above average long-term returns for all our stakeholders.
- **Values**: We build long-term relationships. We lead by design. We act with integrity.

Derwent London is an inclusive employer. Our people remain highly engaged and in our recent employee survey, 91% of respondents said they were 'proud to work for Derwent London'. I would like to thank all the staff at Derwent London for their continued hard work and commitment.

In recognition of the challenges faced in the uncertain economic environment, we made a one-off cost of living payment to eligible employees.

After nine years on the Board, Richard Dakin is stepping down from his position as a Non-Executive Director of the Company and Chair of the Risk Committee. The Board thanks Richard for his significant contribution to the business and wishes him every success in the future. Helen Gordon, who is the Senior Independent Director and a member of the Risk Committee, will become Committee Chair.

CEO STATEMENT

Introduction

At the start of 2022, confidence levels in London were strong. In Q1, occupational and investment markets both recorded high levels of activity. The outlook weakened as the year progressed following the invasion of Ukraine and its economic impact globally, as well as changes in the UK political landscape. In more recent months, the outlook for the UK economy has improved and confidence is recovering.

London is very busy again. The opening of the Elizabeth line has increased capacity across the transport network, contributing to substantially higher footfall around the central stations, benefitting offices, shops and restaurants.

The flight to quality for London offices continues to gather pace. Data from CBRE show a clear divergence in demand for new versus secondhand space as businesses recognise the important role design-led, amenity-rich, low carbon offices play in attracting and retaining talent. The hybrid working model is now established and occupiers are planning for peak occupancy with lower occupational densities.

Letting progress

The 163,000 sq ft of leases signed in 2022, with a combined annual rent of £9.8m, were agreed on average 13.0% above December 2021 ERV. As well as long leases, our letting activity included seven 'Furnished + Flexible' lettings – also at substantial premiums – bringing our total of these smaller units to 27 across 63,600 sq ft.

Activity has accelerated in 2023 with 10 new leases agreed totalling £14.7m of rent, 7.7% above December 2022 ERV on average. The two key transactions are:

- **PIMCO (the investment management company) has pre-let 106,100 sq ft at 25 Baker Street W1** at a rent of £11.0m, well above December 2022 ERV on a 15-year lease with no breaks (commercial element 56% pre-let/sold ahead of completion in H1 2025); and
- **Buro Happold (a global engineering consultancy) has leased 31,100 sq ft at The Featherstone Building EC1** at a rent of £2.3m in line with December 2022 ERV on a 15-year lease with a break at year 10.

For further details, refer to the separate RNS announcement we have published this morning.

We are in detailed negotiations with a number of other occupiers across the portfolio.

New leases signed in 2022 had a weighted average unexpired lease term to break (WAULT) of 5.7 years and our 'topped-up' WAULT at year end was 7.2 years. This will increase with post-year end activity and we see good demand for both long and short-term leases. Our tenant retention rate remains high, and 79% of space subject to break or expiry in 2022 was retained or re-let.

Completion of The Featherstone Building EC1, Soho Place W1 and other smaller refurbishments led to an increase in our EPRA vacancy rate to 6.4%, from 1.6% at 31 December 2021. Following lettings in 2023, proforma vacancy would reduce to 5.0%.

Property valuations

Portfolio ERV growth was 1.3% in 2022, in the middle of our guidance range. However, there was a broad range of outcomes. Buildings with a capital value above £1,000 psf saw ERVs up 2.5%, while those below £1,000 psf saw ERVs up 0.3%, the latter often being the raw material for future regeneration.

The portfolio's true equivalent yield increased 38bp in 2022 to 4.88%, a level last seen in 2014. Yields moved down 4bp in H1 and up 42bp in H2. Our portfolio outperformed the market with a total property return of -3.4% compared to the MSCI Central London Office index down 8.0%, endorsing our strategy of keeping our recently completed high quality buildings for longer.

The outward yield shift resulted in underlying values reducing 6.8% in the year and a revaluation deficit of £430.9m (including share of joint ventures).

Market overview

London office investment volumes totalled £11.2bn, 12% higher than in 2021, but this was 71% weighted to the first half. There was a significant pause in Q4 which comprised just 6% of the annual total.

London is recognised as a leading global city which appeals to a diverse range of businesses. Many sectors continue to grow and expand in the capital, including professional services, artificial intelligence (AI), fintech, education and life sciences.

London office take-up reached 12.3m sq ft in the year, evenly split between H1 and H2, up 29% from 2021 and in line with the 10-year average. The West End outperformed the City with take-up 23% above the 10-year average at 4.9m sq ft, while the City was in line at 5.1m sq ft. We have seen an acceleration in the number of companies committing to moving from outer London to the centre, particularly in the West End.

Following an increase in 2020 and 2021, central London vacancy reduced slightly but remains elevated at 8.2%. Looking in more detail, there are two notable trends. First, vacancy is not evenly spread. West End vacancy at 3.7% is in line with the 10-year average while in the City it is nearly double its long-term average at 11.9%. Secondly, the availability of prime space is very constrained, with 64% of supply being secondhand including tenant-controlled space.

There is increasing occupier focus on the overall service and amenity offering. As well as the amenity provided within our individual buildings, all our occupiers are given exclusive access to shared lounges at DL/78 and DL/28 (due to open in Old Street in Q4 2023). These offer a shared space in which to work, meet and socialise, as well as bookable meeting rooms, private hire space and events.

Strong balance sheet with low leverage

Despite a volatile market backdrop, 2022 was an active year for capital recycling. We invested £133.0m on acquisitions and £121.8m in capex (including capitalised interest), and were pleased to sell several non-core assets above book value for £206.4m (excluding trading properties), with a further £53.6m sold in 2023. We have now made disposals of more than £700m since the start of the pandemic three years ago.

Our balance sheet remains very strong with high interest cover of 423% for the year and low EPRA LTV of 23.9% at 31 December 2022. We also have a strong liquidity position with cash and undrawn facilities at year end of £577m (excluding restricted cash).

The Group has no current exposure to market interest rates, with 100% of borrowings at fixed rates. Our average interest rate is 3.14% on a cash basis. We have little to refinance in the near-term, with our first maturity being an £83m 3.99% secured facility in October 2024. The average maturity of our drawn debt is 6.2 years.

Developments and refurbishments

At year end, our portfolio was split 57% ‘core income’ and 43% ‘future opportunity’. We continue to deliver best in class space that meets the evolving requirements of our occupiers. In 2022, we completed three substantial projects delivering an average 27% profit on cost at practical completion. We are on site at two major projects, 25 Baker Street W1 (298,000 sq ft; commercial element 56% pre-let/sold) and Network W1 (137,000 sq ft; speculative), both due for completion in 2025.

We have submitted a planning application for a c.240,000 sq ft scheme at our 50 Baker Street W1 50:50 joint venture with Lazari Investments, and are refreshing our planning for Holden House W1 (c.150,000 sq ft).

We are working on longer term plans for Old Street Quarter EC1 which has potential for a 750,000+ sq ft mixed-use campus. Our acquisition of the site for £239m is expected to complete from 2027. In addition, we are planning to increase the volume of major refurbishment projects in the coming years where we see the opportunity to substantially raise ERVs reflecting increased quality, energy efficiency and sustainability credentials.

In 2022, build cost inflation rose to c.11% but is now settling and is expected to moderate in 2023 and 2024. As previously outlined, at 25 Baker Street we have fixed 97% of the office element build costs (c.80% of overall) and we are close to agreeing the contract sum at Network.

Sustainability

We made good further progress in 2022 reducing energy consumption and thus operational carbon. Energy intensity across our managed portfolio fell 4% year on year to 123 kWh/sqm, a 22% reduction compared to our 2019 baseline, ahead of our science-based targets for the third consecutive year. This resulted in a 7% reduction in the operational carbon intensity across our managed portfolio to 31.4 $kgCO_2e$/sqm.

At our projects, we account for 100% of the embodied carbon in the year of completion, at which point any residual is offset using high quality, verified schemes. In 2022, we completed two major developments (412,300 sq ft), one large refurbishment (38,200 sq ft) and several small refurbishments. The weighted average embodied carbon intensity for the major projects was 589 $kgCO_2e$/sqm. This is below the target set by the GLA of $\leq$600 $kgCO_2e$/sqm.

While our regeneration activity leads to the creation of embodied carbon, a project can take four to five years to deliver and the building will have an extended design life of over 60 years. In addition, the buildings are designed to be more energy efficient, and thus generate lower operational carbon in use, with maximum future flexibility and adaptability.

We were pleased to receive resolution to grant planning consent for a c.100 acre, 18.4MW solar park on our Scottish land which we expect will generate more than 40% of the electricity needs of our London managed portfolio.

At 31 December 2022, our portfolio was fully compliant with forthcoming changes to EPC legislation which require a rating of E or higher. These rules are due to become stricter in 2027 with a minimum rating of C or better. From 2030, it is expected that there will be a further change to a minimum of B. Including on-site projects, our portfolio is 85.7% 2027 compliant by ERV (2021: 78.9%) and 65.3% 2030 compliant (2021: 61.0%).

In 2021, we commissioned a third party report that identified c.£97m of works to achieve 2030 EPC compliance across our London commercial portfolio. This has since been updated to c.£107m reflecting the latest scope and 2022 cost inflation. Following the sale of 19 Charterhouse Street EC1 in January 2023, the figure reduces to c.£99m. Our external valuers have made a specific deduction of c.£58m for identified EPC works across the portfolio, plus further amounts for general upgrades on assumed vacancies.

Recognising employee performance

We were delighted to recognise high performance with 17 internal promotions in 2022, including four new appointments to the Executive Committee. Philippa Davies, Head of Leasing, joined the Committee from 1 July 2022 and there were a further two appointments with effect from 1 January 2023: Katy Levine, Head of Human Resources; and Robert Duncan, Head of Investor Relations and Strategic Planning. Executive Committee member Jay Joshi was also promoted to Group Financial Controller from Group Treasurer.

Outlook

We expect average ERV growth across our portfolio in 2023 of 0% to +3%, with our higher quality properties continuing to outperform. We anticipate rental growth accelerating for the best buildings over the medium-term, particularly in the West End.

The ongoing weight of global capital looking to invest in London, combined with the recent reduction in volatility across financial markets, is encouraging. This is supported by London's attractive yield relative to other European cities. Upward pressure on yields is easing and we expect our portfolio to be more resilient than the wider London office market.

Derwent London has a well-positioned portfolio, delivering the right product to meet diverse occupier demand. We have an exciting regeneration pipeline and the balance sheet capacity to take advantage of acquisition opportunities that may emerge.

CENTRAL LONDON OFFICE MARKET

See Appendix 1 for supporting graphs

Occupational market

Letting activity in 2022 was in line with the 10-year average. The flight to quality is well established and gathering pace, with nearly 80% of take-up being of new or good quality space, while availability of secondary remains elevated, in part due to heightened occupier focus on sustainability credentials. The constrained development pipeline, alongside occupiers being focused on high quality buildings in more central locations, is leading to an increase in pre-letting activity. Together with limited prime supply, we see good reason for rental growth on higher quality buildings.

Central London take-up of 12.3m sq ft was 29% higher than in 2021 reflecting continued re-engagement by businesses with longer-term occupational strategies. This was focused on best quality product, with 39% of the total being new (including pre-lets) and 40% was Grade A secondhand. In the West End 4.9m sq ft of space was leased, up 36% year-on-year and 23% ahead of the 10-year average. In the City, take-up of 5.1m sq ft rose 33% compared to 2021, in line with the 10-year average.

Availability remains elevated across central London, with vacancy of 8.2% down 0.4% on the prior year, but this average masks a significant divergence between the West End and City. Strong demand in the West End led to a 1.1% decline to 3.7% (10-year average 3.4%). City availability also reduced, but by only 0.3% to 11.9%, nearly double the 10-year average (6.4%).

The amount of available secondhand space nearly doubled at the start of the pandemic to a peak of 19.2m sq ft at Q1 2021 and finished 2022 at 16.4m sq ft. The volume of tenant-controlled space remains high at 28% of total availability. Overall secondhand availability remains elevated at 64% of the total, but this compares to a peak of 77% at Q1 2021.

Knight Frank estimate that there will be a 11m sq ft supply shortage of best quality buildings over the next four years, assuming normal levels of annual take-up. The committed central London development pipeline between 2023 and 2025 totals 12.7m sq ft with 7.1m sq ft scheduled to complete in 2023 of which 28% is pre-let or under offer. Deliveries in 2024 and 2025 are significantly below historic levels.

Businesses with large space requirements over the medium-term are engaging at an increasingly early stage of development in order to secure space that meets their requirements. Pre-lets comprised 24% of total take-up in 2022 and accounted for the nine largest transactions. We are also seeing signs of recentralisation with demand more focused on central and well-connected locations.

London is well recognised as a leading global city with broad appeal to a diverse range of occupiers. The key sectors taking space in 2022 were banking & finance (28%), and professional and creative industries (17% each). This diversity is also seen in the active demand figures, with banking & finance, business services and creative industries together accounting for 71% in total.

Businesses continue to adjust to more hybrid solutions but whilst working patterns may have changed, the power and function of the office seems to be more understood now than ever. Occupiers are making decisions based on peak occupancy with lower occupational densities, whilst also ensuring it is the right space to support their talent and overall business productivity.

Our experience is that long leases remain important for large occupiers given high fit-out costs and business continuity. For pre-lets, pre-completion expansion/contraction options are becoming more common. For smaller occupiers and in particular those in high growth mode, shorter leases provide the flexibility they need to adapt their real estate to their rapidly evolving requirements.

Sustainability credentials, high quality design, amenity, customer service and experience all remain high on the agenda for occupiers when it comes to making real estate decisions. That is why we focus on delivering best in class, design-led and sustainable buildings.

Macro backdrop

2022 was characterised by a spike in global inflation, a rapid increase in borrowing costs and a cost of living crisis in the UK. Towards the end of the year, inflationary pressures began to ease, partly driven by a reduction in both energy and food costs, which has led to expectations of a lower peak in interest rates than was expected at the height of the political and economic instability.

Following a strong post-pandemic bounce in 2021, UK GDP was 4.0% in 2022 albeit weighted to Q1. The latest forecasts from Oxford Economics and others are for both the UK and London to experience a short-lived and mild recession in 2023 as households and businesses respond to the increase in input costs from higher costs of materials and utilities, and interest rates. The economy is then expected to return to growth from 2024, with London to maintain its outperformance.

Job creation is an important indicator for London offices. Forecasts from Oxford Economics show a small contraction in the number of office- based jobs in 2023, before a return to growth from 2024. These forecasts should be viewed, however, in the context of the last two years during which a combined c.280,000 net new office-based jobs were created.

The opening of the Elizabeth line, which has added c.10% capacity to London's rail transport network, has driven a surge in footfall around the central stations along the route. According to TfL data, more than 100m journeys have already been made since opening and daily usage is above the expected level of c.600,000. Tottenham Court Road is now in the top five most-used stations in the TfL network, with its usage increasing by more than 80% since launch. Approximately 41% of our portfolio is located in nearby Fitzrovia (including Soho Place).

Office occupancy rose through 2022 according to data from Remit Consulting, following an initial period of adjustment when work from home guidance was lifted in mid-January. West End office occupation has increased from c.10% to in excess of 45%. By contrast, occupation levels in the City continue to lag, reaching c.30% through Q4.

London remains an attractive place to live as well as to work. In 2022, the population rose by 1.2% to 9.5m and is forecast to increase to 9.6m in 2023. Over the longer-term to 2035, the UN is forecasting an annual increase of 0.8% to 10.6m, an increase of more than 1m people over the next 13 years. This comes on the back of sustained growth since the early-1980s when the population was 6.7m.

Long-term capital remains attracted to London

London remains an attractive location for domestic and international investors and CBRE estimates there is c.£33bn of potential investment demand targeting London offices. The story of 'the best versus the rest' continues and investor appetite is polarised.

Well-located and high quality buildings with strong ESG credentials, let on long leases to strong covenants remain in demand as do those with potential for regeneration into prime. Investor appetite for secondary assets, however, is very limited and these are likely to underperform.

Investment activity for 2022 was £11.2bn, 12% above 2021 and in line with the long-term average of £11.4bn. Unsurprisingly, given the uncertain economic backdrop, investment volumes were low in the last quarter of the year, totalling just £0.7bn. Overseas capital dominated investment activity, accounting for 80% of all transactions, with investors from Asia the most active at 43%.

Underlying rates and credit spreads both increased significantly in the year with prospective investors appraising return requirements against the higher borrowing costs. Consequently, investment yields came under upward pressure through H2. The West End was more resilient than the City, with prime yields rising c.50bp to 3.75% compared to City yields up c.75bp to 4.5%.

The rise in yields combined with heightened risk awareness from credit providers is expected to present potential acquisition opportunities. Owners who are currently actively marketing assets for sale are primarily driven by a combination of upcoming refinancing events, future vacancy risk and EPC/upgrade capex requirements.

Vendor pricing expectations are being reset as transactional evidence starts to emerge and financial markets show signs of stabilising. In contrast to previous market corrections, both the development pipeline and the volume of debt maturing in the short term are relatively low, which is expected to limit the magnitude of any market correction.

VALUATION

See Appendix 2 for supporting graphs and tables

As reported with our H1 2022 results, we have changed our external valuer from CBRE to Knight Frank. At least half of our London assets were valued by Knight Frank at H1 and for the year-end valuation they were appointed on all the London assets. Our Scottish land, less than 1% of the Group's portfolio, continues to be valued by Savills.

The Group's investment portfolio was valued at £5.36bn as at 31 December 2022. There was a deficit for the year of £401.8m which, after accounting adjustments of £29.1m, produced a decline of £430.9m including our share of joint ventures. On an underlying basis the portfolio decreased 6.8%, following a 3.5% uplift in 2021.

This primarily reflected the weakening economy, with inflation and interest rates rising significantly in the second half. This had a direct impact on the commercial property sector with valuation yields moving out. Accordingly, the positive H1 valuation of 1.4% reversed in H2 to an 8.0% decline. Rental values generally held up with office occupiers seeking better quality, environmentally attractive accommodation, which is in short supply.

By location, our central London properties, which represent 99% of the portfolio, declined by 6.8% with the West End down 5.8% and City Borders 9.2%. The balance of the portfolio, our Scottish holdings, was down 5.7%.

Our portfolio valuation movement outperformed both the MSCI Quarterly Index for Central London Offices and the wider UK All Property Index which were down by 10.9% and 12.8%, respectively. The quality of the portfolio, low vacancy rate, successful development programme and active asset management all contributed to this outperformance. The table shows performance trends in more detail, with the higher capital value (in £ psf) buildings outperforming.

Capital value and ERV performance

Capital value £ psf banding	Weighting by value	Capital value change	ERV growth
≥£1,500	21%	-3.5%	2.0%
£1,000 - £1,499	25%	-7.4%	2.9%
<£1,000	39%	-11.8%	0.3%
Underlying	85%	-8.5%	1.4%
Developments	15%	4.8%	0.6%
Portfolio	**100%**	**-6.8%**	**1.3%**

Our long-term development pipeline, which provides well designed office space in central London, is well positioned, with occupiers having a greater focus on high quality, environmentally attractive space. This was reflected in our EPRA rental values which moved up 1.3%, an improvement on the 0.2% decline seen in 2021.

The portfolio's true equivalent yield moved out 38bp from 4.50% to 4.88% over the year. The initial yield is 3.7% (December 2021: 3.3%) which, after allowing for the expiry of rent frees and contractual uplifts, rises to 4.6% on a 'topped-up' basis (December 2021: 4.4%).

Derwent London's total property return for 2022 was -3.4%, which compares to the MSCI Quarterly Index of -8.0% for Central London Offices and -9.1% for UK All Property.

Our major development completions in 2022 were Soho Place W1 and The Featherstone Building EC1, and together these were 71% let or sold at year end. On-site developments are 25 Baker Street W1 and Network W1, both in the West End. The latter commenced in June 2022. Both are due to be delivered in 2025 and require £324m of capital expenditure to complete. Together the four schemes were valued at £790m at December 2022, representing 15% of the portfolio, and saw a 4.8% valuation uplift after capital expenditure, as development surpluses were released. Excluding these, the portfolio valuation decreased by 8.5% on an underlying basis.

Further details on the progress of our projects are in the 'Development and refurbishment' section below and additional guidance on the investment market is laid out in the 'Outlook' section above.

