INTERIM RESULTS 2017 ANNOUNCEMENT

DERWENT LONDON PLC

DERWENT LONDON

10 August 2017

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

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017
EXCELLENT OPERATIONAL PROGRESS AT DERWENT LONDON

Financial highlights

- EPRA[1] net asset value per share increased 0.9% to 3,582p from 3,551p at 31 December 2016
- A total return of 3.4% including the 2016 final and special dividends totalling 90.5p per share
- Net rental income increased 9.2% to £79.3m from £72.6m in H1 2016
- EPRA earnings rose 22.5% to £50.6m from £41.3m
- EPRA earnings per share increased 22.3% to 45.42p per share from 37.13p
- Interim dividend per share raised 25% to 17.33p

First half activity

- Record six months of lettings totalling £23.4m, on average 0.5% above December 2016 ERV
- Investment property disposals totalled £327m in H1, 6.0% above December 2016 values
- Agreed second half disposals takes the total to £492m, 10% above December 2016 values
- Capital expenditure in H1 of £87.2m including capitalised interest of £4.7m
- Capital expenditure to complete programme of projects on site £324m
- Potential surplus of £170m still to come on successful execution of two projects for delivery 2019
- Continuing good interest from potential occupiers

Portfolio update

- Portfolio valued at £4.8bn; an underlying valuation increase of 1.9% in H1
- Underlying valuation uplift on developments was 9.5% in the half year
- Total property return in H1 was 3.6% which was ahead of the IPD Central London Offices Quarterly Index of 3.3%
- True equivalent yield was 4.79%: tightening by 4bp since December 2016
- The portfolio's EPRA vacancy rate fell from 2.6% to 1.9% in the six months to 30 June 2017
- Estimated rental values (ERV) on an EPRA basis increased by 1.1% in H1 2017
- Guidance for 2017 ERV raised to a range of 2% to -3% from 0% to -5%

Advancing the development of Soho Place W1

- Progressing detailed design and engaging with potential contractors at Soho Place W1 (previously 1 Oxford Street) for expected start in H2 2018
- Significant 285,000 sq ft mixed use scheme over Tottenham Court Road Elizabeth Line station
- Estimated additional capital expenditure of c.£260m

Robust financial position

- Interest cover 4.3x and loan-to-value (LTV) ratio 14.9%
- Net debt down to £733.7m at 30 June 2017 from £904.8m at 31 December 2016
- Cash and undrawn facilities up to £446m on 30 June 2017
- Expect to raise 2017 final dividend by 10%

[1]Explanations of how EPRA figures are derived from IFRS are shown in note 23

Robbie Rayne, Chairman, commented:

"Derwent London's strong recurring earnings growth underpins today's 25% increase in the interim dividend. In addition, with almost £500m of disposals or forward sales above book values already this year, the Group has further strengthened its financial position."

John Burns, Chief Executive Officer, commented:

"*We have achieved a record £23.4m of new lettings in the first half. Following this success, we have marginally raised market guidance for both rents and yields in 2017.*

Despite continuing political uncertainty, we have made strong progress in capturing reversion and de-risking the pipeline which highlights the appeal of our product. This has given us the confidence to advance with our next major development at Soho Place W1, above Tottenham Court Road Elizabeth Line station."

Webcast and conference call

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

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

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

For further information, please contact:

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OVERVIEW AND OUTLOOK

Derwent London continues to take advantage of the many opportunities within its portfolio to grow income and, with our particular brand of space seeing strong demand, we have set a new record for half year lettings. We have also extended leases on a number of major holdings and have seen good rent review progress too. This is an endorsement both of our product and the skills of our teams. The recently completed White Collar Factory EC1 is a clear example of where we believe the Group sets the pace for new office design and execution.

The general political and economic background remains uncertain with domestic politics dominating the last six months. The recent General Election led to further changes in the political landscape, and all this while the UK is negotiating its exit from the EU. London has also been directly impacted by a number of tragic incidents, which have heightened awareness of security and housing issues.

From a commercial perspective businesses continue to believe that London will remain a major and open European and global city. This confidence can be seen with our letting and sales activity this year. There have been major additional commitments from our existing occupiers: Arup and Expedia, as well as the decision of Fotografiska to launch its first gallery outside Stockholm at The White Chapel Building E1 announced today. These are significant international groups choosing to invest in London. We recently announced the forward sale of The Copyright Building W1 to Union Investment for £165m, which has taken our property disposals in the year to date to over £490m, over 9% of December's portfolio, all above book value.

Our leasing progress and disposals have further de-risked a significant part of our development programme thereby increasing our capacity for new opportunities. The contracted growth in our rental income has also been boosted by a number of asset management initiatives, notably at Angel Building EC1 and the Tea Building E1 that have crystallised reversion and extended income.

First half EPRA earnings per share were up 22.3% to 45.42p. As guided last year, the strong recurring earnings growth has enabled us to increase the interim dividend by 25.0% to 17.33p per share. It will be paid as a PID on 20 October 2017 to shareholders on the register as at 15 September 2017. This follows the 25% increase in last year's final dividend and the 52.0p per share special dividend paid in June 2017. We expect that the 2017 final dividend will increase by 10%.

Despite the dividend payments and the general market uncertainty in the first half of 2017, EPRA NAV rose by 0.9% to 3,582p per share helped by a strong performance from our continuing development activity.

We still have significant further upside to capture from our projects due to be delivered in 2019. Successful execution of these schemes is expected to add £40.6m pa to rents and we are seeing good interest from potential occupiers. Completion will require some £279m of capital expenditure, which is covered by our cash and undrawn facilities of £446m, and this will be supplemented by the proceeds from the disposal of The Copyright Building W1 in the second half.

Our letting achievements and strong finances mean that we have decided to press ahead with the detailed design and early procurement at Soho Place W1. This site is located above the Tottenham Court Road Elizabeth Line station, which is due to open in less than 18 months. In addition, we continue to enhance our portfolio's potential and have recently submitted planning applications for two further West End projects.

In April we announced the introduction of our new long-term science-based carbon reduction targets, which align the Group with the outcomes of the COP21 global agreement on climate change, and ensure we are taking a proactive approach to reducing our carbon footprint. Our community fund continues to support numerous grass roots projects and initiatives. In May we announced the latest round of funding which supported 13 projects across our Fitzrovia and Tech Belt villages.

Following the retirement of Stuart Corbyn after our Annual General Meeting in May, the Nominations Committee commenced the process to recruit his replacement. We have initiated a search, a shortlist of candidates has been identified and it is intended to appoint the successful applicant by the year end. Tim Kite, who has been with the Group for 28 years and has been Company Secretary since 1995, will be retiring in October 2017 and we wish to thank him very much for his valuable contribution. We look forward to welcoming his successor, David Lawler, who brings with him considerable experience in a similar role.

We have slightly raised our ERV estimates for 2017 to +2% to -3%, and are now of the view that yields are likely to remain firm this year. Against this background we will continue to focus on extracting value from the portfolio and our strong project pipeline. The strength of our balance sheet also puts the Group in a good position to make future acquisitions which will further enhance the portfolio.

OUR CENTRAL LONDON OFFICE MARKET

Occupier demand and lettings remain the drivers of our business. These continue to hold up well against the background of the EU referendum result one year ago and the imposition of new business rates in April this year. Absolute levels of central London office take-up at 5.8m sq ft in the first six months, as measured by CBRE, were 5% above last year's levels, but below the exceptional levels recorded in 2014 and 2015. We have continued to see good demand for our product but rental growth, as predicted, has slowed with lettings taking longer to conclude and incentives increasing.

Encouragingly, the amount of space under offer has steadily risen this year to 3.5m sq ft of which 42% is in the West End and 39% in the City. However this demand is against the background of increased supply, which has seen central London vacancy rates rise from 4.2% to 4.6% in H1. This compares to the ten-year average of 4.4% and the fifteen-year average of 5.4%.

The current year is expected to represent a short-term peak of supply with delivery of 6.2m sq ft of which 43% has already completed. In the following two years annual completions are expected to fall to 4.7m sq ft and 3.6m sq ft, respectively, based on space under construction at 30 June 2017. Of this future supply, 48% is pre-let, which leaves 6.2m sq ft or under 3% of central London's total office stock available. The West End, where our development programme is located, has a proportionately much smaller share of supply. Its current estimated speculative space under construction is 0.9m sq ft or c.1% of local stock, which compares to the current West End vacancy rate of 3.9%. These figures could change with new starts, especially for 2019, and there remains the potential for further substantial amounts of space to be delivered in 2020 and 2021, but as yet few of these schemes are committed.