Portfolio reversion

Our contracted annualised cash rent as at 31 December 2022 was £204.2m, a 14% increase over twelve months as the pre-lets at our 2022 development completions came through. With a portfolio ERV of £304.6m there is £100.4m of potential reversion. Within this, £46.4m is contracted through a combination of rent-free expiries and fixed uplifts, the majority of which is already straight-lined in the income statement under IFRS accounting standards. On-site developments and refurbishments could add £33.0m. The ERV of available space is £17.3m. Just over half of this was at our recently completed developments: £5.9m at The Featherstone Building and £3.2m at Soho Place (retail). Since year end we have let £2.4m of this space. The balance of the potential reversion of £3.7m comes from future reviews and expiries less future fixed uplifts.

LEASING, ASSET AND PROPERTY MANAGEMENT

See Appendix 4 for supporting graphs and tables

Lettings – £9.8m of new rent at 13.0% above ERV

Leasing activity in 2022 totalled £9.8m, across 46 transactions, of which £2.3m were pre-lets. These 163,000 sq ft of lettings were signed on average 13.0% above December 2021 ERV. Nine transactions comprised 68% of the total.

Demand for furnished space is also strong with occupiers prepared to pay a premium to secure high quality, ready to occupy units. This provides an excellent solution for our smaller units and we currently operate 63,600 sq ft of 'Furnished + Flexible' space with a further 34,100 sq ft on site or committed.

Post-year end letting activity – £14.7m of new rent in 2023 YTD

Since the start of 2023, we have seen a noticeable increase in letting activity. 10 new leases have been agreed totalling £14.7m of rent on average 7.7% above December 2022 ERV. Key transactions include:

- PIMCO has pre-let 106,100 sq ft at 25 Baker Street W1 at a rent of £11.0m, well above December 2022 ERV (commercial element now 56% pre-let/sold); and
- Buro Happold has leased 31,100 sq ft at The Featherstone Building EC1 at a rent of £2.3m, in line with December 2022 ERV.

Leasing activity

	Let			Performance against Dec 21 ERV
	Area sq ft	Income £m pa	WAULT[1] yrs	Overall %
H1 2022	109,300	7.1	6.1	9.3
H2 2022	53,700	2.7	4.2	23.7
2022	**163,000**	**9.8**	**5.7**	**13.0**
2023 YTD	162,600	14.7	13.4	7.7[2]

[1] Weighted average unexpired lease term (to break)
[2] Performance against Dec 22 ERV

Principal lettings in 2022

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
H1 2022							
90 Whitfield Street W1	Michael Kors	18,850	72.50	1.4	10	-	24
The Featherstone Building EC1	Marshmallow	16,220	71.50	1.2	10	6	15, plus 9 if no break
The Featherstone Building EC1	Dept Agency	11,450	85.25	1.0	10	5	11.5, plus 11.5 if no break
White Collar Factory EC1	Brainlabs	11,540	71.70	0.8	6	-	10.4
White Collar Factory EC1	Adobe	10,180	70.00	0.7	10	6	12, plus 10 if no break
230 Blackfriars Road SE1	Wandle Housing Association	7,290	49.50	0.4	7.5	4	7, plus 6 if no break
80 Charlotte Street W1	NewRiver REIT	4,090	70.00	0.3	5	-	11
Holden House W1	Talon Outdoor	5,120	49.50	0.3	5	3.5	6
H2 2022							
43 Whitfield Street W1	Pollination	5,930	85.00	0.5	10	5	5
43 Whitfield Street W1	Sine Digital	5,090	86.00	0.4	10	5	6, plus 5 if no break
Gordon House SW1	VCCP	7,380	52.50	0.4	3	-	7
Sub-total		**103,140**	**71.75**	**7.4**			
Other		59,860	40.10	2.4			
Total 2022 lettings		**163,000**	**60.40**	**9.8**			

Principal lettings in 2023 YTD

Property	Tenant	Area	Rent	Total annual rent	Lease term	Lease break	Rent free equivalent
		sq ft	£ psf	£m	Years	Year	Months
25 Baker Street W1	PIMCO	106,100	103.40	11.0	15	-	37
The Featherstone Building EC1	Buro Happold	31,100	74.40	2.3	15	10[1]	24, plus 12 if no break
Tea Building E1	Jones Knowles Ritchie	8,100	60.00	0.5	10	5	12, plus 12 if no break
Other		17,300	51.10	0.9	-	-	
2023 YTD		**162,600**	**90.10**	**14.7**			

[1] There is an additional break at year 5 on level eight subject to a 12-month rent penalty payable by the tenant

Asset management - £29.6m of transactions on average 5.3% above ERV

By March 2022, most Covid-19 restrictions in the UK had been lifted. As office occupancy levels have increased, businesses have re-engaged with their long term real estate strategy and, as a result, we are seeing growing demand for long-term solutions from the short-term extensions and regears experienced through the pandemic.

We continually review our asset strategies as occupier requirements evolve and align expiry profiles to facilitate the refresh, upgrade and repositioning of our portfolio.

At the start of 2022, 9% of passing rent was subject to break or expiry in the year. After adjusting for disposals and space taken back for schemes, 79% of income exposed to breaks and expiries were retained or re-let by year end. This compares to our 10-year average retention/re-let rate of 85%.

10% of passing rent is subject to break or expiry in 2023, a reduction from the 15% potentially at risk six months earlier.

Rent reviews were settled 6.2% above December 2021 ERV and delivered a 10.1% uplift over the previous income. The majority of this activity was at White Collar Factory EC1 where rents increased between 14% and 16%.

Renewals were completed 12.5% above the previous rent and 9.3% above December 2021 ERV. The main lease renewal was the extension of Morningstar's lease at 1 Oliver's Yard EC1 to June 2027. They have agreed a rental uplift reflecting an 18.8% premium to the previous rent.

Regears, excluding the impact of a landlord development facilitation break clause, completed 0.2% above previous rent and 1.6% above December 2021 ERV. The main regear was a restructuring of Burberry's break clause at 1 Page Street SW1.

Asset management activity 2022

	Number	Area	Previous rent	New rent	Uplift	New rent vs
		'000 sq ft	£m pa	£m pa	%	Dec 21 ERV %
Rent reviews	20	215.7	12.6	13.8	10.1	6.2
Lease renewals	29	112.2	5.5	6.3	12.5	9.3
Lease regears[1]	13	189.0	9.5	9.5	0.2	1.6
Total	**62**	**516.9**	**27.6**	**29.6**	**7.2**	**5.3**

[1] Excludes single development-linked regear in Q1

Vacancy – 6.4% at year end, 5.0% proforma for post-year end lettings

The portfolio EPRA vacancy rate increased to 6.4% at 31 December 2022 from 1.6% at the start of the year. The increase primarily reflects development completions at The Featherstone Building EC1 and Soho Place W1 as well as refurbishment completions at Tea Building E1. Together these three projects contributed 58% to the year end vacancy. Letting activity since the start of 2023 would reduce the EPRA vacancy to 5.0% on a proforma basis.

Occupier survey

In January 2023, we carried out an occupier survey. 41 tenants contributed with a combined ERV of £103m, equivalent to 50% of ERV (excluding projects and contracted uplifts). When asked whether any change in the organisation's real estate footprint was anticipated over the next five years, 40% of respondents (by ERV) said they expected either a small or significant increase and 34% expect no change. Our occupier surveys (August 2020, January 2021 and July 2021) show a clear upward trend since the pandemic in the number of occupiers expecting their real estate footprint to increase or remain the same.

Rent collection – At pre-pandemic levels

As outlined with our H1 2022 results, rent collection continues to match pre-pandemic levels with 98% of the December 2022 quarter rent collected. Similarly, service charge collection remains strong at 96%.

Property Management

As occupation continued to rise through 2022, the Property Management team further engaged with our customers hosting a series of events including workshops and competitions, alongside initiatives to support local communities. Work has continued to support the Group's journey to net zero carbon with the development of a portfolio-wide metering strategy to ensure more robust data capture, supporting our energy reduction programme and facilitating roll-out of our Intelligent Building infrastructure. The team also implemented a number of practical measures, including a reduction in temperature set points, smart lighting initiatives and adjustments to plant running times, helping exceed our energy reduction targets.

ACQUISITIONS AND DISPOSALS

In 2021, the Group took the decision to retain its modern and recently upgraded buildings for longer while reducing its exposure to non-core properties with less repositioning potential. This decision reflected our view that the flight to quality would gather pace and that higher quality buildings would deliver stronger returns.

We remain committed to owning a portfolio balanced between core income properties and those that offer future regeneration potential. At 31 December 2022, the portfolio was split 57% 'core income' and 43% 'future opportunity' (excluding Old Street Quarter EC1, with an existing floor area of c.400,000 sq ft, where our acquisition is expected to complete from 2027 for £239m).

Since the start of 2022, we have made good further progress against our objectives, actively recycling capital out of several smaller non-core buildings above book value, where there was limited capacity for extra floor area and amenity.

Disposal proceeds have been recycled into our development pipeline thereby maintaining conservative gearing, providing firepower for future acquisition opportunities that may arise. Committed capex relating to our two on-site major projects totals £324m.

Disposals (excluding trading property)

Property	Date	Area sq ft	Net proceeds £m	Net yield %	Net rental income £m pa
New River Yard EC1	Q2 2022	70,700	65.9[1]	4.5	3.3
2 & 4 Soho Place W1	Q3 2022	18,400[2]	39.8	-	-
Bush House WC2	Q3 2022	103,700	84.0	-	-
Intermediate leasehold interest at Soho Place W1	Q3 2022	-	15.3	-	-
Other	-	1,600	1.4	-	-
Total 2022 disposals		**194,400**	**206.4**		**3.3**
2023 YTD					
19 Charterhouse Street EC1	Q1 2023	63,200	53.6	4.6	2.6

[1] After deduction of rental top-ups and sale costs
[2] Office space

Acquisitions

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa	Net rental income £ psf
230 Blackfriars Road SE1	Q1 2022	60,400	58.3	3.5	2.1	41.00
Soho Place W1 headlease	Q1 2022	-	71.9	-	-	-
Other	-	-	2.8	-	-	-
Total 2022 acquisitions		**60,400**	**133.0**		**2.1**	**-**

DEVELOPMENT AND REFURBISHMENT

See Appendix 5 for supporting tables

2022 project completions – 450,500 sq ft at an average 27% profit on cost at completion

In 2022 we completed three major projects:

- *Soho Place W1 (285,000 sq ft development)* - at 1 Soho Place, the offices were fully pre-let to G-Research and Apollo Group at an average rent of £93 psf and 15 year WAULT. The retail is available to let but interest has strengthened following the opening of the Elizabeth line. At 2 & 4 Soho Place, the theatre and offices were pre-let to Nimax Theatres and Esselco respectively and were sold in 2022. The profit on cost at practical completion was 25% and the embodied carbon intensity of 1 Soho Place was 550 kgCO_2e/sqm.
- *The Featherstone Building EC1 (127,300 sq ft development)* - after lettings to Dept Agency and Marshmallow, and following the lettings to Buro Happold and the 2,350 sq ft retail unit in early 2023, the building is 59% let by floorspace. We are encouraged by the level of interest in the remaining 53,000 sq ft of available space. The profit on cost at practical completion was 30% and the embodied carbon intensity was 539 kgCO_2e/sqm.
- *Francis House SW1 (38,200 sq ft refurbishment)* - pre-let to Edelman at an average rent of £76 psf on a 15-year lease with a break at year 10. The profit on cost at completion was 31%.

Major on-site projects – 435,000 sq ft with an estimated 11% profit on cost

At the end of 2022, we were on site at two major projects totalling 435,000 sq ft which we currently expect will deliver an 11% development profit and 5.4% yield on cost (excluding the pre-let to PIMCO at 25 Baker Street).

- *25 Baker Street W1 (298,000 sq ft)* - this mixed-use project comprises 218,000 sq ft of offices, plus residential and retail. As part of the leasehold regear to a new 129-year headlease, we have agreed to sell the courtyard retail and the smaller office block on Gloucester Place to the freeholder, The Portman Estate. The impressive landscaped retail courtyard forms an important part of this design-led destination in the heart of Marylebone. Demolition has completed and sub and super-structure works are progressing well. 97% of construction costs of the office element have been fixed (80% of total). Following the post year-end pre-let to PIMCO, the commercial element of the scheme is 56% pre-let/sold. The mid stage 5 embodied carbon estimate is c.600 kgCO_2e/sqm.
- *Network W1 (137,000 sq ft)* - demolition works at this office-led scheme, adjacent to 80 Charlotte Street W1 and DL/78.Fitzrovia, have completed and negotiations are at an advanced stage with our preferred main build contractor. Supply in Fitzrovia is highly constrained and we are encouraged by the level of early occupier interest. The stage 4 design embodied carbon estimate is c.530 kgCO_2e/sqm.

Major on-site development pipeline

Project	Total	25 Baker Street W1	Network W1
Completion		H1 2025	H2 2025
Office (sq ft)	350,000	218,000	132,000
Residential (sq ft)	52,000	52,000	-
Retail (sq ft)	33,000	28,000	5,000
Total area (sq ft)	**435,000**	**298,000**	**137,000**
Est. future capex[1] (£m)	324	217	107
Total cost[2] (£m)	708	463	245
ERV (c.£ psf)	-	90	87.5
ERV (£m pa)	30.3	18.4[3]	11.9
Pre-let/sold area (sq ft)	31,000	31,000[4]	-
Embodied carbon intensity ($kgCO_2e/sqm$)[5]		c.600	c.530
Target BREEAM rating		Outstanding	Outstanding
Target NABERS rating		4 Star or above	4 Star or above
Green Finance		Elected	Elect in 2023 (target)

[1] As at 31 December 2022

[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] 19,000 sq ft courtyard retail and 12,000 sq ft Gloucester Place offices

[5] Embodied carbon intensity estimate as at stage 4 or 5

Future development pipeline – Four schemes totalling c.1.3m sq ft

There are four key schemes that comprise our medium and longer-term development pipeline. Our medium-term pipeline could deliver c.390,000 sq ft (at 100%) of high quality office-led space. At 50 Baker Street W1 (c.240,000 sq ft at 100%), which we own in a 50:50 joint venture with Lazari Investments, we have submitted a planning application for a project approximately double the existing floor area. This leasehold property is on The Portman Estate and includes another building in their ownership. A regear of the various interests would be required to implement any scheme. At Holden House W1 (c.150,000 sq ft), we are working on a revised planning application with new architects which will have a higher office weighting and stronger sustainability credentials than the existing planning consent.

Over the longer-term, we continue to progress plans for Old Street Quarter EC1. Our current appraisals suggest the 2.5 acre island site has potential for a 750,000+ sq ft mixed commercial use campus targeted at different occupier sectors, including Life Sciences among others. We have had constructive engagement with the London Borough of Islington. Our acquisition of the site is expected to complete from 2027, conditional on delivery of the new eye hospital at St Pancras and subsequent vacant possession of the site. At 230 Blackfriars Road SE1, our current plans assume a 2030 block date. Our early appraisals show the site has capacity for a 200,000+ sq ft office-led development, more than three times the existing floor area.

Refurbishments – an increasing capex component

Refurbishment projects will comprise an increasing proportion of annual capital expenditure over the next few years as we continue to upgrade the portfolio to meet ever higher occupier requirements. These projects provide the opportunity to enhance the ERV through improving the amenity offer and overall quality. Smaller units will be appraised for our ‘Furnished + Flexible’ product. Larger refurbishments likely to commence over the near to medium term include 1-2 Stephen Street W1, 20 Farringdon Road EC1, 1 Oliver’s Yard EC1 and Greencoat & Gordon House SW1. The floor area of these four buildings is 756,800 sq ft.

FINANCE REVIEW

See Appendix 6 for supporting graphs and tables

Introduction

Derwent London's capital allocation and funding strategies through the last few years ensured that the Group ended 2022 with low leverage combined with a long weighted-average unexpired lease and debt profile. We have continued to balance value creation with resilient earnings and dividend growth while delivering a high-quality product which appeals to today's occupier with its combination of location, design, amenity, flexibility in use and customer focus.

The importance of a strong balance sheet and good long-term planning became very evident through 2022 as the UK, like most other major economies, experienced increasing costs and a widespread upward yield shift. Covid-19's impact, so strongly felt in 2020 and to a lesser extent in 2021, reduced further in 2022 but we then saw the major conflict in Ukraine, increases to energy and food prices and the emergence of other global tensions. These acted as a catalyst for the inflation outlook to change significantly and caused capital markets to re-look at interest rates and the pricing of credit risk, particularly during the period of higher UK volatility in late 2022. This has also not been an easy time for businesses and key public service providers in the UK who face staff shortages and cost pressures while dealing with regulatory changes and the long-term climate change and biodiversity emergencies.

Derwent London's product differentiates us in a central London office market where a flight towards quality combines with relatively low relevant supply. This bifurcation looks set to continue and we have the balance sheet capacity and business model to deliver our major developments while searching for new value-add opportunities. We also expect to further upgrade amenities and energy efficiency credentials within some of our more mature properties over the next few years to help satisfy this occupier demand.

Financial overview

As noted above, the Group's property valuation at 31 December 2022 was impacted by the significant upward yield shift seen in H2 giving rise to an 8.2% decline in the Group's total net assets over the year. This took our total return over the year to –6.3% compared to the +5.8% seen in 2021 with EPRA net tangible assets (NTA) down 8.3% over 2022 to 3,632p per share.

	2022 **p**	**Restated 2021** **p**
Opening EPRA NTA	3,959	3,812
Revaluation movement	(373)	119
Profit on disposals	23	9
EPRA earnings	107	109
Ordinary dividends paid	(78)	(75)
Interest rate swap termination costs	-	(3)
Share of joint venture revaluation movement	(8)	(12)
Other	2	-
Closing EPRA NTA	**3,632**	**3,959**

EPRA Net Disposal Value (NDV), which takes account of the £166m positive fair value movement on fixed rate debt, was £4.24bn, equivalent to 3,768p per share. This is only 3.0 per cent lower than the 3,884p per share recorded as at December 2021.

We have continued to invest in the portfolio with acquisitions and project spend totalling £258m but property disposal proceeds in 2022 of £210m meant that our debt levels were almost unchanged compared to December 2021. Our gearing remains low, all of our year-end debt was at fixed rates and our weighted average debt maturity was 6.2 years.

Overall estimated rental values rose by 1.3% in 2022 with the highest quality buildings outperforming. Vacancy levels were also higher in 2022 than in recent years, partly the result of development completions. However, with the exception of the property revaluation movement, our income statement remained robust with EPRA earnings only marginally down on 2021 at £119.7m or 106.6p per share. If the impact of non-recurring surrender and rights-of-light premiums is ignored, EPRA earnings per share were 1.9 per cent higher than 2021 on an underlying basis.

Following new guidance issued by the IFRS Interpretations Committee in October 2022, we have restated the results for 2020 and 2021 to reflect the writing off of Covid-19 concessions such as rent forgiveness that related to historic receivable balances; our previous accounting policy was to spread the concession over the remaining life of the relevant lease. Where related to a future lease obligation, the concession continues to be amortised over the remaining life of the lease. None of the adjustments is material but the re-presented figures follow the new guidance and ensure proper comparability between years.

We have also grossed up cash balances within the balance sheet to include cash held in tenant deposit accounts. These cash balances are restricted and not generally available to the Group but, as they are held within accounts which we control, have been grossed up and the amounts re-presented. 'Cash held in restricted accounts' also now includes cash within service charge bank accounts which was previously disclosed within 'trade and other receivables'. This change of treatment follows guidance from IFRIC issued in March 2022.

See Appendix 6 for financial highlights table

Property portfolio and balance sheet

Our wholly-owned property portfolio was externally valued at £5.3bn as at 31 December 2022, allocated across the balance sheet as follows:

	Dec 22 £m	Dec 21 Restated £m
Investment property	5,002.0	5,361.2
Non-current assets held for sale	54.2	102.8
Owner-occupied property	50.0	49.3
Trading property	39.4	32.2
Property carrying value	5,145.6	5,545.5
Accrued income (non-current)	165.2	147.0
Accrued income (current)	26.1	22.8
Unamortised direct letting costs	13.8	12.3
Grossing up of headlease liabilities	(34.2)	(70.4)
Profit share due to TfL	-	(14.8)
Revaluation of trading property/other	5.3	3.9
Fair value of property portfolio	**5,321.8**	**5,646.3**
Fair value of properties held in joint venture (50%)	**42.4**	**50.0**

We continued to recycle capital within our property holdings in 2022 with acquisitions totalling £133.0m, capital expenditure of £114.8m, capitalised interest of £7.0m and disposals with carrying values totalling £182.1m. Interest capitalised in 2022 was considerably lower than the £12.0m recognised in 2021 as the prior year included two major projects close to completion with correspondingly high cumulative development expenditure while the current year includes two relatively new schemes at 25 Baker Street W1 and Network W1.

Disposals included Bush House WC2, sold for £85m (gross) in Q3 2022. At the beginning of 2022, we had expected to carry out a comprehensive refurbishment of this property. Selling it instead, for a price that captured most of our expected development profit, substantially reduced our capital expenditure requirement and helped keep the Group's gearing at lower levels than those projected at the beginning of 2022.

Property, plant and equipment of £54.3m (2021: £54.0) includes the £50.0m owner-occupied property at 25 Savile Row W1 and £4.3m of leasehold improvements, furniture, equipment and artwork.

Investments of £43.9m (2021: £51.1m) are made up almost entirely of the carrying value of our 50 per cent holding at 50 Baker Street W1, stated after a revaluation deficit of £9.3m in the year and retained profits for 2022 of £2.0m.

The properties classified within 'non-current assets held for sale' totalling £54.2m at 31 December 2022 were 19 Charterhouse Street EC1, the sale of which completed in January 2023, and a small property at 13 Charlotte Mews W1.

The £39.4m (2021: £32.2m) trading property at year end comprised residential units under construction at 25 Baker Street for delivery in 2025 and Welby House SW1, originally acquired as a potential site for affordable housing and subject to a write-down in value of £0.2m in 2022. Additional costs have also been incurred within 'trading stock'; this is distinct from trading property as we do not own an interest in the property itself but have an agreement in place to deliver certain retail elements of the 25 Baker Street scheme upon completion to the freeholder, The Portman Estate, at an agreed price. Completion of this element of the scheme is expected in 2025.

Other receivables treated as non current increased to £188.1 from £159.3m in 2021. This includes £9.1m (2021: £nil) of design and planning application costs relating to the Old Street Quarter EC1 scheme which are recoverable up to a capped amount of £13.0m in the unlikely event that the vendor is unable to deliver vacant possession of the site. Other receivables also include accrued income from the 'straight-lining' of rental income under IFRS16 to spread the effect of incentives and fixed uplifts over the lease terms. The non-current element has increased to £165.2m from a restated £147.0m in 2021. In addition, £26.1m (restated 2021: £22.8m) is included under current asset receivables as this accrued income is due to unwind within a year. Unamortised letting and legal fees, which are also included in receivables, increased to £13.8m (2021: £12.1m) and are amortised over their respective remaining lease terms.

Property income and earnings

Gross property and other income increased to £248.8m in 2022 from a restated £241.3m in the year to 31 December 2021. Gross rental income was up 6.0% to £207.0m from £195.3m, largely due to new lettings at the two large developments completed in the first half of 2022. Soho Place W1 added £10.8m of income in 2022 and The Featherstone Building EC1 £1.0m. Other lettings across the portfolio provided a further £9.3m. We were very active with acquisitions and disposals through 2021 and 2022 and the major acquisition at 250 Euston Road W1 in Q4 2021 increased gross rents by £3.9m compared to the prior year, 230 Blackfriars SE1 added £1.8m and Holford Works WC1 a further £0.5m. The disposals were at a lower overall value but a higher yield; rental income reduced by £2.3m year on year due to the sale of Angel Square EC1, £1.5m at New River Yard EC1 and other disposals an additional £0.7m.

Lease surrender and rights-of-light premiums were unusually high in 2021 at £5.6m but fell back in 2022 to a more typical total of £1.4m. Property trading activity has decreased now that all the Asta House W1 residential units have been sold, the last one completing early in 2022 for £1.6m. In 2021, the corresponding sales turnover was £6.7m and, in 2020, was as high as £32.3m. The next apartments for sale at our 25 Baker Street scheme are due to complete in 2025 so trading property disposal proceeds are likely to be very low for the next two years.

Service charges and energy costs have become a much more significant issue for many of our tenants in 2022 with energy costs, in particular, rising to unprecedented levels. Our ability to manage energy tariffs has been impacted too by our commitment to green energy. For example, we were not able to move to 'out of contract' energy tariffs when rates spiked in Q4 2022 as those do not support renewable electricity.

Typical cost per kWh for renewable electricity on six-monthly contracts increased from around 31p at the beginning of 2022 to about 108p at the end of the year but is now falling back to below 40p. Gas has seen a similar story, rates moving from about 7p to 25p and now back to around 12p per kWh. We very much hope to be able to pass on these lower costs to our tenants as soon as possible and have offered some help with the smoothing out of this price volatility where we can. One positive outcome is that there is now even more focus on reducing energy use with landlord and tenant seeking ways to co-operate further.

With our higher average vacancy rate through much of 2022, property costs borne by us have increased too, irrecoverable property expenditure increasing from £11.8m in 2021 to £14.4m in 2022. In addition, irrecoverable service charges, due to units being vacant or where the tenant has negotiated a capped service charge, increased by 50% to £5.1m in 2022 from £3.4m.

As noted above, we have revised the accounting treatment for rent concessions granted in relation to historic amounts due and these have now been written off in the appropriate period (mainly in 2020 and 2021) where they were previously being spread over their remaining lease terms. The adjustments have been shown as a prior year adjustment and, while none of the amounts is material, these have been adjusted so that there is meaningful comparison year on year.

We carry out full impairment testing of receivable balances using the expected credit-loss model in accordance with IFRS9. This applies to trade receivables as well as the balances created by the spreading of lease incentives, now slightly reduced as a result of the change in accounting policy. These have been carried out for each of our 64 largest tenants and for others where we believe the risk is elevated, with the remaining balances considered according to their sector. With improved conditions affecting many of our tenants, particularly the smaller ones, and partly because the more significant receivable risks have now been written off or provided for, we saw a net reversal in 2022 with a credit to the income statement of £1.0m compared to restated charges of £2.2m in 2021 and £16.1m in 2020.

As a result of these factors, net rental income increased from a restated £177.9m in 2021 to £188.5m in 2022. Including surrender premiums, dilapidation receipts, other property income and management fees, net property and other income increased 4.0% to £194.6m from £187.2m in 2021.

Salaries have risen both for our own staff and for those of our many professional advisers and consultants. However, increased headcount and salaries were offset by lower staff bonus levels and reduced Directors' remuneration. As a result, administrative expenses were 1.9% lower than the previous year at £36.4m compared with £37.1, As in previous years, we do not capitalise any of our overheads.

Lower impairment and administrative expenses have seen our EPRA cost ratio move back down again in 2022. Including direct vacancy costs, it fell to 23.3% from 24.9% in 2021.

As noted above, property valuations fell in the second half of 2022 with the main Group revaluation deficit being £422.1m after accounting adjustments (2021: surplus of £131.1m). Our share of the property revaluation deficit at 50 Baker Street was a further £9.3m (2021: deficit of £10.2m) but our head office at Savile Row showed a valuation rise of £0.7m, shown within the Group Statement of Comprehensive Income rather than the Income Statement.

The profit on disposal of investment properties increased to £25.6m in 2022 from £10.5m in 2021. Most of this came from the sale of Bush House for proceeds of £85m in Q3 2022. Further proceeds of £55.8m was due to the disposal of the Group's leasehold interest in 2 & 4 Soho Place W1 and £67.2m from New River Yard EC1 in June 2022, both of these two properties having been disclosed as 'assets held for sale' in the December 2021 balance sheet.

Net finance costs increased to £39.4m from £28.1m in 2021. This was due to higher average borrowings though 2022 but was also affected by capitalised interest falling from £12.0m in 2021 to £7.0m in 2022.

Interest rate increases gave rise to a further £5.8m fair value gain relating to our remaining interest rate swap.

Our joint venture with Lazari Investments relating to 50 Baker Street W1 properties has produced a loss for the year of £7.3m, impacted by the £9.3m revaluation deficit noted above.

The resulting IFRS loss for the year before tax was £279.5m compared to a profit of £252.5m in the prior year. IFRS earnings per share were -249.84p (2021: 224.99p).

A table providing a reconciliation of the IFRS results to EPRA earnings per share is included in note 25 and is summarised below.

See Appendix 6 for charts showing gross rental income and EPRA earnings

EPRA like-for-like rental income

EPRA like-for-like (LFL) gross rental income was up 1.1% over the year, partly because the higher vacancy rate in 2022 came mainly from recently completed developments which fall outside our EPRA LFL portfolio. EPRA LFL net rental income was up by 1.1% over the year and EPRA LFL net property income, which takes account of the unusually high surrender premiums received in 2021, was down by 1.0%.

See Appendix 6 for the EPRA like-for-like rental income table

Internal controls, assurance and the regulatory environment

We continue to focus on ensuring our internal controls are robust and that we have a comprehensive approach to assurance across our business, noting the particular interest in this area from external stakeholders and regulators.

While the exact timing and scope of the forthcoming BEIS reforms are yet to be finalised, we have commenced a project to map our full assurance environment and to undertake a risk-based project to enhance the documentation and evidencing of internal controls.

Independent internal audits continue to have a beneficial impact on our control environment and we have also summarised our approach to obtaining other forms of external assurance across the business. Our principal sources of independent external assurance remain consistent with last year and include the annual statutory audit, internal audits carried out upon key risk areas throughout the year, service charge audits and a twice-yearly external valuation. In line with last year, we have engaged with an independent external assurance provider in relation to selected sustainability, health and safety and green finance disclosures.

We are committed to ensuring high-quality reporting that stands up to scrutiny, both from within the business via robust internal control mechanisms and from independent review. Activity in this area will be scaled up in 2023 to further strengthen the internal control environment and ensure compliance with the new requirements as measures and mechanisms for implementation are finalised.

Taxation

The corporation tax charge for the year ended 31 December 2022 was £0.9m. Almost all of our portfolio is within the REIT regime but this charge relates to non-REIT activity, mainly income arising from certain property development and trading operations.

The movement in deferred tax for the year was a charge of £0.9m, (2021: £0.8m credit) of which £0.1m was expensed through the income statement. In addition, £0.6m was charged through equity in relation to future tax deductions for equity-settled share-based payments. A further £0.2m was charged through 'other comprehensive income' in relation to the owner-occupied property at Savile Row.

As well as other taxation paid during the year, in accordance with our status as a REIT, £9.0m of tax was paid to HMRC relating to tax withheld from shareholders on property income distributions (PIDs).

Derwent London's principles of good governance extend to a responsible approach to tax. Our statement of tax principles is available on our website www.derwentlondon.com/investors/governance/tax-principles and is approved by the Board in line with the Group's long-term values, culture and strategy.

Borrowings, net debt and cash flow

Rental income received from tenants increased to £194m in 2022 from £187m in 2021. However, cash paid out on property costs, administration and interest payments increased by £18.4m over the 2021 equivalents. In terms of capital movements, outflows of £258m for project expenditure and additions were largely offset by £210m of property disposal proceeds. As a result, group borrowings were almost unchanged at 31 December 2022 compared to a year earlier.

Group borrowings at both year ends were £1.25bn, the 2022 figure being about £300,000 less than 2021. Leasehold liabilities reduced in 2022 with the payment to TfL but long-term leasehold liabilities also increased to £34.5m after the receipt of a premium from an intermediate leaseholder. The net impact is that gross debt has fallen from £1.32bn in December 2021 to £1.28bn in December 2022. After adjusting for unrestricted cash and derivatives, net debt increased marginally over the year to £1.26bn.

On the new EPRA basis, our loan-to-value ratio increased a little to 23.9% from 22.3% in December 2021, the main reason for the increase being the property valuation declines in 2022. Available cash and undrawn facilities remained significant at £577m as at December 2022 (£608m at 31 December 2021). Interest cover remained strong too at 4.2 times in 2022 (2021: 4.6 times). Our main debt covenant continues to be 1.45 times.

See Appendix 6 for table of debt facilities and reconciliation to borrowings and net debt

Debt and financing

Conditions in the debt markets deteriorated markedly in the second half of 2022 with central banks raising rates in an effort to deal with rapid inflation increases. With rates at that time expected to rise further and stay at these much higher levels for longer, market rates across the curve increased to levels not seen for many years. More recently, we have seen markets calm down significantly but are still some way ahead of where they were a year ago.

The UK 5-year swap rate peaked at around 5.4% in September 2022 but has since fallen back to around 4%. Similarly, the 10 year gilt increased to 4.6% at its peak but has since moved back to about 3.6%.

At the same time as rates were rising sharply, there was a sudden and significant increase in the credit spread that lenders required to accept the risk associated with typical corporate borrowers over and above the so called 'risk free' rate. Again, these spreads have been closing significantly in 2023 but remain elevated compared to more typical levels of recent years.

In these turbulent markets, we were helped by our high level of refinancing activity in previous years. Our only debt transaction in 2022 was the second one-year extension of the unsecured £100m revolving credit facility provided by Wells Fargo, taking its maturity to November 2027. At a time when loan extensions of this sort are not taken for granted, this was another indication of the strength of our banking relationships and we are grateful for the continuing strong support we have received from Wells Fargo and all of our lenders throughout 2022.

We have one remaining interest rate swap contract, providing a fixed rate of 1.36% to April 2025 on £75m of borrowings. As we had no floating rate borrowings at the balance sheet date, this contract has been deferred to start post the year end. With rates having risen so much in 2022, the fair value of this swap increased by £5.8m during the year.

Our next refinancing exposure arises in October 2024 on the £83m secured debt currently attracting a coupon of 3.99%. We will look to refinance this in due course and current expectations are that the cost of this will be a little higher than the current level.

At the year end, the Group's weighted average interest rate on a cash basis was 3.14%, the same as a year earlier, and 3.26% (31 December 2021: 3.27%) on an IFRS basis which adjusts for the convertible and green bonds. These figures indicate the advantage of having all of our debt at fixed rates as at the year end.

The weighted average maturity of our borrowings was 6.2 years at 31 December 2022 compared to 7.2 years at 31 December 2021.

See Appendix 6 for tables of debt facilities and reconciliation to borrowings and net debt and debt: key stats, graph showing maturity profile of debt facilities

Reporting under the Green Finance Framework

Derwent London's Green Finance Framework (the Framework) has been prepared in line with the LMA Green Loan Principles and ICMA Green Bond Principles guidance document, has been externally reviewed and a second party opinion has been obtained. The latest Framework is available on our website at www.derwentlondon.com

Out of our total debt facilities of £1.8bn, £650m satisfy our definition of Green Financing Transactions (GFTs). The GFTs comprise the £350m Green Bond issuance in 2021 and a £300m 'green' tranche included within our main corporate £450m revolving credit facility taken out in 2019. Together these are used to fund qualifying green expenditure.

In accordance with the reporting requirements set out in the Framework, we are disclosing the Eligible Green Projects (EGPs) that have benefited from our Green Financing Transactions, and the allocation of drawn funds to each project.

The projects eligible for funds from the GFTs are as follows:

Green project	**80 Charlotte Street W1**	**Soho Place W1**	**The Featherstone Building EC1**	**25 Baker Street W1**[1]
Expected completion date	Completed in 2020	Completed in 2022	Completed in 2022	2025
Category for eligibility	Green building, criterion 1 of section 3.1 of the Framework (excludes Asta House and Charlotte Apartments)	Green building, criterion 1 of section 3.1 of the Framework (excludes Site B - Theatre)	Green building, criterion 1 of section 3.1 of the Framework	Green building, criterion 1 of section 3.1 of the Framework (excludes retail and refurbished residential)
Impact reporting indicator	Building certification achieved (system & rating)	Building certification achieved (system & rating)	Building certification achieved (system & rating)	Building certification achieved (system & rating)
Green credentials	**Achieved:** BREEAM – Excellent (post-construction) EPC – B **Expected:** LEED – Gold, on target	**1 Soho Place (Site A) Achieved:** BREEAM – Outstanding (post-construction) EPC – B LEED – Gold **2&4 Soho Place (Site B) offices – DISPOSED OF IN 2022** **Achieved:** BREEAM – Excellent (design stage) EPC – B **Expected:** BREEAM – Excellent (post construction), on target	**Achieved:** BREEAM – Outstanding (post-construction) EPC – A **Expected:** LEED – Platinum, on target	**Offices Achieved** BREEAM – Outstanding (design stage) **Expected:** BREEAM – Outstanding (post-construction) LEED – Gold, on target EPC – B, on target **Private residential** **Expected:** Home Quality Mark – 4 Stars (design stage), on target

[1] Previously known as 19-35 Baker Street W1

Qualifying 'green' expenditure

The qualifying expenditure as at 31 December 2022 for each project is set out in the table below. This includes an element of 'look back' capital expenditure on projects in which expenditure had been incurred prior to management's approval of the project as an EGP. This also includes capital expenditure on projects which had already been incurred as at the original refinancing date in October 2019.

Soho Place W1 and The Featherstone Building EC1 both commenced on site in 2019 and reached practical completion in H1 2022. Soho Place Site B was disposed of in the year and, in accordance with section 3.3 of the Framework, the expenditure allocated to Site B has therefore been removed from the qualifying expenditure.

The 25 Baker Street W1[1] scheme commenced on site in October 2021 and is due to reach practical completion in 2025.

Cumulative spend on each EGP as at the reporting date

		Subsequent spend			
EGP	**Look back spend £m**	**Q4 2019 – FY 2021 £m**	**2022 Spend £m**	**Disposals £m**	**Cumulative Spend £m**
80 Charlotte Street W1	185.6	51.6	0.9	-	238.1
Soho Place W1	66.3	137.6	55.2	(34.8)	224.3
The Featherstone Building EC1	29.1	60.3	7.3	-	96.7
25 Baker Street W1[1]	26.5	5.8	36.5	-	68.8
	307.5	**255.3**	**99.9**	**(34.8)**	**627.9**

[1] Previously known as 19-35 Baker Street W1

After deducting all previously eligible expenditure on Soho Place Site B of £34.8m, the cumulative qualifying expenditure on EGPs was £627.9m. Total qualifying expenditure incurred in 2022 was £99.9m.

Drawn borrowings from GFTs as at 31 December 2022 were £350m, which comprised of the £350m Green Bonds with £nil drawn under the green tranche of the RCF. Therefore, there was £300.0m undrawn under the green tranche of the Group's RCF as at 31 December 2022, of which £277.9m was available to fund future cash flow requirements of the Group.

A requirement under the Framework and the facility agreement is for there to be an excess of qualifying spend on EGPs over the amount of drawn borrowings from all GFTs which, as shown above, has been met.

See Appendix 6 for graph showing green borrowings and qualifying expenditure

Dividend

We continue to operate a progressive but well covered dividend policy, mindful also of our pension and other stakeholder obligations and responsibilities. The board is recommending a 1.0p per share or 1.9% increase in the final dividend to 54.5p. It will be paid in June 2023 with 38.5p as a PID and the balance of 16.0p as a conventional dividend. The Company's ISIN reference is GB0002652740.

After adding in the interim 2022 dividend, the total dividend for the year amounts to 78.5p, 2.6% higher than for 2021. Dividend cover remains sound with dividends paid and declared in relation to 2022 earnings 1.36 times covered by EPRA earnings.

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING RISKS

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. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board on 24 February 2023. The Board has confirmed that its risk appetite and key risk indicators remain appropriate.

The Group's risk profile remained elevated during 2022 due partly to political and economic uncertainty, although the risks arising from the Covid-19 pandemic have lessened. The Board has reinstated a fall in property values as a principal risk for the Group. The current economic conditions have had an adverse impact on property yields, and there is a risk that property values could fall further in 2023.

We are operating in a changed interest rate environment following a long period of historically low rates. At 31 December 2022, all of our borrowings were at fixed rates. As a consequence of inflation and economic uncertainty, some of our occupiers may face a more challenging financial situation, which could result in Derwent London having higher future vacancy rates and/or reduced rent receipts. The occupiers deemed to be most at risk are those which rely heavily on consumer spending such as retail and hospitality, which make up only 7% of the Group's income. Despite the economic uncertainty, London remains resilient and occupier demand remains good for the right product as the 'flight to quality' continues.

Staying ahead of the sustainability curve and delivering on its net zero carbon commitments is a fundamental part of Derwent London's long-term strategy. Given that the built environment contributes significantly to the UK's overall carbon footprint, we are being proactive in finding solutions to further reduce emissions and develop renewable energy sources. The Remuneration Committee has introduced sustainability-related metrics (embodied carbon reduction and energy intensity reduction) into the Executive Directors' long-term incentive plan.

The principal risks and uncertainties facing the Group in 2023 are set out on the following pages with the potential impact and the mitigating actions and controls in place. The Group's approach to the management and mitigation of risk is included in the 2022 Report & Accounts.