The investment market has proved very robust with £8.2bn of deals, which is a first half level exceeded only once since 2007. Overseas buyers have dominated with domestic investors having been net sellers now for two years. There remains significant interest in central London with CBRE monitoring c.£40bn of global equity targeting London offices of which over half derives from Asia. Thus demand continues to significantly exceed the amount of stock on the market and has helped create substantial liquidity.

VALUATION

Against the backdrop of a robust investment market and significant Group activity, our portfolio was valued at £4.84bn at 30 June 2017. This produced a surplus of £85.1m, or £67.7m after accounting adjustments (see note 11). The underlying capital growth on the portfolio was 1.9% reversing the 1.7% fall witnessed in H2 2016. This outperformed the 1.7% increase in the IPD Quarterly Index for Central London Offices but was below the wider IPD UK All Property Index which was up 2.1%. Our first half total property return was 3.6% which compares to the IPD Central London offices total return of 3.3% and 4.6% for All UK Property.

By location, our central London properties, which represent 98% of the portfolio, increased in value by 1.9% with the City Borders up 2.4% and the West End up 1.6%. The balance of the portfolio comprising our non-core Scottish holdings was up 0.5%.

Our rental values, on an EPRA basis, rose by 1.1%, similar to the 1.0% growth seen in the second half of last year. Again the City Borders, up 1.7%, saw stronger momentum than the West End, up 0.7%.

The portfolio's initial yield on an EPRA basis was 3.2% which, after contractual uplifts and allowing for the expiry of rent free and half rent periods, rises to 4.4% on a 'topped-up' basis. In December the comparable numbers were 3.4% and 4.1% respectively. The true equivalent yield came in 4bp in the first half to 4.79%, halting last year's trend when the equivalent yield rose 31bp.

In December 2016 we had four properties under development and these were revalued at £785m in June 2017, delivering a strong surplus of 9.5%. This result was helped by our letting activity and the forward disposal of The Copyright Building W1. Excluding the impact of developments, our underlying investment portfolio rose 0.5% in the period. Following the completion of the White Collar Factory EC1 we have three developments under construction with a June 2017 value of £478m and an ERV of £47.9m. These require further capital expenditure of £286m to complete. There is more detail on our development properties below.

We continued to lock in reversion so that our contracted cash rent at 30 June was £145.8m. This was an increase of 3.1% over six months after adjusting for the impact of disposals. The portfolio's ERV was £275.9m giving a cash reversion of £130.1m, of which 53.6% is contracted.

Composition of portfolio ERV 30 June 2017

	Contracted £m	Potential £m	Rent £m
Contracted net rental income at 30 June 2017			**145.8**
Contractual rental uplifts	50.6		
Pre-let element of refurbishments	2.9		
Pre-let element of on-site developments	16.2		69.7
Topped-up rental income and pre-lets			**215.5**
Vacant space including refurbishments		9.2	
On-site developments not pre-let		31.7	
Rent reviews and lease expiries		19.5	60.4
Estimated rental value			**275.9**

Of this reversion, £50.6m is contractual through rent free or half rent periods and fixed uplifts which are incorporated in the income statement using the straight line basis adopted under IFRS accounting. This explains the difference between the annualised accounting rent of £170.0m and our contracted cash rent of £145.8m above. There is also a further £19.1m of pre-let income which should contribute to rents after the projects are completed. Together these take our 'topped-up' rent including pre-lets to £215.5m. We expect to complete the disposal of The Copyright Building in the second half, which will reduce the above ERV by £7.4m, of which £6.5m is pre-let.

PORTFOLIO MANAGEMENT

We have had an exceptional first six months of letting activity which totalled 439,200 sq ft producing rents of £23.4m pa. This is 40% ahead of the same period last year, which was our previous record six month period. It is also 38%, or £6.4m, higher than we reported in May this year. On average our lettings were 0.5% above December 2016 ERV, or 1.9% ahead excluding the major pre-let to Arup.