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 responding to changing work practices, occupational demand, economic and property cycles, and London's global appeal. The London office market has generally been cyclical in recent decades, with strong growth followed by sharp economic downturns, precipitated by rising interest rates and often coinciding with significant oversupply.	• The Board approves the strategic plan and significant projects, which includes the development pipeline. The development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances. • An annual strategic review and budget is prepared for Board approval alongside two-year rolling forecasts which are prepared three times a year. The Board considers the sensitivity of the Group KPIs to changes in the assumptions underlying our forecasts in light of anticipated economic conditions. If necessary, modifications are made. • We develop properties in locations where there is good potential for future demand, such as near the Elizabeth line. We do not have any properties in the City or Docklands. • We maintain income from properties until development commences and have an ongoing strategy to extend income through lease

	renewals and regears. We regularly de-risk developments through pre-lets. • The Credit Committee, chaired by either the CEO or CFO, assesses and monitors the financial strength of potential and existing occupiers. The Group's diverse and high quality occupier base provides resilience against occupier default. We also maintain close and frequent contact with our occupiers. • We maintain sufficient headroom for all the key ratios and financial covenants, with a particular focus on interest cover.

Financial risks

The main financial risk is that the Group becomes unable to meet its financial obligations, which is not currently a principal risk. Financial risks can arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Risk, effect and progression	Controls and mitigation
2. Risk of occupiers defaulting or occupier failure The majority of the Group's revenues comprise rent received from our occupiers and any deterioration in their businesses and/or profitability could in turn adversely affect the Group's rental income or increase the Group's bad debts and/or number of lease terminations.	• The Credit Committee, chaired by either the CEO or CFO, assesses and monitors the financial strength of potential and existing occupiers, with detailed reviews of all prospective occupiers being performed. • A 'tenants on watch' register is maintained and regularly reviewed by the Executive Committee and the Board. • Active rent collection, with regular reports to the Executive Committee on day 1, 7, 14 and 21. • We maintain close and frequent contact with our occupiers. • Rent deposits and/or guarantors are held where considered appropriate.
3. Income decline Changes in macroeconomic factors may adversely affect London's office market. The Group is exposed to external factors which are outside the Group's control, such as future demand for office space, the 'cost of living' crisis, the 'grey' market in office space (i.e. occupier controlled vacant space), weaknesses in retail and hospitality businesses, increase in hybrid working and the depth of a recession, and subsequent rise in unemployment and/or interest rates.	• The Credit Committee receives detailed reviews of all prospective occupiers. • A 'tenants on watch' register is maintained and regularly reviewed by the Executive Committee and the Board. • Ongoing dialogue is maintained with occupiers to understand their concerns and requirements. • The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant impact on our business continuity.

4. Fall in property values

The potential adverse impact of the economic and political environment on property yields has heightened the risk of a fall in property values.	• The impact of yield changes is considered when potential projects are appraised. • The impact of yield changes on the Group's financial covenants and performance is monitored regularly and subject to sensitivity analysis to ensure that adequate headroom is preserved. • The Group's mainly unsecured financing makes management of our financial covenants more straightforward. • The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant operational impact on our business.

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

Risk	Controls and mitigation
5A. Reduced development returns	
Returns from the Group's developments may be adversely impacted due to: delays on-site; increased construction costs; material and labour shortages; and adverse letting conditions.	• Our procurement process includes the use of highly regarded firms of quantity surveyors and is designed to minimise cost uncertainty. • Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed price contracts are negotiated. • 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. • Investment appraisals are prepared and sensitivity analysis is undertaken to judge whether an adequate return is made in all likely circumstances. • The Group's pre-letting strategy reduces or removes the letting risk of the development as soon as possible.

5B. ‘On-site’ risk

If the Group fails to: (i) adequately appraise investments prior to starting work on-site, including through taking into account contingencies and inflationary cost increases; (ii) use a procurement process that is properly designed (to minimise uncertainty around costs) and that includes the use of highly regarded quantity surveyors; (iii) benchmark development costs; (iv) conduct thorough site investigations to reduce the risk of unidentified issues such as asbestos; (v) implement its pre-letting strategy; or (vi) conduct detailed reviews on construction projects to evaluate programme forecasts made by contractors, development projects may be significantly delayed and we could face a loss of rental income and penalties.

- Regular monitoring of our contractors’ cash flows.
- Frequent meetings with key contractors and subcontractors to review their work programme and maintain strong relationships.
- Off-site inspection of key components to ensure they have been completed to the requisite quality.
- Prior to construction beginning on-site, professional project managers conduct site investigations including the building’s history and various surveys to identify any potential issues.
- Monthly reviews of Brexit related supply chain issues for each of our major projects, including in respect to potential labour shortages.
- Strict Covid-19 protocols are maintained at all of our on-site developments, in accordance with Site Operating Procedures (published by the Construction Leadership Council).

5C. Contractor/subcontractor default

There have been ongoing issues within the construction industry in respect of the level of risk and narrow profit margins being accepted by contractors.

- We use known ‘Tier 1’ contractors with whom we have established working relationships.
- Regular monitoring of our contractors, including their project cash flows, is carried out.
- Key construction packages are acquired early in the project’s life to reduce the risks associated with later default.
- The financial standing of our main contractors is reviewed prior to awarding the project contract.
- Our main contractors are responsible, and assume the immediate risk, for subcontractor default.
- 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.
- Contractors are paid promptly and are encouraged to pay subcontractors promptly.

6A. 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.

- The Group's Business Continuity Plan is regularly reviewed and tested.
- The Group's Business Continuity Plan and cybersecurity 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 exists for remote access to our systems.
- Incident response and remediation processes are in place, which are regularly reviewed and tested.
- 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 IT team.

6B. 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.

- Our cyber security incident management 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.
- Inclusion of Building Managers in any cyber security awareness training and phishing simulations.
- Sophos Rapid Response team provide unlimited support to our Cyber Incident Response Team in the event of a cyber attack.
- Frequent staff awareness and training programmes.

6C. Significant business interruption (for example, pandemic, terrorism-related event or other business interruption)

Major incidents may significantly interrupt the Group's business, its occupiers and/or supply chain. Such incidents could be caused by a wide range of events such as fire, natural catastrophes, cyber events, terrorism, pandemic outbreak, material supply chain failures and geopolitical factors.

- Fire protection and access/security procedures are in place at all of our managed properties. At least annually, a fire risk assessment and health and safety inspection are performed for each property in our managed portfolio.
- The Group has comprehensive business continuity and incident management procedures both at Group level and for each of our managed buildings which are regularly reviewed and tested.
- Continuous review of property health and safety statutory compliance.
- Government health guidelines are maintained at all of our construction sites.
- Comprehensive property damage and business interruption insurance which includes terrorism.
- Robust security at our buildings, including CCTV and access controls.
- Most of our employees are capable of working remotely and have the necessary IT resources.

7. Reputational damage

The Group's reputation could be damaged, for example, through unauthorised or inaccurate media coverage, unethical practices or behaviours by the Group's executives, or failure to comply with relevant legislation.

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

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.

- The Board and Executive Committee 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.
- The Sustainability Committee monitors our performance and management controls.
- Strong team led by an experienced Head of Sustainability.
- The Group monitors its ESG (environmental, social and governance) reporting against various industry benchmarks.
- Production of an annual Responsibility Report with key data and performance points which are externally assured.
- In 2017 we adopted independently verified science-based carbon targets which have been approved by the Science-Based Targets initiative (SBTi).
- Undertake periodic multi-scenario climate risk assessments (physical and transition risks).

9A. Non-compliance with health and safety legislation

An incident or breach of health and safety legislation, including in respect of fire safety, water hygiene, asbestos exposure, building safety, construction design management etc.

- All properties have the relevant health, safety and fire management procedures in place which are reviewed annually.
- The Group has a qualified Health and Safety team whose performance is monitored and managed by a Health & Safety Committee, chaired by the CEO.
- Health and safety statutory compliance within our managed portfolio is managed and monitored using a software compliance platform. This is supported by annual property health checks.
- The Managed Portfolio Health and Safety Manager supports our Portfolio and Building Managers to ensure statutory compliance.
- The Construction Health and Safety Manager ensures our Construction (Design and Management) Regulations (CDM) client duties are executed and monitored and reviews health, safety and welfare on each construction site on a monthly basis.
- The Board and Executive Committee receive frequent updates and presentations on health and safety.

9B. Other regulatory non-compliance

The Group breaches any of the legislation that forms the regulatory framework within which the Group operates.	• We are proactive in adopting new and emerging legislation. • 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 for staff is maintained to report wrongdoing anonymously. • Ongoing staff training and awareness programmes. As part of staff performance appraisals, all employees are required to confirm they have reviewed and understood Group policies. • 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.

Financial instruments – risk management

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

credit risk;
market risk; and
liquidity risk.

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

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years. The Group's EPRA loan-to-value ratio has increased to 23.9% as at 31 December 2022.

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 accrued income arising as a result of the spreading of lease incentives using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. 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 64 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 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).

The Group monitors its interest rate exposure on at least a quarterly basis. Sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates would result in no increase (2021: £0.1m) or decrease (2021: £0.1m), as all borrowings at the end of the year were fixed.

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. At 31 December 2022, the proportion of fixed debt held by the Group was above this range at 100% (2021: 99%). During both 2022 and 2021, the Group's borrowings at variable rate were denominated in sterling.

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

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

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

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

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

Capital disclosures
The Group's capital comprises all components of equity (share capital, share premium, other reserves 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 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 2022, the Group's strategy, which was unchanged from 2021, was to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the net interest cover ratio, are defined in the list of definitions at the end of this announcement and are derived in note 26.

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 £4.6bn (2021: £4.8bn) of uncharged property as at 31 December 2022.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. 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

27 February 2023

GROUP INCOME STATEMENT

	Note	2022 £m	2021 Restated[1] £m
Gross property and other income	5	**248.8**	241.3
Net property and other income[2]	5	**194.6**	187.2
Administrative expenses		**(36.4)**	(37.1)
Revaluation (deficit)/surplus	11	**(422.1)**	131.1
Profit on disposal	6	**25.6**	10.4
(Loss)/profit from operations		**(238.3)**	291.6
Finance income	7	**0.3**	-
Finance costs	7	**(39.7)**	(28.1)
Movement in fair value of derivative financial instruments		**5.8**	4.8
Financial derivative termination costs	8	**(0.3)**	(1.9)
Share of results of joint ventures	9	**(7.3)**	(13.9)
(Loss)/profit before tax		**(279.5)**	252.5
Tax (charge)/credit	10	**(1.0)**	1.3
(Loss)/profit for the year		**(280.5)**	253.8
Attributable to:			
- Equity shareholders		**(280.5)**	252.3
- Non-controlling interest		**-**	1.5
		(280.5)	253.8
Basic (loss)/earnings per share	25	**(249.84p)**	224.99p
Diluted (loss)/earnings per share	25	**(249.84p)**	224.44p

[1] Prior year figures have been restated for a change in accounting policy in relation to forgiveness of lease payments. See note 2 for additional information.

[2] Net property and other income in 2022 includes a credit of £1.0m for the movement in impairment of receivables (2021 restated: charge of £2.2m). See note 3 for additional information.

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**2022 £m**	2021 £m
(Loss)/profit for the year		**(280.5)**	253.8
Actuarial (losses)/gains on defined benefit pension scheme		**(2.0)**	2.7
Deferred tax charge on pension	20	**-**	(0.4)
Revaluation surplus of owner-occupied property	11	**0.7**	3.7
Deferred tax charge on revaluation	20	**(0.2)**	(1.3)
Other comprehensive (expense)/income that will not be reclassified to profit or loss		**(1.5)**	4.7
Total comprehensive (expense)/income relating to the year		**(282.0)**	258.5
Attributable to:			
- Equity shareholders		**(282.0)**	257.0
- Non-controlling interest		**-**	1.5
		(282.0)	258.5

GROUP BALANCE SHEET

	Note	2022 £m	2021 Restated[1] £m
Non-current assets			
Investment property	11	**5,002.0**	5,361.2
Property, plant and equipment	12	**54.3**	54.0
Investments	14	**43.9**	51.1
Derivative financial instruments	19	**5.0**	-
Deferred tax	20	**-**	0.3
Pension scheme surplus		**1.2**	1.8
Other receivables	15	**188.1**	159.3
		5,294.5	5,627.7
Current assets			
Trading property	11	**39.4**	32.2
Trading stock	13	**2.3**	0.4
Trade and other receivables	16	**42.4**	41.0
Cash and cash equivalents	22	**76.6**	105.5
		160.7	179.1
Non-current assets held for sale	17	**54.2**	102.8
Total assets		**5,509.4**	5,909.6
Current liabilities			
Borrowings	19	**19.7**	12.3
Leasehold liabilities	19	**0.5**	51.2
Trade and other payables	18	**148.1**	145.9
Corporation tax liability		**0.9**	0.5
Derivative financial instruments	19	**-**	0.4
Provisions		**-**	0.3
		169.2	210.6
Non-current liabilities			
Borrowings	19	**1,229.4**	1,237.1
Derivative financial instruments	19	**-**	0.4
Leasehold liabilities	19	**34.5**	19.4
Provisions		**0.2**	0.3
Deferred tax	20	**0.6**	-
		1,264.7	1,257.2
Total liabilities		**1,433.9**	1,467.8
Total net assets		**4,075.5**	4,441.8
Equity			
Share capital		**5.6**	5.6
Share premium		**196.6**	195.4
Other reserves		**941.9**	941.1
Retained earnings		**2,931.4**	3,299.7
Total equity		**4,075.5**	4,441.8

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

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2022	5.6	195.4	941.1	3,299.7	4,441.8	-	4,441.8
Loss for the year	-	-	-	(280.5)	(280.5)	-	(280.5)
Other comprehensive income/(expense)	-	-	0.5	(2.0)	(1.5)	-	(1.5)
Share-based payments	-	1.2	0.3	1.2	2.7	-	2.7
Dividends paid	-	-	-	(87.0)	(87.0)	-	(87.0)
At 31 December 2022	**5.6**	**196.6**	**941.9**	**2,931.4**	**4,075.5**	**-**	**4,075.5**

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2021	5.6	193.7	939.4	3,124.5	4,263.2	51.9	4,315.1
Profit for the year	-	-	-	252.3	252.3	1.5	253.8
Other comprehensive income	-	-	2.4	2.3	4.7	-	4.7
Share-based payments	-	1.7	(0.7)	5.2	6.2	-	6.2
Dividends paid	-	-	-	(84.6)	(84.6)	-	(84.6)
Acquisition of non-controlling interest	-	-	-	-	-	(53.4)	(53.4)
At 31 December 2021	5.6	195.4	941.1	3,299.7	4,441.8	-	4,441.8

GROUP CASH FLOW STATEMENT

	Note	2022 £m	2021 Restated[1] £m
Operating activities			
Rents received		**193.7**	187.0
Surrender premiums and other property income		**0.7**	5.7
Property expenses		**(22.5)**	(14.3)
Costs recoverable from tenants		**(1.9)**	-
Service charge balance inflows		**64.5**	49.5
Service charge balance outflows		**(61.5)**	(49.1)
Tenant deposit inflows		**13.9**	1.5
Tenant deposit outflows		**(4.2)**	(2.7)
Cash paid to and on behalf of employees		**(25.1)**	(26.9)
Other administrative expenses		**(8.0)**	(7.8)
Interest received	7	**0.3**	-
Interest paid	7	**(33.7)**	(21.9)
Other finance costs	7	**(3.4)**	(3.1)
Other income		**4.2**	4.1
Disposal of trading properties		**3.0**	5.0
Expenditure on trading properties/stock		**(9.7)**	(1.6)
Tax paid in respect of operating activities		**(0.5)**	(0.5)
VAT movement		**1.6**	4.0
Net cash from operating activities		**111.4**	128.9
Investing activities			
Acquisition of properties		**(137.6)**	(251.8)
Capital expenditure on the property portfolio	7	**(120.7)**	(172.1)
Disposal of investment properties		**206.7**	297.3
Investment in joint ventures		**(0.3)**	(64.1)
Settlement of shareholder loan		**-**	2.0
Purchase of property, plant and equipment		**(2.0)**	(1.6)
Disposal of property, plant and equipment		**-**	0.2
VAT movement		**2.2**	3.5
Net cash used in investing activities		**(51.7)**	(186.6)
Financing activities			
Net proceeds of green bond issue		**-**	346.0
Net movement in revolving bank loans		**(10.1)**	(117.8)
Proceeds from other loan		**7.4**	12.3
Repayment of secured bank loan		**-**	(28.0)
Financial derivative termination costs	8	**(0.3)**	(1.9)
Acquisition of non-controlling interest		**-**	(53.4)
Net proceeds of share issues		**1.2**	1.8
Dividends paid	21	**(86.8)**	(84.3)
Net cash (used in)/from financing activities		**(88.6)**	74.7
(Decrease)/increase in cash and cash equivalents in the year		**(28.9)**	17.0
Cash and cash equivalents at the beginning of the year	22	**105.5**	88.5
Cash and cash equivalents at the end of the year	22	**76.6**	105.5

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards, (the "applicable framework"), and have been prepared in accordance 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.

Going concern
The Board continues to adopt the going concern basis in preparing these consolidated financial statements. In considering this requirement, the Directors have taken into account the following:

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

The Directors have considered the relatively long-term and predictable nature of the income receivable under the tenant leases, the Group's year-end loan-to-value ratio for 2022 of 23.9%, the interest cover ratio of 423%, the £577m total of undrawn facilities and cash and the fact that the average maturity of borrowings was 6.2 years at 31 December 2022. The impact of the Covid-19 pandemic on the business and its occupiers has been considered. The impact in 2022 was considerably less than in 2021 as evidenced by a partial reversal in impairment charges and rent collection rates now close to that seen pre-pandemic. Office occupation rates are also gradually recovering. The likely impact of climate change has been incorporated into the Group's forecasts and has taken account the impact of EPC upgrades across the portfolio, estimated at £99m. Based on the Group's forecasts, rental income would need to decline by 65% and property values would need to fall by 60% before breaching its financial covenants.

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 consolidated financial statements and, therefore, the Board continues to adopt the going concern basis in their preparation.

2. Changes in accounting policies

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2021, 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 year
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.

Reference to the Conceptual Framework (amendments to IFRS 3);
IFRS 16 (amended) – Covid-19-related Rent Concessions beyond 30 June 2021;
IAS 37 (amended) – Onerous Contracts – Cost of Fulfilling a Contract;
Annual improvements to IFRS Standards 2018-2020;
IAS 16 (amended) – Property, Plant and Equipment: Proceeds before Intended Use.

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.

IFRS 17 (amended) – Insurance Contracts;
IAS 1 (amended) – Classification of liabilities as current or non-current, Non-current Liabilities with Covenants;
IAS 1 and IFRS Practice Statement 2 (amended) – Disclosure of Accounting Policies;
IAS 8 (amended) – Definition of Accounting Estimate;
IAS 12 (amended) – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;
IFRS 16 (amended) – Lease Liability in a Sale and Leaseback;
IFRS 17 (amended) and IFRS 9 – Comparative Information.

Restatement – IFRIC Agenda Decision - Forgiveness of lease payments
In October 2022, the IFRS Interpretations Committee ('IFRIC') released its decision on the application of IFRS 9 and IFRS 16 in relation to how a lessor should account for the forgiveness of amounts due under leases.

It was determined that for any rent receivables that are past their due dates and subsequently forgiven, the lessor should apply the expected credit loss (ECL) model in IFRS 9. Therefore, the forgiveness will be subject to the derecognition and impairment requirements in IFRS 9, and the impact of relevant receivable amounts written off reflected in the income statement. The Group had previously treated the forgiveness of rent receivables, in particular Covid-19 concessions, that were past their due dates as lease modifications under IFRS 16, rather than the updated guidance of applying IFRS 9.

However, forgiveness of future rent not currently due meets the definition of a lease modification in IFRS 16. The impact of this forgiveness is recognised on a straight-line basis over the remaining term of the lease, which is consistent with the Group's treatment.

The adjustments required to amounts forgiven for receivables past their due date, including the remeasurement of the ECL, have been recalculated and the impact determined to be immaterial for each individual financial year. However, the Group has voluntarily elected to apply IFRS 9 where applicable. This includes adjusting the relevant 2020 opening balances and restating the 2021 comparative information. In the income statement, the restatement has resulted in a change to gross rental income, write-off/impairment of receivables and revaluation movement with no impact in the total profit/(loss) in the respective years. In addition, there is no impact on the total net assets within the balance sheets, with adjustments in rents recognised in advance (trade and other receivables), provision for bad debts, and investment property. The impact of these adjustments is shown on the following page. As the impact is not material, in accordance with IAS 1 'Presentation of Financial Statements' the Group has not presented revised balance sheets as at 31 December 2020 within the financial statements.

Restatement – IFRIC Agenda Decision - Recognition of Tenant Deposits as restricted cash
In March 2022, the IFRS Interpretations Committee ('IFRIC') finalised a decision with respect to the treatment of demand deposits with restrictions on use, which includes tenant rent deposits. It was concluded that these deposits, which are subject to contractual restrictions, meet the definition of 'cash and cash equivalents' under IAS 7 and should therefore be included as restricted cash under 'cash and cash equivalents' within the financial statements. The Group had not previously recognised tenant rent deposits on its balance sheet as these deposits are only available upon a tenant defaulting under the terms of its lease and are normally refunded upon expiry. As a result of the IFRIC decision, the Group has revisited its policy and has now included tenant rent deposits as restricted cash with a restatement to the prior year comparatives. The adjustment has no impact on the net assets of the Group, but cash and cash equivalents have increased by £17.6m (2020: £18.8m) with a corresponding increase in other payables. The movement in tenant rent deposits has been included in net cash from operating activities in the cash flow statement.

Cash collected on behalf of tenants to fund service charges of properties in the portfolio was previously recognised within trade and other receivables. This has now been reclassified and presented as restricted cash within 'cash and cash equivalents'. For the prior year, the adjustment has no impact on the net assets of the Group, with cash and cash equivalents increasing by £19.4m (2020: £19.0m) and a corresponding decrease of in trade and other receivables. The movement in service charge balances has been included in net cash from operating activities in the cash flow statement.

The impact of these adjustments is shown on the following page. As the total impact of both tenant deposits and service charge balances is not material, the Group has not presented a revised balance sheet as at 31 December 2020 within the financial statements, in accordance with IAS 1 'Presentation of Financial Statements'.

The following table shows the impact of these adjustments in the prior years.

	2021			
	31 December £m	Restatement[1] £m	Restatement[2] £m	**31 December Restated £m**
Group balance sheet (extract)				
Investment property	5,359.9	1.3	-	**5,361.2**
Trade and other receivables	61.7	(1.3)	(19.4)	**41.0**
Cash and cash equivalents	68.5	-	37.0	**105.5**
Trade and other payables	(128.3)	-	(17.6)	**(145.9)**
	5,361.8	-	-	**5,361.8**
Group income statement (extract)				
Net property and other income				
Gross rental income	194.2	1.1	-	**195.3**
Movement in impairment of receivables	(0.8)	(1.4)	-	**(2.2)**
Revaluation surplus	130.8	0.3	-	**131.1**
	324.2	-	-	**324.2**
Group cash flow statement (extract)				
Net cash from operating activities	125.7	-	(0.8)	**124.9**
	125.7	-	(0.8)	**124.9**

	2020			
	31 December £m	Restatement[1] £m	Restatement[2] £m	**31 December Restated £m**
Group balance sheet (extract)				
Investment property	5,029.1	1.4	-	**5,030.5**
Trade and other receivables	76.2	(1.4)	(19.0)	**55.8**
Cash and cash equivalents	50.7	-	37.8	**88.5**
Trade and other payables	(106.7)	-	(18.8)	**(125.5)**
	5,049.3	-	-	**5,049.3**
Group income statement (extract)				
Net property and other income				
Gross rental income	202.9	0.5	-	**203.4**
Movement in impairment of receivables	(10.1)	(1.9)	-	**(12.0)**
Revaluation deficit	(196.1)	1.4	-	**(194.7)**
	(3.3)	-	-	**(3.3)**
Group cash flow statement (extract)				
Cash and cash equivalents at the end of the year	50.7	-	37.8	**88.5**
	50.7	-	37.8	**88.5**

[1] Restatement in relation to IFRIC Agenda Decision – Forgiveness of lease payments.
[2] Restatement in relation to IFRIC Agenda Decision – Recognition of Tenant Deposits as restricted cash and service charge reclassification.

Re-presentation of VAT in Group cash flow statement
The Group has re-presented the cash flow statement for the year ended 31 December 2021, to separate VAT movements as either operating activities or investing activities. This has the effect of increasing the net cash from operations in 2021 by £4.0m with a corresponding increase in the net cash used in investing activities. There is no net impact upon the cash flow statement overall.

Restatement of Property portfolio, historical cost
The disclosure of historical cost of the property portfolio within Note 11 comparatives have been restated by £69.7m to £3,464.4m to correct an error in the calculation of the historical cost.

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. Knight Frank LLP were appointed to value the whole London-based portfolio as at 31 December 2022. More information is provided in note 11.

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. 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 calculations have been carried out using the forward-looking, simplified approach to the expected credit loss model within IFRS 9. The impact of the Covid-19 pandemic on the Group's business and its occupiers has been considered and in 2022 the severity of the impact was considerably less than in 2021 as evidenced by a partial reversal in impairment charges and rent collection rates now close to that seen pre-pandemic. The result is a £3.3m reduction in the provision and after adding receivable balances written off of £2.3m, the total credit to the income statement for 2022 was £1.0m, compared to the restated £2.2m charge recognised in 2021. In arriving at the estimates, the Group considered the tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA, the top 64 tenants by size and has also considered the remaining balances classified by sector.

The impairment provisions are included within 'Other receivables (non-current)' (see note 15) and 'Trade and other receivables' (see note 16) as shown below:

	Other receivables (non-current) £m	Trade and other receivables (current) £m	**Total £m**
Lease incentive receivables before impairment	167.8	24.3	**192.1**
Impairment of lease incentive receivables	(2.4)	(0.7)	**(3.1)**
Write-off	(0.2)	-	**(0.2)**
Net lease incentive included within accrued income	165.2	23.6	**188.8**
Trade receivables before impairment	-	9.0	**9.0**
Impairment of trade receivables	-	(1.8)	**(1.8)**
Service charge provision	-	(0.1)	**(0.1)**
Write-off	-	(2.2)	**(2.2)**
Net trade receivables	-	4.9	**4.9**

The assessment considered the risk of tenant failures or defaults using information on tenants' payment history, deposits held, the latest known financial position together with forecast information where available, ongoing dialogue with tenants as well as other information such as the sector in which they operate. Following this, tenants were classified as either low, medium or high risk and the table below provides further information. The impairment against lease incentive receivable balances was £3.1m and against trade receivable balances was £1.9m.

	Lease incentive receivables (non-current) £m	Lease incentive receivables (current) £m	Trade receivables (current) £m
Balance before impairment			
Low risk	158.4	19.5	3.3
Medium risk	4.6	3.2	1.7
High risk	4.6	1.6	1.8
	167.6	24.3	6.8
Impairment			
Low risk	-	-	-
Medium risk	(0.2)	(0.1)	(0.1)
High risk	(2.2)	(0.6)	(1.8)
	(2.4)	(0.7)	(1.9)
	165.2	23.6	4.9

Borrowings and derivatives

The fair values of the Group's borrowings and interest rate swaps are provided by an independent third party based on information provided to them by the Group. This includes the terms of each of the financial instruments and data available in the financial markets. More information is provided in note 19.

Significant judgements

Compliance with the real estate investment trust (REIT) taxation regime
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 in 2022 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.

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 makers (which in the Group's case are the four executive Directors assisted by the other ten 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 IFRS figures but also report non-IFRS figures for the EPRA earnings and net asset value. Reconciliations of each of these figures to their statutory equivalents are detailed in note 25. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate reportable segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property and trading property and comprised 97% office buildings[1] by value at 31 December 2022 (2021: 97%). The Directors consider that these individual properties have similar economic characteristics and therefore have been aggregated into a single reportable segment. The remaining 3% (2021: 3%) 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 regarding the areas contained in the strategic report. The majority of the Group's properties are located in London (West End central, West End borders/other and City borders), with the remainder in Scotland (Provincial).

[1] Some office buildings have an ancillary element such as retail or residential.

Gross property income

	2022			2021 Restated		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	Total £m
West End central	118.3	1.5	**119.8**	109.5	0.3	109.8
West End borders/other	16.3	-	**16.3**	18.5	-	18.5
City borders	67.2	0.5	**67.7**	67.6	0.5	68.1
Provincial	-	4.6	**4.6**	-	4.5	4.5
Gross property income (excl. joint venture)	201.8	6.6	**208.4**	195.6	5.3	200.9
Share of joint venture gross property income	2.1	-	**2.1**	0.4	-	0.4
	203.9	6.6	**210.5**	196.0	5.3	201.3

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

Property portfolio

	2022			2021 Restated		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	Total £m
Carrying value						
West End central	3,123.9	81.2	**3,205.1**	3,314.9	82.2	3,397.1
West End borders/other	356.9	-	**356.9**	408.1	-	408.1
City borders	1,494.5	10.4	**1,504.9**	1,649.7	8.4	1,658.1
Provincial	-	78.7	**78.7**	-	82.2	82.2
Group (excl. joint venture)	4,975.3	170.3	**5,145.6**	5,372.7	172.8	5,545.5
Share of joint venture	42.6	-	**42.6**	50.2	-	50.2
	5,017.9	170.3	**5,188.2**	5,422.9	172.8	5,595.7
Fair value						
West End central	3,234.9	86.3	**3,321.2**	3,348.9	84.2	3,433.1
West End borders/other	376.6	-	**376.6**	431.4	-	431.4
City borders	1,534.2	10.4	**1,544.6**	1,690.4	8.4	1,698.8
Provincial	-	79.4	**79.4**	-	83.0	83.0
Group (excl. joint venture)	5,145.7	176.1	**5,321.8**	5,470.7	175.6	5,646.3
Share of joint venture	42.4	-	**42.4**	50.0	-	50.0
	5,188.1	176.1	**5,364.2**	5,520.7	175.6	5,696.3

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

5. Property and other income

	2022	2021
		Restated
	£m	£m
Gross rental income	**207.0**	195.3
Surrender premiums received	**1.1**	3.6
Other property income	**0.3**	2.0
Gross property income	**208.4**	200.9
Trading property sales proceeds[1]	**1.6**	6.7
Service charge income[1]	**34.6**	30.2
Other income[1]	**4.2**	3.5
Gross property and other income	**248.8**	241.3
Gross rental income	**207.0**	195.3
Movement in impairment of receivables	**1.0**	(2.2)
Service charge income[1]	**34.6**	30.2
Service charge expenses	**(39.7)**	(33.6)
	(5.1)	(3.4)
Property costs	**(14.4)**	(11.8)
Net rental income	**188.5**	177.9
Trading property sales proceeds[1]	**1.6**	6.7
Trading property cost of sales	**(1.4)**	(6.0)
Profit on trading property disposals	**0.2**	0.7
Other property income	**0.3**	2.0
Other income[1]	**4.2**	3.5
Surrender premiums received	**1.1**	3.6
Dilapidation receipts	**0.5**	0.9
Write-down of trading property	**(0.2)**	(1.4)
Net property and other income	**194.6**	187.2

[1] In line with IFRS 15 Revenue from Contracts with Customers, the Group recognised a total of £40.4m (2021: £40.4m) of other income, trading property sales proceeds and service charge income, which relates to expenditure that is directly recoverable from tenants, within gross property and other income.

As described in note 2, gross rental income and movement in impairment of receivables have been restated in accordance with the guidance provided by the IFRS Interpretations Committee.

Gross rental income includes £20.3m (2021 restated: £19.5m) 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.

The impairment review has been carried out using the expected credit loss model within IFRS 9 Financial Instruments (see notes 3 and 16 for additional information). Included in this provision is a charge of £0.4m against trade receivables relating to rental income for the 25 December 2022 quarter day. Most of this income is deferred and has not yet been recognised in the income statement. A 10% increase/decrease to the absolute probability rates of tenant default in the year would result in a £1.6m increase/decrease and £1.2m decrease/increase respectively, in the Group's profit/loss for the year. This sensitivity has been performed on the medium to high risk tenants as the significant estimation uncertainty is wholly related to these.

6. Profit on disposal

	2022 £m	2021 £m
Investment property		
Gross disposal proceeds	**209.6**	402.4
Costs of disposal	**(3.2)**	(3.7)
Net disposal proceeds	**206.4**	398.7
Carrying value	**(180.8)**	(387.5)
Adjustment for lease costs and rents recognised in advance	**-**	(0.7)
Profit on disposal of investment property	**25.6**	10.5
Artwork		
Carrying value	**-**	(0.1)
Loss on disposal of artwork	**-**	(0.1)
Profit on disposal	**25.6**	10.4

Included within gross disposal proceeds for 2022 is £67.2m relating to the disposal of the Group's freehold interest in New River Yard EC1 in June 2022, £85.0m relating to the disposal of the Group's freehold interest in Bush House, South West Wing WC2 in July 2022, and £40.5m relating to the disposal of the Group's leasehold interest in 2 & 4 Soho Place W1 in July 2022. In addition, gross disposal proceeds also included £15.3m following completion of the grant of an intermediate long leasehold interest in relation to the Soho Place W1 development agreement.

7. Finance income and finance costs

	2022 £m	2021 £m
Finance income		
Bank interest receivable	**(0.2)**	-
Other	**(0.1)**	-
Finance income	**(0.3)**	-
Finance costs		
Bank loans	**1.1**	0.9
Non-utilisation fees	**2.1**	2.1
Unsecured convertible bonds	**3.9**	3.9
Unsecured green bonds	**6.7**	0.8
Secured bonds	**11.4**	11.4
Unsecured private placement notes	**15.6**	15.6
Secured loan	**3.3**	3.3
Amortisation of issue and arrangement costs	**2.6**	2.5
Amortisation of the fair value of the secured bonds	**(1.4)**	(1.3)
Obligations under headleases	**1.1**	0.7
Other	**0.3**	0.2
Gross finance costs	**46.7**	40.1
Less: interest capitalised	**(7.0)**	(12.0)
Finance costs	**39.7**	28.1

Finance costs of £7.0m (2021: £12.0m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowings during each quarter. Total finance costs paid to 31 December 2022 were £44.1m (2021: £37.0m) of which £7.0m (2021: £12.0m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination costs

The Group incurred net costs of £0.3m in the year to 31 December 2022 (2021: £1.9m) deferring interest rate swaps. Included in this is £0.3m of receipts and £0.6m of costs.

9. Share of results of joint ventures

	2022 **£m**	2021 £m
Net property income	**2.1**	0.4
Administrative expenses	**(0.1)**	(0.1)
Revaluation deficit	**(9.3)**	(10.2)
	(7.3)	(9.9)
Joint venture acquisition costs incurred	**-**	(4.0)
	(7.3)	(13.9)

The share of results of joint ventures for the year ended 31 December 2022 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/(credit)

	2022 **£m**	2021 £m
Corporation tax		
UK corporation tax and income tax in respect of results for the year	**0.5**	0.9
Other adjustments in respect of prior years' tax	**0.4**	(0.4)
Corporation tax charge	**0.9**	0.5
Deferred tax		
Origination and reversal of temporary differences	**0.1**	(1.1)
Adjustment for changes in estimates	**-**	(0.7)
Deferred tax charge/(credit)	**0.1**	(1.8)
Tax charge/(credit)	**1.0**	(1.3)

In addition to the tax charge of £1.0m (2021: credit of £1.3m) that passed through the Group income statement, a deferred tax charge of £0.2m (2021: £1.3m) relating to the revaluation of the owner-occupied property at 25 Savile Row W1 was recognised in the Group statement of comprehensive income. In 2021, a charge of £0.4m relating to the future defined benefit pension liabilities was also recognised in the Group statement of comprehensive income.

The effective rate of tax for 2022 is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £m	2021 £m
(Loss)/profit before tax	**(279.5)**	252.5
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)[1]	**(53.1)**	48.0
Difference between tax and accounting profit on disposals	**(3.1)**	(0.7)
REIT exempt income	**(16.0)**	(14.9)
Revaluation deficit/(surplus) attributable to REIT properties	**78.6**	(32.2)
Expenses and fair value adjustments not allowable for tax purposes	**0.4**	4.6
Capital allowances	**(6.5)**	(4.3)
Other differences	**0.3**	(1.4)
Tax charge/(credit) in respect of (loss)/profit for the year	**0.6**	(0.9)
Adjustments in respect of prior years' tax	**0.4**	(0.4)
Tax charge/(credit)	**1.0**	(1.3)

[1] Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 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

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
Carrying value							
At 1 January 2022	4,140.4	1,220.8	5,361.2	49.3	102.8	32.2	5,545.5
Acquisitions	0.1	132.9	133.0	-	-	-	133.0
Capital expenditure	47.7	58.8	106.5	-	-	8.3	114.8
Interest capitalisation	1.3	3.9	5.2	-	1.4	0.4	7.0
Additions	49.1	195.6	244.7	-	1.4	8.7	254.8
Disposals	(46.6)	(30.0)	(76.6)	-	(104.2)	(1.3)	(182.1)
Transfers	(54.2)	-	(54.2)	-	54.2	-	-
Revaluation	(388.2)	(33.9)	(422.1)	0.7	-	-	(421.4)
Write-down of trading property	-	-	-	-	-	(0.2)	(0.2)
Movement in grossing up of headlease liabilities	-	(51.0)	(51.0)	-	-	-	(51.0)
At 31 December 2022	**3,700.5**	**1,301.5**	**5,002.0**	**50.0**	**54.2**	**39.4**	**5,145.6**
At 1 January 2021 (restated)	3,894.9	1,135.6	5,030.5	45.6	165.0	12.9	5,254.0
Acquisitions	214.6	139.0	353.6	-	-	-	353.6
Capital expenditure	76.6	88.4	165.0	-	-	1.1	166.1
Interest capitalisation	2.4	9.6	12.0	-	-	-	12.0
Additions	293.6	237.0	530.6	-	-	1.1	531.7
Disposals	(75.8)	(146.7)	(222.5)	-	(165.0)	(5.9)	(393.4)
Transfers	(63.7)	(63.0)	(126.7)	-	101.2	25.5	-
Revaluation (restated)	91.4	39.3	130.7	3.7	-	-	134.4
Write-down of trading property	-	-	-	-	-	(1.4)	(1.4)
Transfer from prepayments and accrued income	-	-	-	-	1.6	-	1.6
Movement in grossing up of headlease liabilities	-	3.8	3.8	-	-	-	3.8
Movement in grossing up of other liabilities	-	14.8	14.8	-	-	-	14.8
At 31 December 2021 (restated)	4,140.4	1,220.8	5,361.2	49.3	102.8	32.2	5,545.5

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
Adjustments from fair value to carrying value							
At 31 December 2022							
Fair value	**3,865.8**	**1,307.1**	**5,172.9**	**50.0**	**54.7**	**44.2**	**5,321.8**
Selling costs relating to assets held for sale	-	-	-	-	(0.5)	-	(0.5)
Revaluation of trading property	-	-	-	-	-	(4.8)	(4.8)
Lease incentives and costs included in receivables	(165.3)	(39.8)	(205.1)	-	-	-	(205.1)
Grossing up of headlease liabilities	-	34.2	34.2	-	-	-	34.2
Carrying value	**3,700.5**	**1,301.5**	**5,002.0**	**50.0**	**54.2**	**39.4**	**5,145.6**
At 31 December 2021							
Fair value	4,296.2	1,161.9	5,458.1	49.3	104.8	34.1	5,646.3
Selling costs relating to assets held for sale	-	-	-	-	(2.0)	-	(2.0)
Revaluation of trading property	-	-	-	-	-	(1.9)	(1.9)
Lease incentives and costs included in receivables (restated)	(155.8)	(26.3)	(182.1)	-	-	-	(182.1)
Grossing up of headlease liabilities	-	70.4	70.4	-	-	-	70.4
Grossing up of other liabilities	-	14.8	14.8	-	-	-	14.8
Carrying value (restated)	4,140.4	1,220.8	5,361.2	49.3	102.8	32.2	5,545.5

Reconciliation of fair value

	2022 £m	2021 £m
Portfolio including the Group's share of joint ventures	**5,364.2**	5,696.3
Less: joint ventures	**(42.4)**	(50.0)
IFRS property portfolio	**5,321.8**	5,646.3

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2022 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 external valuations for the London-based portfolio at December 2022 were carried out by Knight Frank LLP, whilst the December 2021 valuations were carried out by CBRE Limited.

Knight Frank valued properties at £5,285.6m (2021: £nil), CBRE at £nil (2021: £5,610.8m) and other valuers at £36.2m (2021: £35.5m), giving a combined value of £5,321.8m (2021: £5,646.3m). Of the properties revalued, £50.0m (2021: £49.3m) relating to owner-occupied property was included within property, plant and equipment and £44.2m (2021: £34.1m) was in relation to trading property.

The total fees, including the fee for this assignment, earned by Knight Frank (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.

As described in note 2, the prior year revaluation has been restated in accordance with the guidance provided by the IFRS Interpretations Committee.