Principal lettings H1 2017

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
80 Charlotte Street W1	Arup	133,600	72.90	9.7[1]	81.50	20	-	33
White Collar Factory EC1	Adobe	14,900	67.50	1.0	74.50	11.5	-	22
Angel Building EC1	Expedia	12,500	62.50	0.8	-	13.3	-	18
Greencoat & Gordon House SW1	VCCP	12,800	55.00	0.7	-	8.5	-	13
20 Farringdon Road EC1	Accenture	11,500	55.00	0.6	-	10	5	9, plus 9 if no break
Q2								
The White Chapel Building E1 Phase 2 – lower ground floors	Fotografiska	89,000	27.00	2.4	27.70	15	12	30, plus 6 if no break
White Collar Factory EC1	Box.com	28,500	75.00	2.1	-	15	10	18, plus 5 if no break
The White Chapel Building E1	Wilmington	27,000	52.00	1.4	-	10	-	20
The White Chapel Building E1	ComeOn!	12,700	50.00	0.6	-	10	5	11, plus 8 if no break
White Collar Factory EC1[2]	Red Badger	7,700	62.50	0.5	65.60	10	5	9.5, plus 5 if no break
78 Whitfield Street W1	Made Thought	4,800	63.50	0.3	-	10	4.5	8
78 Whitfield Street W1	Yoyo Wallet	4,800	63.00	0.3	-	4.5	-	8
78 Chamber Street E1[3]	NetBooster	6,700	40.00	0.3	-	10	5	10

[1] Annual increases of 2.25% for the first 15 years [2] Low rise buildings [3] Joint venture – Derwent London share

Our developments and refurbishments have seen the bulk of letting activity demonstrating the attractiveness of our product. We announced our largest single transaction, the pre-letting of 133,600 sq ft to Arup at 80 Charlotte Street W1, earlier in the year.

Phase 1 of The White Chapel Building E1 is now fully let, and today we announce the pre-letting of Phase 2 to Fotografiska, which has taken the lower ground floors as Fotografiska - The London Museum of Photography. We are very pleased to house this exciting cultural and leisure hub which will add further vibrancy to the building and enhance the Whitechapel experience.

We have also captured growth through active asset management, increasing our annual rents by £5.9m. In February we reported the major regearing of leases at Angel Building EC1 which saw Expedia increase and extend their commitment until 2030. In the last six months we have also renewed the lease with the advertising agency, Mother, at Tea Building E1 extending its term by 10 years to 2028. Mother is an important anchor to the property, occupying 49,650 sq ft, and has helped create the building's successful identity. We are very pleased that this association is set to continue for at least another decade. In addition we renewed the lease on 19-35 Baker Street W1 at a relatively modest rental increase, but with a mutual break from 2020 to enable us to gain access to the site should we wish to pursue a scheme. In this latter case we opted for flexibility rather than maximising the rent on the space.

Asset management H1 2017

	Area sq ft	**Previous rent £m pa**	**New rent £m pa**	**Change**	**Income v Dec 16 ERV**
Rent reviews	60,100	2.1	3.1	+45.5%	+3.5%
Lease renewals	124,300	5.2	6.3	+21.1%	(4.7)%[1]
Lease regears	254,400	11.5	15.3	+33.3%	+8.6%
Total	**438,800**	**18.8**	**24.7**	**+31.3%**	**+4.2%**

[1] Includes 19-35 Baker Street (see text)

At 30 June 2017 the EPRA vacancy rate was 1.9%, down from 2.6% in December despite the completion of White Collar Factory.

PROJECTS

We have recently completed White Collar Factory EC1, which we believe to be one of the most progressive new office buildings in London. It incorporates a number of special features such as 3.5m floor to ceiling heights, concrete core cooling and opening windows which combine to make this a very environmentally efficient building as well as providing the long-life loose-fit space capable of adapting to the fast changing patterns of office use. Some of the design was so ground breaking that we installed and ran a prototype for 12 months. The 237,000 sq ft tower is now 92% let with the remaining space under offer. Adjacent to the tower is Old Street Yard, creating new public realm, surrounded by lower rise buildings providing 39,000 sq ft of offices, 9,000 sq ft of restaurants and 9 residential units. Together these have turned a group of obsolete office buildings into a vibrant Tech Belt campus beside Silicon roundabout. The lower rise commercial space is 66% let and we will look to let the residential space once the office fit-out phase is completed later this year. Assuming the properties are fully let we will have achieved commercial rents of £17.4m, which is 25% above our target at the outset of the development three and a half years ago.