Net zero carbon and EPC compliance
In response to climate change, the Group published its pathway to net zero carbon in July 2020 and has set 2030 as its target date to achieve this. In accordance with the Group's Green Finance Framework, £99.9m (year to 31 December 2021: £116.6m) of eligible 'green' expenditure was incurred in the year to 31 December 2022 on major developments at 80 Charlotte Street W1, Soho Place W1, The Featherstone Building EC1 and 25 Baker Street W1. As these have met the criteria to be eligible qualifying projects under the Framework, the Group has utilised the green tranche of the £450m revolving credit facility and the £350m green bonds.

In 2021, the Group commissioned a third-party report to determine the costs of achieving EPC compliance across the portfolio by 2030. Results of the study indicated an estimated cost of c.£97m to upgrade the Group's properties to EPC 'B' or above. This has since been updated to reflect the latest scope change and 2022 cost inflation, taking the estimate to c.£107m at year end. This includes £8.0m relating to 19 Charterhouse Street EC1 which was sold in January 2023. It is expected that a small proportion of this cost will be recoverable through service charges. A specific deduction of £58.4m for identified EPC upgrade works across the portfolio has been included within the external valuation at 31 December 2022, with an additional allowance for further general upgrades to properties following assumed tenant vacancies.

Reconciliation of revaluation (deficit)/surplus

	2022 **£m**	2021 Restated £m
Total revaluation (deficit)/surplus	**(401.8)**	142.9
Less:		
Share of joint ventures	**9.2**	13.9
Lease incentives and costs	**(23.2)**	(19.4)
Assets held for sale selling costs	**(2.5)**	(2.0)
Trading property revaluation adjustment	**(3.3)**	(2.0)
IFRS revaluation (deficit)/surplus	**(421.6)**	133.4
Reported in the:		
Revaluation (deficit)/surplus	**(422.1)**	131.1
Write-down of trading property	**(0.2)**	(1.4)
Group income statement	**(422.3)**	129.7
Group statement of comprehensive income	**0.7**	3.7
	(421.6)	133.4

Historical cost

	2022 **£m**	2021 Restated £m
Investment property	**3,478.3**	3,362.3
Owner-occupied property	**19.6**	19.6
Assets held for sale	**51.5**	38.5
Trading property	**42.5**	44.0
Total property portfolio	**3,591.9**	3,464.4

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 has been performed to ascertain the impact of a 25 basis point shift in true equivalent yield and a £2.50 per sq ft 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	Provincial land	Total
True equivalent yield						
+25bp	(5.2%)	(4.4%)	(4.7%)	(2.6%)	-	(4.9%)
-25bp	5.7%	4.9%	5.2%	2.8%	-	5.4%
ERV						
+£2.50 psf	3.9%	4.8%	4.7%	19.3%	-	4.4%
-£2.50 psf	(3.9%)	(4.8%)	(4.7%)	(19.3%)	-	(4.4%)

12. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2022	49.3	0.8	3.9	54.0
Additions	-	-	0.6	0.6
Depreciation	-	-	(1.0)	(1.0)
Revaluation	0.7	-	-	0.7
At 31 December 2022	**50.0**	**0.8**	**3.5**	**54.3**
At 1 January 2021	45.6	1.0	3.6	50.2
Additions	-	-	1.3	1.3
Disposals	-	(0.1)	(0.1)	(0.2)
Depreciation	-	-	(0.9)	(0.9)
Revaluation	3.7	(0.1)	-	3.6
At 31 December 2021	49.3	0.8	3.9	54.0
Net book value				
Cost or valuation	50.0	0.8	7.8	58.6
Accumulated depreciation	-	-	(4.3)	(4.3)
At 31 December 2022	**50.0**	**0.8**	**3.5**	**54.3**
Net book value				
Cost or valuation	49.3	0.8	8.0	58.1
Accumulated depreciation	-	-	(4.1)	(4.1)
At 31 December 2021	49.3	0.8	3.9	54.0

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

The historical cost of the artwork in the Group at 31 December 2022 was £0.9m (2021: £0.9m). See note 11 for the historical cost of owner-occupied property.

13. Trading stock

	2022 £m	2021 £m
Trading stock	**2.3**	0.4

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 the Group does not have an ownership interest in the property.

14. Investments

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

	2022 £m	2021 £m
At 1 January	**51.1**	0.9
Additions	**0.1**	64.1
Joint venture acquisition costs	**-**	(4.0)
Revaluation deficit (see note 9)	**(9.3)**	(10.2)
Other profit from operations (see note 9)	**2.0**	0.3
At 31 December	**43.9**	51.1

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

	2022		2021	
	Joint ventures £m	**Group share £m**	Joint ventures £m	Group share £m
Non-current assets	**85.0**	**42.5**	100.5	50.2
Current assets	**5.0**	**2.5**	3.7	1.9
Current liabilities	**(2.7)**	**(1.4)**	(2.7)	(1.3)
Non-current liabilities	**(121.0)**	**(60.5)**	(120.8)	(60.4)
Net liabilities	**(33.7)**	**(16.9)**	(19.3)	(9.6)
Loans provided to joint ventures		**60.8**		60.7
Total investment in joint ventures		**43.9**		51.1

15. Other receivables (non-current)

	2022 £m	2021 £m
Prepayments and accrued income		
Rents recognised in advance	**165.2**	147.0
Initial direct letting costs	**13.8**	12.3
Prepayments	**9.1**	-
	188.1	159.3

Prepayments and accrued income include £165.2m (2021: £147.0m) after impairments (see note 3) 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, £13.8m (2021: £12.3m) relates to the spreading effect of the initial direct costs of letting over the same term. Together with £26.1m (2021 restated: £22.8m), which was included as accrued income within trade and other receivables (see note 16), these amounts totalled £205.1m at 31 December 2022 (2021 restated: £182.1m).

Prepayments represent £9.1m of costs incurred in relation to Old Street Quarter EC1. 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 (subsequently 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:

	2022	2021 Restated
	£m	£m
At 1 January	**167.0**	148.5
Amounts taken to income statement	**20.4**	19.9
Capital incentives granted	**0.6**	0.7
Lease incentive reversal/(impairment)	**1.0**	(0.1)
Adjustment for non-current asset held for sale	**-**	(1.3)
Disposal of investment properties	**-**	(0.5)
Write off to bad debt	**(0.2)**	(0.2)
	188.8	167.0
Amounts included in trade and other receivables (see note 16)	**(23.6)**	(20.0)
At 31 December	**165.2**	147.0

16. Trade and other receivables

	2022	2021 Restated
	£m	£m
Trade receivables	**4.9**	6.9
Other receivables	**5.8**	3.7
Prepayments	**3.8**	5.3
Accrued income	**27.9**	25.1
	42.4	41.0

The prior year prepayments have been restated to reclassify £19.4m of cash collected on behalf of tenants' service charges within cash and cash equivalents. For further information refer to note 2.

The prior year accrued income has been restated by £1.3m in relation to amounts forgiven for receivables past their due date as a result of the IFRIC decision relating to forgiveness of lease payments. For further information refer to note 2.

In response to the Group's climate change agenda, costs of £0.7m (2021: £0.4m) were incurred in relation to a c.100 acre, 18.4MW solar park on its Scottish land and have been included within prepayments. Resolution to grant planning consent for this project was received in 2022.

Trade receivables are split as follows:

	2022	2021
	£m	£m
less than three months due	**4.9**	6.8
between three and six months due	**-**	0.1
	4.9	6.9

Trade receivables as at 31 December 2022 are stated net of impairment. As a result, the expected credit loss assessment under IFRS 9 (see note 3) was lower than in 2021.

The Group has £5.0m of provision for bad debts as shown below. £1.9m is included in trade receivables, £0.7m in accrued income and £2.4m in prepayments and accrued income within other receivables (non-current) (note 15).

Provision for bad debts

	2022	2021 Restated
	£m	£m
At 1 January	**8.3**	8.4
Trade receivables provision	**(0.8)**	(0.4)
Lease incentive provision	**(0.2)**	0.8
Service charge provision	**(0.2)**	0.1
Released	**(2.1)**	(0.6)
At 31 December	**5.0**	8.3

The provision for bad debts are split as follows:

	2022	2021 Restated
	£m	£m
less than three months due	**2.2**	3.7
between three and six months due	**0.1**	0.2
between six and twelve months due	**0.3**	0.3
over twelve months due	**2.4**	4.1
	5.0	8.3

17. Non-current assets held for sale

	2022	2021
	£m	£m
Transferred from investment properties (see note 11)	**54.2**	101.2
Transferred from prepayments and accrued income	**-**	1.6
	54.2	102.8

In January 2023, the Group exchanged contracts and completed on the sale of its freehold interest in 19 Charterhouse Street EC1. The property was valued at £53.0m as at 31 December 2022. In accordance with IFRS 5 Non-current Assets Held for Sale, this property was recognised as a non-current asset held for sale and, after deducting selling costs of £0.5m, the carrying value was £52.5m (see note 11).

At 31 December 2022, the freehold interest in 13 Charlotte Mews W1 was recognised as a non-current asset held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale. 13 Charlotte Mews is under offer and is available for sale in its present condition. As at 31 December 2022, the property was valued at £1.7m and, after deducting selling costs of £0.05m, the carrying value was £1.65m (see note 11).

18. Trade and other payables

	2022 £m	2021 Restated £m
Trade payables	**0.4**	3.2
Other payables	**24.6**	38.0
Other taxes	**11.8**	8.0
Accruals	**35.8**	37.2
Deferred income	**48.2**	41.9
Tenant rent deposits	**27.3**	17.6
	148.1	145.9

Deferred income primarily relates to rents received in advance.

Prior year trade and other payables have been restated to reflect the grossing up of tenant rent deposits of £17.6m. For further information refer to note 2.

19. Net debt and derivative financial instruments

	2022		2021	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities				
Other loans	**19.7**	**19.7**	12.3	12.3
	19.7	**19.7**	12.3	12.3
Non-current liabilities				
1.5% unsecured convertible bonds 2025	**170.1**	**157.2**	168.3	174.0
6.5% secured bonds 2026	**181.0**	**179.7**	182.4	205.7
1.875% unsecured green bonds 2031	**346.4**	**247.3**	346.0	344.6
Unsecured private placement notes 2026 - 2034	**453.3**	**410.4**	453.0	493.1
3.99% secured loan 2024	**82.7**	**80.6**	82.5	85.6
Unsecured bank loans	**(4.1)**	**-**	4.9	10.0
	1,229.4	**1,075.2**	1,237.1	1,313.0
Borrowings	**1,249.1**	**1,094.9**	1,249.4	1,325.3
Derivative financial instruments expiring in less than one year	**-**	**-**	0.4	0.4
Derivative financial instruments expiring in greater than one year	**(5.0)**	**(5.0)**	0.4	0.4
Total borrowings and derivative financial instruments	**1,244.1**	**1,089.9**	1,250.2	1,326.1

	2022	2021
Reconciliation to net debt:		
Borrowings and derivative financial instruments	**1,244.1**	1,250.2
Adjustments for:		
Leasehold liabilities	**35.0**	70.6
Derivative financial instruments	**5.0**	(0.8)
Cash at bank excluding restricted cash (see note 22)	**(26.9)**	(68.5)
Net debt	**1,257.2**	1,251.5

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

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

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

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

The fair value 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 2022 or 2021.

Unsecured bank borrowings are accounted for at amortised cost. At 31 December 2022, there was £nil (2021: £10.0m) drawn on the RCFs and the unamortised arrangement fees were £4.1m (2021: £5.1m), resulting in the carrying value being a £4.1m debit balance (2021: credit balance of £4.9m).

Other loans consist of a £19.7m 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 31 December 2022 (2021: £nil). The carrying value of the loan at 31 December 2022 was £19.7m (2021: £12.3m).

The 3.99% secured loan 2024 was secured by a fixed charge over £272.8m (31 December 2021: £305.2m) 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 £448.8m (31 December 2021: £571.8m) of the Group's properties.

Additionally, the Group had a secured bank loan which was settled in the prior year in advance of the acquisition of the non-controlling interest from The Portman Estate in 2021.

The Group continues to maintain significant headroom on all financial covenants.

20. Deferred tax

	Revaluation (deficit)/surplus £m	Other £m	Total £m
At 1 January 2022	3.3	(3.6)	(0.3)
Charged/(credited) to the income statement	0.2	(0.1)	0.1
Charged to other comprehensive income	0.2	-	0.2
Charged to equity	-	0.6	0.6
At 31 December 2022	**3.7**	**(3.1)**	**0.6**
At 1 January 2021	3.5	(3.0)	0.5
(Credited)/charged to the income statement	(1.6)	0.5	(1.1)
Change in tax rates in the income statement	0.1	(0.8)	(0.7)
Charged to other comprehensive income	0.9	0.5	1.4
Change in tax rates in other comprehensive income	0.4	(0.1)	0.3
Credited to equity	-	(0.7)	(0.7)
At 31 December 2021	3.3	(3.6)	(0.3)

Deferred tax on the balance sheet revaluation deficit/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 ring-fence.

21. Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	**2022 £m**	2021 £m
Current year						
2022 final dividend[1]	2 June 2023	38.50	16.00	54.50	**-**	-
2022 interim dividend	14 October 2022	24.00	-	24.00	**26.9**	-
		62.50	16.00	78.50		
Prior year						
2021 final dividend	1 June 2022	35.50	18.00	53.50	**60.1**	-
2021 interim dividend	15 October 2021	23.00	-	23.00	**-**	25.8
		58.50	18.00	76.50		
2020 final dividend	4 June 2021	35.00	17.45	52.45	**-**	58.8
Dividends as reported in the Group statement of changes in equity					**87.0**	84.6
2022 interim dividend withholding tax	13 January 2023				**(3.7)**	-
2021 interim dividend withholding tax	14 January 2022				**3.5**	(3.5)
2020 interim dividend withholding tax	14 January 2021				**-**	3.2
Dividends paid as reported in the Group cash flow statement					**86.8**	84.3

[1] Subject to shareholder approval at the AGM on 12 May 2023.

22. Cash and cash equivalents

	2022 £m	2021 Restated £m
Cash at bank	**26.9**	68.5
Cash held in restricted accounts		
Tenant rent deposits	**27.3**	17.6
Service charge balances	**22.4**	19.4
	76.6	105.5

Prior year cash and cash equivalents have been restated to include £17.6m of tenant deposits, which are subject to contractual restrictions. In addition, £19.4m of cash collected on behalf of tenants to fund the service charge of properties in the portfolio has now been reclassified from trade and other receivables and presented as restricted cash. For further information refer to note 2.

23. Post balance sheet events

In January 2023, the Group exchanged contracts and completed the disposal of its freehold interest in 19 Charterhouse Street EC1 for £54.0m before costs.

24. Related parties

There have been no related party transactions for the year ended 31 December 2022 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.

25. EPRA performance measures

Unaudited unless stated otherwise.

Number of shares

	Earnings per share Weighted average		Net asset value per share At 31 December	
	2022 Audited '000	2021 Unaudited '000	**2022 Audited '000**	2021 Unaudited '000
For use in basic measures	**112,270**	112,139	**112,291**	112,209
Dilutive effect of share-based payments	**142**	273	**138**	308
For use in diluted measures	**112,412**	112,412	**112,429**	112,517

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 the year ended 31 December 2021 and 2022, 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 year, the bonds were not expected to convert.

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

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

Earnings and earnings per share

	IFRS	Adjustments A	Adjustments B	Adjustments C	EPRA basis
	£m	£m	£m	£m	£m
Year ended 31 December 2022 (audited)					
Net property and other income	194.6	(0.2)	0.2	-	194.6
Total administrative expenses	(36.4)	-	-	-	(36.4)
Revaluation deficit	(422.1)	-	422.1	-	-
Profit on disposal of investments	25.6	(25.6)	-	-	-
Net finance costs	(39.4)	-	-	-	(39.4)
Movement in fair value of derivative financial instruments	5.8	-	-	(5.8)	-
Financial derivative termination costs	(0.3)	-	-	(0.1)	(0.4)
Share of results of joint ventures	(7.3)	-	9.3	-	2.0
Loss before tax	(279.5)	(25.8)	431.6	(5.9)	120.4
Tax charge	(1.0)	-	0.3	-	(0.7)
Earnings attributable to equity shareholders	**(280.5)**	**(25.8)**	**431.9**	**(5.9)**	**119.7**
(Loss)/earnings per share	**(249.84p)**				**106.62p**
Diluted (loss)/earnings per share	(249.84p)				106.48p

The diluted loss per share for the period to 31 December 2021 was restricted to a loss of 249.84p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings Per Share.

	IFRS	Adjustments A	Adjustments B	Adjustments C	EPRA basis
	£m	£m	£m	£m	£m
Year ended 31 December 2021 (unaudited)					
Net property and other income (restated)	187.2	(0.7)	1.4	-	187.9
Total administrative expenses	(37.1)	-	-	-	(37.1)
Revaluation surplus (restated)	131.1	-	(131.1)	-	-
Profit on disposal of investments	10.4	(10.4)	-	-	-
Net finance costs	(28.1)	-	-	-	(28.1)
Movement in fair value of derivative financial instruments	4.8	-	-	(4.8)	-
Financial derivative termination costs	(1.9)	-	-	1.9	-
Share of results of joint ventures	(13.9)	-	14.2	-	0.3
Profit before tax	252.5	(11.1)	(115.5)	(2.9)	123.0
Tax credit	1.3	-	(1.5)	-	(0.2)
Profit for the year	253.8	(11.1)	(117.0)	(2.9)	122.8
Non-controlling interest	(1.5)	-	0.4	-	(1.1)
Earnings attributable to equity shareholders (restated)	252.3	(11.1)	(116.6)	(2.9)	121.7
Earnings per share (restated)	224.99p				108.53p
Diluted earnings per share (restated)	224.44p				108.26p

EPRA Net Asset Value metrics

	2022 Audited £m	2021 Unaudited £m
Net assets attributable to equity shareholders	4,075.5	4,441.8
Adjustment for:		
Revaluation of trading properties	4.8	1.9
Deferred tax on revaluation surplus[1]	1.9	1.7
Fair value of derivative financial instruments	(5.0)	0.8
Fair value adjustment to secured bonds	6.5	8.0
EPRA Net Tangible Assets	**4,083.7**	4,454.2
Per share measure - diluted	**3,632p**	3,959p
Net assets attributable to equity shareholders	4,075.5	4,441.8
Adjustment for:		
Revaluation of trading properties	4.8	1.9
Fair value adjustment to secured bonds	6.5	8.0
Mark-to-market of fixed rate debt	159.5	(69.5)
Unamortised issue and arrangement costs	(10.1)	(12.6)
EPRA Net Disposal Value	**4,236.2**	4,369.6
Per share measure - diluted	**3,768p**	3,884p
Net assets attributable to equity shareholders	4,075.5	4,441.8
Adjustment for:		
Revaluation of trading properties	4.8	1.9
Deferred tax on revaluation surplus	3.7	3.3
Fair value of derivative financial instruments	(5.0)	0.8
Fair value adjustment to secured bonds	6.5	8.0
Purchasers' costs[2]	361.9	383.9
EPRA Net Reinstatement Value	**4,447.4**	4,839.7
Per share measure - diluted	**3,956p**	4,301p

[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)

	2022	2021 Restated
	£m	£m
Administrative expenses	**36.4**	37.1
Write-off/impairment of receivables	**(1.0)**	2.2
Other property costs	**12.7**	10.4
Dilapidation receipts	**(0.5)**	(0.9)
Net service charge costs	**5.1**	3.4
Service charge costs recovered through rents but not separately invoiced	**(0.7)**	(0.6)
Management fees received less estimated profit element	**(4.2)**	(3.5)
Share of joint ventures' expenses	**0.5**	0.1
EPRA costs (including direct vacancy costs) (A)	**48.3**	48.2
Direct vacancy costs	**(7.9)**	(6.1)
EPRA costs (excluding direct vacancy costs) (B)	**40.4**	42.1
Gross rental income	**207.0**	195.3
Ground rent	**(1.7)**	(1.4)
Service charge components of rental income	**(0.7)**	(0.5)
Share of joint ventures' rental income less ground rent	**2.5**	0.5
Adjusted gross rental income (C)	**207.1**	193.9
EPRA cost ratio (including direct vacancy costs) (A/C)	**23.3%**	24.9%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**19.5%**	21.7%

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

Property portfolio at fair value (D)	**5,321.8**	5,646.3
Portfolio cost ratio (A/D)	**0.9%**	0.9%

The Group has not capitalised any overheads in either 2022 or 2021.

Property-related capital expenditure (unaudited)

	2022			2021		
	Group (excl. Joint ventures)	**Joint ventures (50% share)**	**Total Group**	Group (excl. Joint ventures)	Joint ventures (50% share)	Total Group
	£m	**£m**	**£m**	£m	£m	£m
Acquisitions	**133.0**	**-**	**133.0**	353.6	60.0	413.6
Development	**94.7**	**1.6**	**96.3**	146.6	0.2	146.8
Investment properties						
Incremental lettable space	**0.9**	**-**	**0.9**	0.1	-	0.1
No incremental lettable space	**18.5**	**-**	**18.5**	16.7	-	16.7
Tenant incentives	**0.8**	**-**	**0.8**	2.5	-	2.5
Capitalised interest	**6.9**	**-**	**6.9**	12.0	-	12.0
Total capital expenditure	**254.8**	**1.6**	**256.4**	531.5	60.2	591.7
Conversion from accrual to cash basis[1]	**11.1**	**0.1**	**11.2**	(107.6)	(0.2)	(107.8)
Total capital expenditure on a cash basis	**265.9**	**1.7**	**267.6**	423.9	60.0	483.9

[1] In the prior year, the conversion from accrual to cash basis figure includes £100.7m in relation to the regrant of a headlease at 25 Baker Street W1.

26. Gearing and interest cover

NAV gearing

	2022 £m	2021 £m
Net debt	**1,257.2**	1,251.5
Net assets	**4,075.5**	4,441.8
NAV gearing	**30.8%**	28.2%

Loan-to-value ratio

	2022 £m	2021 £m
Group loan-to-value ratio		
Net debt	**1,257.2**	1,251.5
Fair value adjustment of secured bonds	**(6.5)**	(8.0)
Unamortised discount on unsecured green bonds	**1.7**	1.8
Unamortised issue and arrangement costs	**10.1**	12.6
Leasehold liabilities	**(35.0)**	(70.6)
Drawn debt net of cash (A)	**1,227.5**	1,187.3
Fair value of property portfolio (B)	**5,321.8**	5,646.3
Group loan-to-value ratio (A/B)	**23.1%**	21.0%
Proportionally consolidated loan-to-value ratio		
Drawn debt net of cash (A)	**1,227.5**	1,187.3
Share of cash and cash equivalents joint ventures	**(1.6)**	(1.2)
Drawn debt net of cash including Group's share of joint ventures (C)	**1,225.9**	1,186.1
Fair value of property portfolio (B)	**5,321.8**	5,646.3
Share of fair value of property portfolio of joint ventures	**42.4**	50.0
Fair value of property portfolio including Group's share of joint ventures (D)	**5,364.2**	5,696.3
Proportionally consolidated loan-to-value ratio (C/D)	**22.9%**	20.8%
EPRA loan-to-value ratio		
Drawn debt net of cash including Group's share of joint ventures (C)	**1,225.9**	1,186.1
Debt with equity characteristics	**(19.7)**	(12.3)
Adjustment for hybrid debt instruments	**3.3**	4.5
Net payable adjustment	**74.1**	91.7
Adjusted debt (E)	**1,283.6**	1,270.0
Fair value of property portfolio including Group's share of joint ventures (D)	**5,364.2**	5,696.3
EPRA loan-to-value ratio (E/D)	**23.9%**	22.3%

Net interest cover ratio

	2022 £m	2021 Restated £m
Group net interest cover ratio		
Net property and other income	**194.6**	187.2
Adjustments for:		
Other income	**(4.2)**	(3.5)
Other property income	**(0.3)**	(2.0)
Surrender premiums received	**(1.1)**	(3.6)
Write-down of trading property	**0.2**	1.4
Profit on disposal of trading properties	**(0.2)**	(0.7)
Adjusted net property income	**189.0**	178.8
Finance income	**(0.3)**	-
Finance costs	**39.7**	28.1
Adjustments for:		
Finance income	**0.3**	-
Other finance costs	**(0.3)**	(0.2)
Amortisation of fair value adjustment to secured bonds	**1.4**	1.3
Amortisation of issue and arrangement costs	**(2.6)**	(2.5)
Finance costs capitalised	**7.0**	12.0
Net interest payable	**45.2**	38.7
Group net interest cover ratio	**418%**	462%
Proportionally consolidated net interest cover ratio		
Adjusted net property income	**189.0**	178.8
Share of joint ventures' net property income	**2.1**	0.4
Adjusted net property income including share of joint ventures	**191.1**	179.2
Net interest payable	**45.2**	38.7
Proportionally consolidated net interest cover ratio	**423%**	463%

27. Total return (unaudited)

	2022 p	2021 p
EPRA Net Tangible Assets on a diluted basis		
At end of year	**3,632**	3,959
At start of year	**(3,959)**	(3,812)
(Decrease)/increase	**(327)**	147
Dividend per share	**78**	75
(Decrease)/increase including dividend	**(250)**	222
Total return	**(6.3%)**	5.8%

28. List of definitions

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.

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

Debt divided by the property value. Debt is equal to drawn facilities less cash, adjusted 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**

Represent 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.

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

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

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

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 unrestricted 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 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 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 (PID). 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 year plus the dividend per share paid during the year 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 year, 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 year (i.e. excluding any acquisitions or disposals made during the year).

Underlying valuation increase
The valuation increase on the underlying portfolio.

Well to tank (WTT)
The emissions associated with extracting, refining and transporting raw fuel to the vehicle, asset or process under scrutiny.

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 to which the net initial yield will rise 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.

29. 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.

Notes to editors

Derwent London plc

Derwent London plc owns 70 buildings in a commercial real estate portfolio predominantly in central London valued at £5.36 billion as at 31 December 2022, making it the largest London-focused real estate investment trust (REIT).

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

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

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

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. In 2019 the Group became the first UK REIT to sign a Revolving Credit Facility with a 'green' tranche. At the same time, we also launched our Green Finance Framework and signed the Better Buildings Partnership's climate change commitment. The Group is a member of the 'RE100' which recognises Derwent London as an influential company, committed to 100% renewable power by purchasing renewable energy, a key step in becoming a net zero carbon business. Derwent London is one of the property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).

Landmark buildings in our 5.5 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.

In January 2022 we were proud to announce that we had achieved the National Equality Standard – the UK's highest benchmark for equality, diversity and inclusion. In October 2022, 80 Charlotte Street won the BCO's Best National Commercial Workplace award 2022. In October 2021, the Group won EG's UK Company of the Year award and in January 2022 came top of the Property Sector and 38th position overall in Management Today's Britain's Most Admired Companies awards 2021. In 2013 the Company launched a voluntary Community Fund which has to date supported over 150 community projects in the West End and the Tech Belt.

The Company's share capital is comprised of a single class of 5p ordinary shares (ISIN: GB0002652740).

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

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

Forward-looking statements

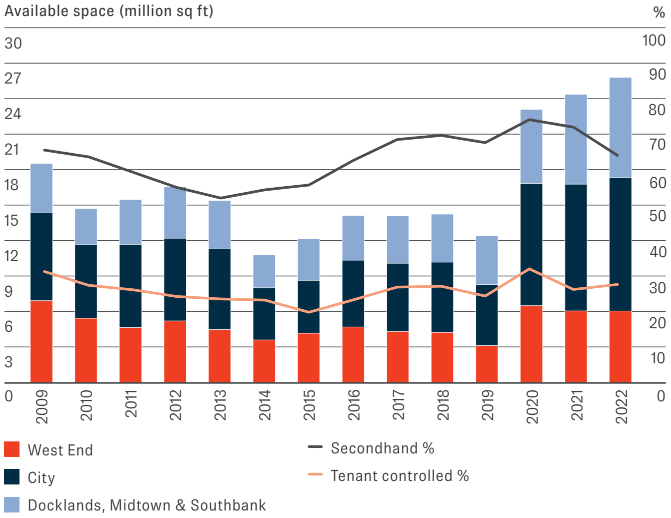
This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance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

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

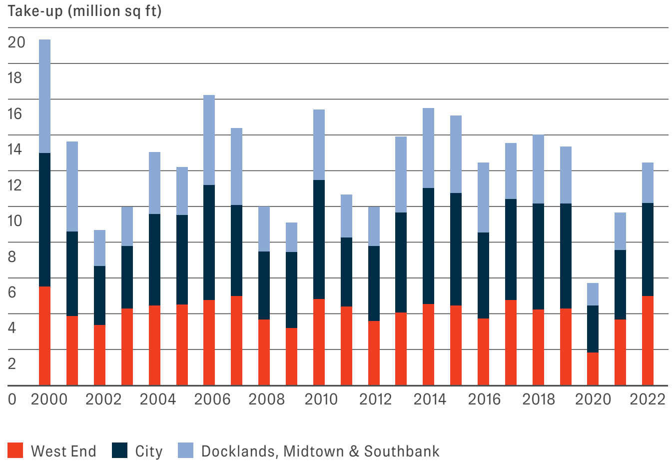
APPENDIX 1

OUR MARKET

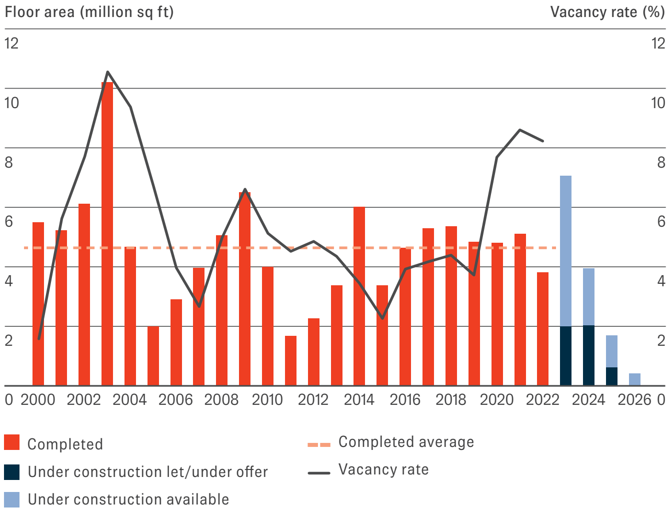
Breakdown of available space



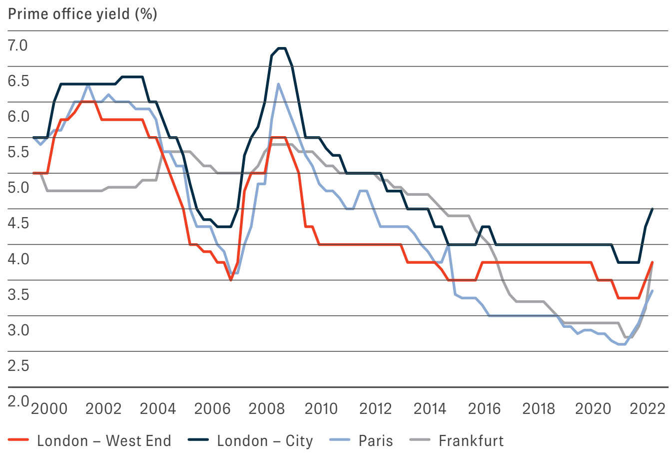
Central London office take-up



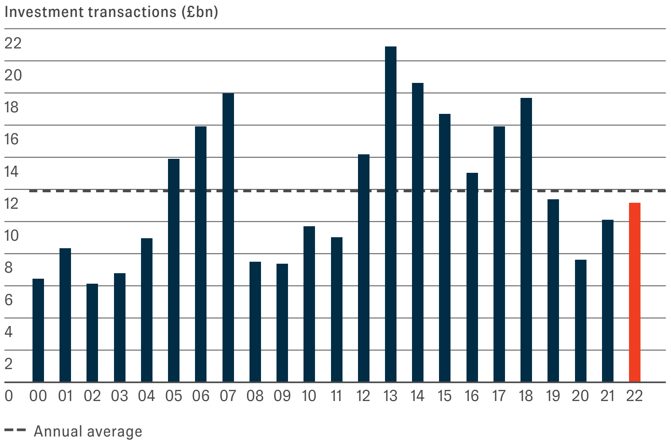
Central London development pipeline



European yields



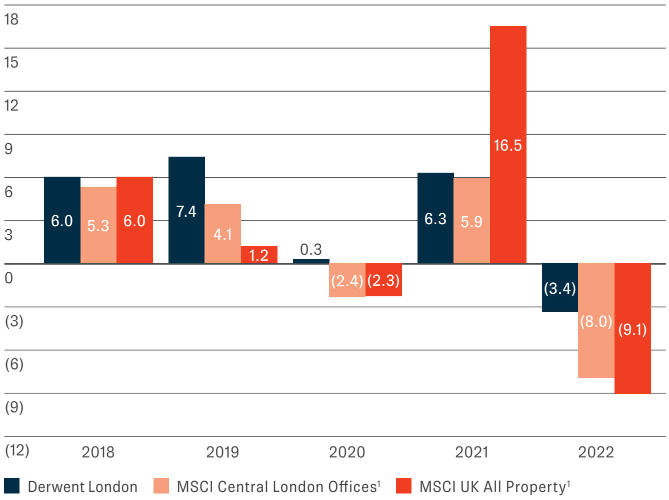
Central London office investment transactions



APPENDIX 2

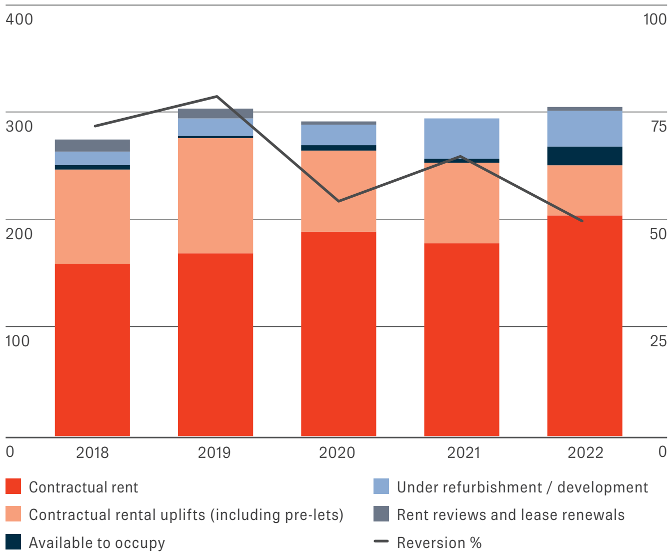
VALUATION

Total property return

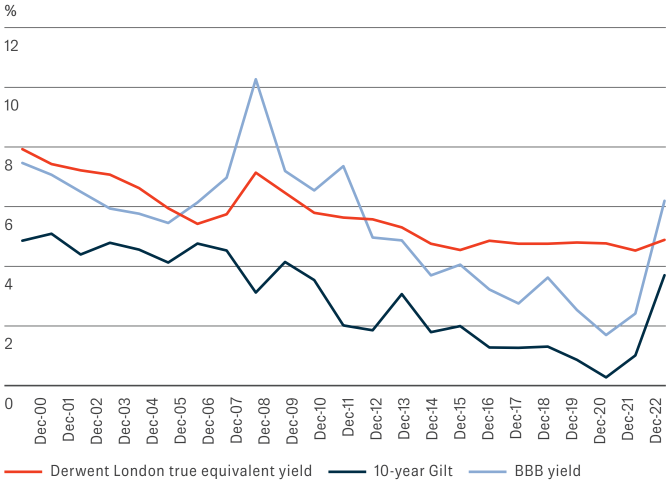


1 Quarterly Index

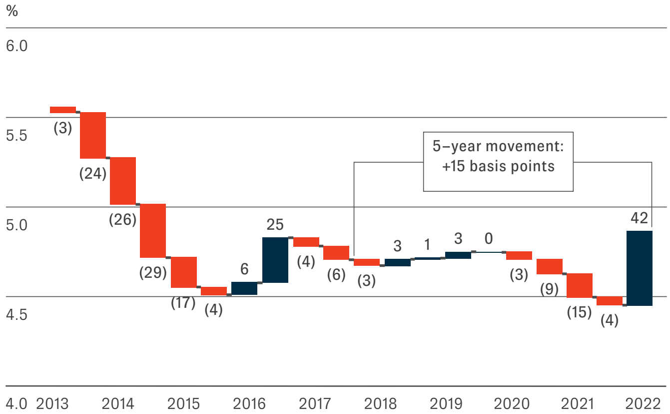
Portfolio income potential



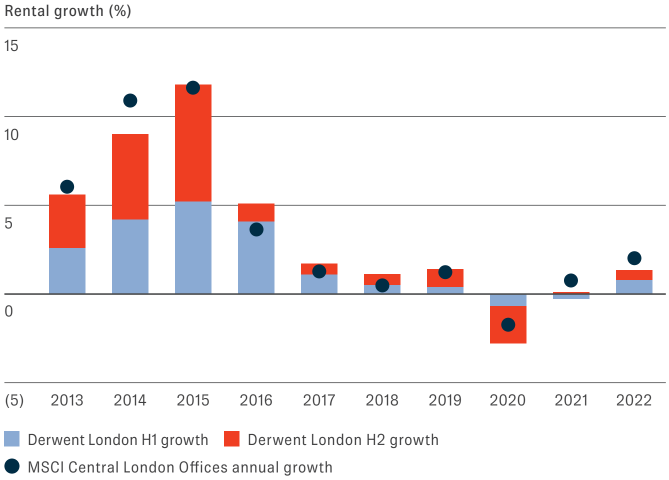
Valuation yields



True equivalent yield



Rental value growth



APPENDIX 2

VALUATION

PORTFOLIO STATISTICS – VALUATION

		Valuation £m	Weighting %	Valuation[1] performance %	Let floor area[2] '000 sq ft	Vacant available floor area '000 sq ft	Vacant refurbishment floor area '000 sq ft	Vacant project floor area '000 sq ft	Total floor area '000 sq ft
West End									
Central		3,363.7	63	(4.9)	2,485	81	32	404	3,002
Borders		376.6	7	(12.9)	411	18	0	0	429
		3,740.3	70	(5.8)	2,896	99	32	404	3,431
City									
Borders		1,544.5	29	(9.2)	1,446	248	9	0	1,703
Central London		5,284.8	99	(6.8)	4,342	347	41	404	5,134
Provincial		79.4	1	(5.7)	314	12	0	0	326
Total portfolio	**2022**	**5,364.2**	**100**	**(6.8)**	**4,656**	**359**	**41**	**404**	**5,460**
	2021	5,696.7	100	3.5	4,733	146	236	459	5,574

1 Underlying – properties held throughout the year

2 Includes pre-lets

RENTAL INCOME PROFILE

	Rental uplift £m	Rental per annum £m
Annualised contracted rental income, net of ground rents		204.2
Contractual rental increases across the portfolio	46.4	
Letting 359,000 sq ft available floor area	17.3	
Completion and letting 41,000 sq ft of refurbishments	2.7	
Completion and letting 404,000 sq ft of developments	30.3	
Anticipated rent review and lease renewal reversions	8.2	
Future contracted growth above ERV	(4.5)	
Portfolio reversion		100.4
Potential portfolio rental value		**304.6**

PORTFOLIO STATISTICS – RENTAL INCOME

		Net contracted rental income per annum £m	Average rental income £ per sq ft	Vacant space rental value per annum £m	Lease reversion per annum[1] £m	Portfolio estimated rental value per annum £m	Average unexpired lease length[2] Years
West End							
Central		110.6	45.83	38.5	39.9	189.0	7.6
Borders		21.2	51.82	0.4	0.5	22.1	6.4
		131.8	46.69	38.9	40.4	211.1	7.4
City							
Borders		68.0	47.88	11.2	9.6	88.8	4.8
Central London		199.8	47.09	50.1	50.0	299.9	6.5
Provincial		4.4	14.15	0.2	0.1	4.7	2.5
Total portfolio	**2022**	**204.2**	**44.86**	**50.3**	**50.1**	**304.6**	**6.4**[3]
	2021	178.4	38.10	41.1	74.4	293.9	6.3

1 Contracted uplifts, rent reviews/lease renewal reversion and pre-lets

2 Lease length weighted by rental income at year end and assuming tenants break at first opportunity

3 7.2 years after adjusting for 'topped-up' rents

APPENDIX 3

ACQUISITIONS & DISPOSALS

ACQUISITIONS

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa	Net rental income £ psf
230 Blackfriars Road SE1	Q1 2022	60,400	58.3	3.5	2.1	41.00
Soho Place W1 headlease	Q1 2022	–	71.9	–	–	–
Other	–	–	2.8	–	–	–
Total 2022 acquisitions		**60,400**	**133.0**	**–**	**2.1**	**–**

DISPOSALS (EXCLUDING TRADING PROPERTY)

Property	Date	Area sq ft	Net proceeds £m	Net yield %	Net rental income £m pa
New River Yard EC1	Q2 2022	70,700	65.9[1]	4.5	3.3
2 & 4 Soho Place W1	Q3 2022	18,400[2]	39.8	–	–
Bush House WC2	Q3 2022	103,700	84.0	–	–
Intermediate leasehold interest at Soho Place W1	Q3 2022	–	15.3	–	–
Other	–	1,600	1.4	–	–
Total 2022 disposals		**194,400**	**206.4**	**–**	**3.3**
2023 YTD					
19 Charterhouse Street EC1	Q1 2023	63,200	53.6	4.6	2.6

1 After deduction of rental top-ups and sale costs

2 Office space

APPENDIX 4

LEASING, ASSET MANAGEMENT & PROPERTY MANAGEMENT

PRINCIPAL LETTINGS IN 2022

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
H1 2022							
90 Whitfield Street W1	Michael Kors	18,850	72.50	1.4	10	–	24
The Featherstone Building EC1	Marshmallow	16,220	71.50	1.2	10	6	15, plus 9 if no break
The Featherstone Building EC1	Dept Agency	11,450	85.25	1.0	10	5	11.5, plus 11.5 if no break
White Collar Factory EC1	Brainlabs	11,540	71.70	0.8	6	–	10.4
White Collar Factory EC1	Adobe	10,180	70.00	0.7	10	6	12, plus 10 if no break
230 Blackfriars Road SE1	Wandle Housing Association	7,290	49.50	0.4	7.5	4	7, plus 6 if no break
80 Charlotte Street W1	NewRiver REIT	4,090	70.00	0.3	5	–	11
Holden House W1	Talon Outdoor	5,120	49.50	0.3	5	3.5	6
H2 2022							
43 Whitfield Street W1	Pollination	5,930	85.00	0.5	10	5	5
43 Whitfield Street W1	Sine Digital	5,090	86.00	0.4	10	5	6, plus 5 if no break
Gordon House SW1	VCCP	7,380	52.50	0.4	3	–	7
Sub-total		**103,140**	**71.75**	**7.4**	**–**	**–**	
Other		59,860	40.10	2.4	–	–	
Total 2022 lettings		**163,000**	**60.40**	**9.8**	**–**	**–**	

PRINCIPAL LETTINGS IN 2023 YTD

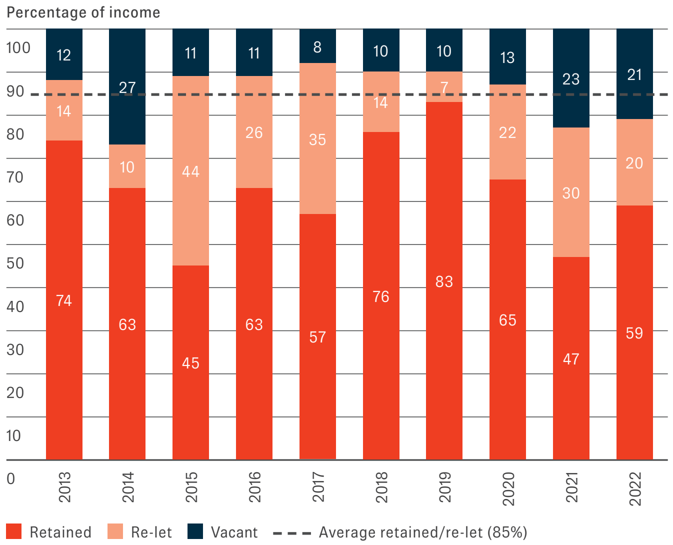
Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
25 Baker Street W1	PIMCO	106,100	103.40	11.0	15	–	37
The Featherstone Building EC1	Buro Happold	31,100	74.40	2.3	15	10[1]	24, plus 12 if no break
Tea Building E1	Jones Knowles Ritchie	8,100	60.00	0.5	10	5	12, plus 12 if no break
Other		17,300	51.10	0.9	–	–	
2023 YTD		**162,600**	**90.10**	**14.7**	–	–	

1 There is an additional break at year 5 on level eight subject to a 12-month rent penalty payable by the tenant

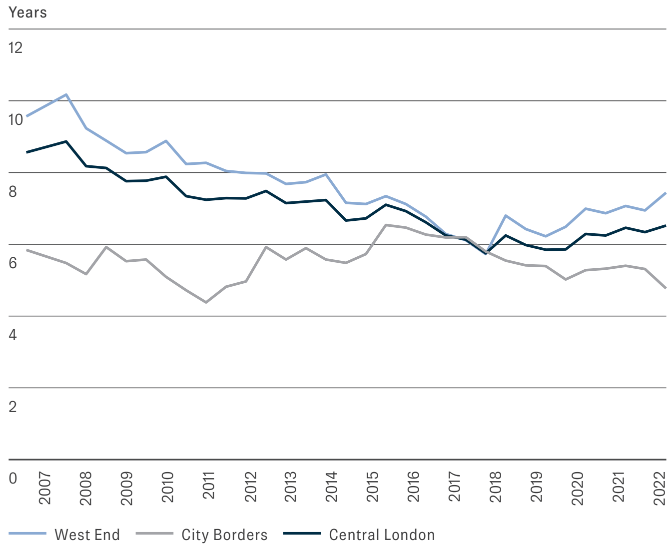
APPENDIX 4

LEASING, ASSET MANAGEMENT & PROPERTY MANAGEMENT

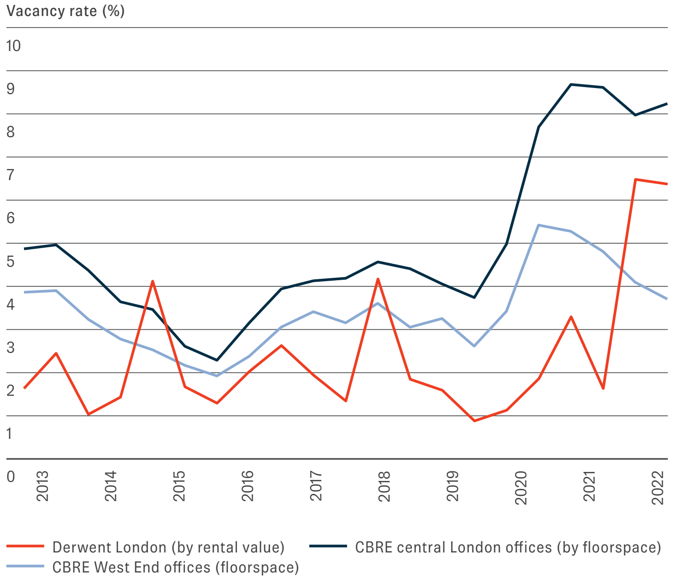
Retaining occupiers – lease expiry and break analysis



Average unexpired lease length



Ten-year vacancy trend



APPENDIX 5

DEVELOPMENT AND REFURBISHMENT

PROJECT SUMMARY – CURRENT PROJECTS

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	2023 capex £m	2024 capex £m	2025+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
On-site major projects									
25 Baker Street W1	–	143	298	104	82	31	217[1]	H1 2025	£90.00
Network W1	–	70	137	35	52	20	107	H2 2025	£87.50
Other – 2022 completions	–	–	–	6	–	–	6		
	–	**213**	**435**	**145**	**134**	**51**	**330**		
Planning and design	–	–	–	10	3	–	13[2]		
Other	–	–	–	45	31	24	100[3]		
Total	**–**	**213**	**435**	**200**	**168**	**75**	**443**		
Capitalised interest	–	–	–	7	13	4	24		
Total including interest	**–**	**213**	**435**	**207**	**181**	**79**	**467**		

1 Includes profit share payments and expenditure on trading property/stock

2 Includes 50% share of 50 Baker Street W1 JV scheme and Old Street Quarter EC1

3 Includes EPC upgrades and £15m capex for Strathkelvin Retail Park (under appraisal). Excludes major refurbishments not yet committed

PROJECT SUMMARY – FUTURE PROJECTS

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year
Consented				
Holden House W1	4.2	91	150	2025
	4.2	**91**	**150**	
Under appraisal[1]				
Strathkelvin Retail Park[2]	0.9	108	126	2023
50 Baker Street W1 JV[2]	2.6	61	120	2024
Greencoat & Gordon House SW1	5.6	138	138	2025
Blue Star House SW9	0.7	53	110	2025
	9.8	**360**	**494**	
Consented and under appraisal	**14.0**	**451**	**644**	
Future Appraisal[3]	51.6	1,460	1,460	
Current Major Projects	–	213	435	
Pipeline	**65.6**	**2,124**	**2,539**	

1 Areas proposed are estimated from initial studies

2 Planning application submitted

3 Includes refurbishment opportunities at 1 Oliver's Yard EC1, 20 Farringdon Road EC1 and 1-2 Stephen Street W1

APPENDIX 6

FINANCE

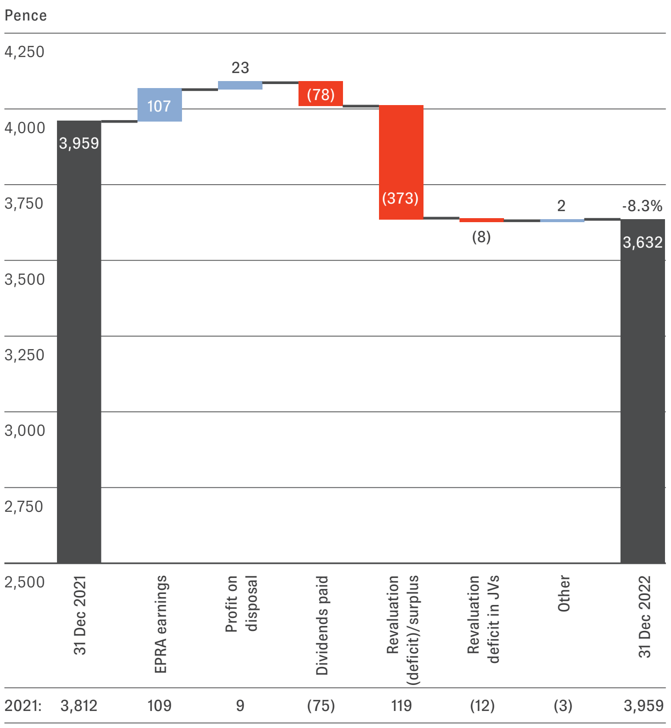
FINANCIAL HIGHLIGHTS

	Dec 2022	Dec 2021 Restated
Total net assets	**£4,075.5m**	£4,441.8m
EPRA NTA per share	**3,632p**	3,959p
EPRA NDV per share	**3,768p**	3,884p
Property portfolio at fair value	**£5,321.8m**	£5,646.3m
Gross property and other income	**£248.8m**	£241.3m
Net rental income	**£188.5m**	£177.9m
IFRS (loss)/profit before tax	**(£279.5m)**	£252.5m
EPRA earnings per share (EPS)	**106.62p**	108.53p
Interim and final dividend per share	**78.50p**	76.50p
EPRA LTV ratio	**23.9%**	22.3%
NAV gearing	**30.8%**	28.2%
Net interest cover ratio	**423%**	463%

EPRA NTA MOVEMENT

	2022 p	2021 Restated p
Opening EPRA NTA	**3,959**	3,812
Revaluation movement	**(373)**	119
Profit on disposals	**23**	9
EPRA earnings	**107**	109
Ordinary dividends paid	**(78)**	(75)
Interest rate swap termination costs	**–**	(3)
Share of joint venture revaluation movement	**(8)**	(12)
Other	**2**	–
Closing EPRA NTA	**3,632**	3,959

EPRA net tangible assets per share



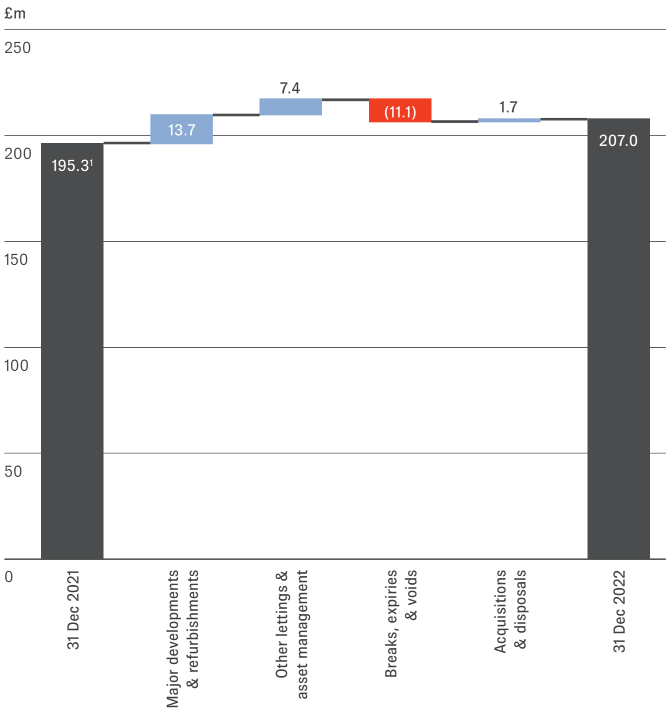
APPENDIX 6

FINANCE

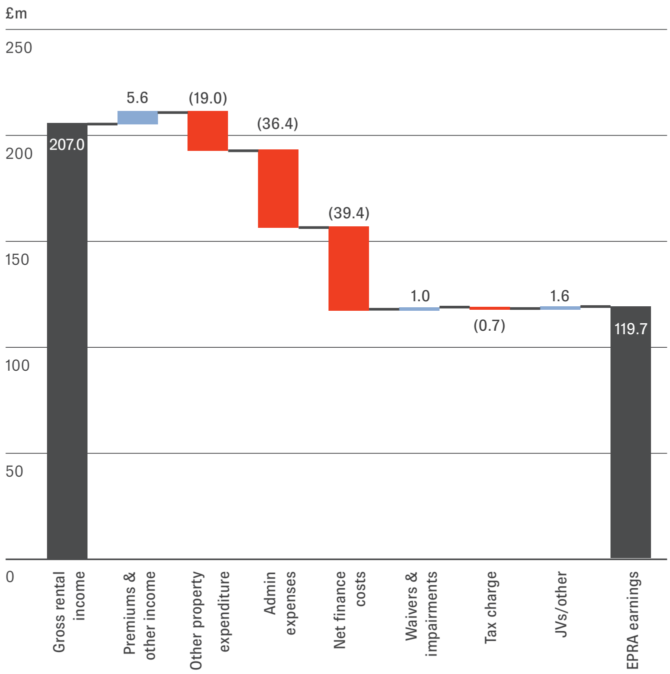
PROPERTY PORTFOLIO

	Dec 2022 £m	Dec 2021 Restated £m
Investment property	**5,002.0**	5,361.2
Non-current assets held for sale	**54.2**	102.8
Owner-occupied property	**50.0**	49.3
Trading property	**39.4**	32.2
Property carrying value	**5,145.6**	5,545.5
Accrued income (non-current)	**165.2**	147.0
Accrued income (current)	**26.1**	22.8
Unamortised direct letting costs	**13.8**	12.3
Grossing up of headlease liabilities	**(34.2)**	(70.4)
Profit share due to TfL	**–**	(14.8)
Revaluation of trading property/other	**5.3**	3.9
Fair value of property portfolio	**5,321.8**	5,646.3
Fair value of properties held in joint venture (50%)	**42.4**	50.0

Movement in gross rental income



EPRA earnings



2021: 195.3[1]	9.1	(14.3)	(37.1)	(28.1)	(2.2)[1]	(0.2)	(0.8)	121.7[1]

1 2021 figures have been restated

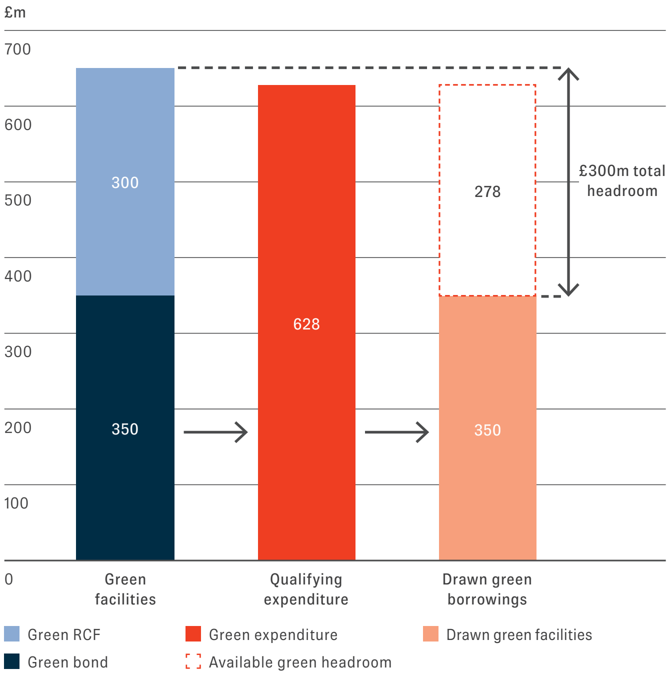
APPENDIX 6

FINANCE

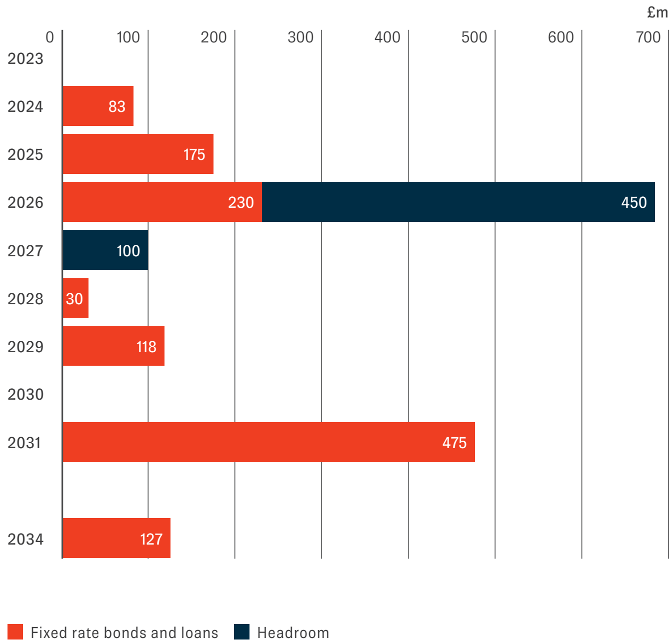
EPRA LIKE-FOR-LIKE RENTAL INCOME

	2022 %	2021 Restated %
Increase/(decrease) based on gross rental income	**1.1**	(3.6)
Increase based on net rental income	**1.1**	3.4
(Decrease)/increase based on net property income	**(1.0)**	6.6

Green borrowings and qualifying expenditure



Maturity profile of debt facilities as at 31 December 2022



APPENDIX 6

FINANCE

DEBT FACILITIES AND RECONCILIATION TO BORROWINGS AND NET DEBT AT 31 DECEMBER 2022

	Drawn £m	Undrawn £m	Total £m	Maturity
Unsecured convertible bonds	**175.0**	–	175.0	2025
Secured bonds	**175.0**	–	175.0	2026
Unsecured green bonds	**350.0**	–	350.0	2031
Unsecured private placement notes	**455.0**	–	455.0	2026 – 2034
Secured loan	**83.0**	–	83.0	2024
Other loan	**19.7**	–	19.7	n/a
Non-bank debt	**1,257.7**	–	1,257.7	
Club revolving credit – unsecured	**–**	450.0	450.0	2026
Bilateral revolving credit – unsecured	**–**	100.0	100.0	2027
Committed bank facilities	**–**	550.0	550.0	
Debt facilities	**1,257.7**	550.0	1,807.7	
Acquired fair value of secured bonds less amortisation	**6.5**			
Unamortised discount on unsecured green bonds	**(1.7)**			
Equity adjustment to convertible bonds less amortisation	**(3.4)**			
Unamortised issue and arrangement costs	**(10.0)**			
Borrowings	**1,249.1**			
Leasehold liabilities	**35.0**			
Cash at bank excluding restricted cash	**(26.9)**			
Net debt	**1,257.2**			

DEBT: KEY STATS

	2022	2021
Hedging profile (%)		
Fixed	**100**	99
Swaps	**–**	–
	100	99
Percentage of debt that is unsecured (%)	**79**	79
Percentage of non-bank debt (%)	**100**	99
Weighted average interest rate – cash basis (%)	**3.14**	3.14
Weighted average interest rate – IFRS basis (%)	**3.26**	3.27
Weighted average maturity of facilities (years)	**5.5**	6.5
Weighted average maturity of borrowings (years)	**6.2**	7.2
Undrawn facilities and unrestricted cash (£m)	**577**	608
Uncharged properties (£m)	**4,600**	4,769