At our other project due for completion in 2017, The Copyright Building W1, one of the three retail units is let with a further unit under offer and the office space was pre-let last year. In July we announced the forward sale of this property and have provided a 20 month rent guarantee for the remaining unlet retail units which, together, have a gross ERV of c.£0.7m pa.

Major developments pipeline

Property	Area sq ft	Delivery	Capex to complete £m[1]	Comment
Completed projects				
White Collar Factory, Old Street Yard EC1	293,000	H1 2017	7	276,000 sq ft offices, 9,000 sq ft retail, 8,000 sq ft residential – 87% let overall
Projects on site				
The Copyright Building, 30 Berners Street W1	107,000	H2 2017	7	87,000 sq ft offices and 20,000 sq ft retail – 90% pre-let overall
Brunel Building, 55 North Wharf Road W2	240,000	H1 2019	85	Offices
80 Charlotte Street W1	380,000	H2 2019	194	321,000 sq ft offices, 45,000 sq ft residential and 14,000 sq ft retail – 35% pre-let overall
	727,000		**286**	
Other projects				
Soho Place W1	285,000		260	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre
Other consents				
Monmouth House EC1	125,000			Offices, workspaces and retail
	410,000			
Planning applications				
19-35 Baker Street W1	293,000[2]			206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Holden House W1	150,000			Retail scheme or retail and office scheme
	443,000			
Grand total (excluding completed projects)	**1,580,000**			

[1] As at 30 June 2017 [2] Total area - Derwent London has a 55% share of the joint venture

The immediate focus is now on the two schemes totalling 620,000 sq ft due for delivery in 2019 where, in aggregate, 22% of the space is pre-let. Based on the June valuation there is the potential for a further £170m surplus once these properties are completed and let.

The largest is 80 Charlotte Street W1, where we announced the pre-letting of 133,600 sq ft to Arup on a 20-year lease in February. This project is in the centre of Fitzrovia, which is currently benefitting from major changes including its location close to the Elizabeth Line. The project's ERV is £25.8m and the remaining capital expenditure is £194m, of which 94% has been fixed or instructed. Following the pre-letting we estimate the breakeven office rent on the remainder of the project has fallen from £58 per sq ft to £45 per sq ft, and we are seeing good interest in the balance of the office space.

The other major project for delivery in 2019 is Brunel Building, Paddington W2 with a diagrid external structure enabling column-free floors. This area was not a beneficiary of the rental growth seen in the early part of this cycle but, as a result, has enjoyed relatively strong growth in the last two years. We believe current rental levels remain attractive, and the opening of the Elizabeth Line in 2018 will significantly enhance eastward public transport links to central West End and the City. Remaining capital expenditure, which is all fixed, totals £85m and the ERV is £14.8m net or £62.50 per sq ft. We estimate our breakeven rent to be c.£48 per sq ft.

The success we have enjoyed at our on-site schemes is encouraging us to advance new projects. We expect to be granted access to our Soho Place W1 (previously 1 Oxford Street) site later this year and this would enable us to carry out further preliminary work with the intention of starting construction in H2 2018. The development is on one of the most strategic sites in the West End. We estimate the capital expenditure at c.£260m and the ERV at c.£22m pa net. We have also advanced two additional schemes by applying for planning permission at 19-35 Baker Street W1 and Holden House, 54-68 Oxford Street W1. These latter two schemes are unlikely to start before 2020, and our Baker Street project is a 55% interest held in a joint venture with our partner, The Portman Estate.

INVESTMENT ACTIVITY

So far this year we have sold or agreed to sell £492m of property at an average price 10% above December 2016 book value. The two disposals announced with our results in February have since completed and, in June, we exchanged contracts for the sale of The Copyright Building, 30 Berners Street W1 to Union Investment Real Estate GmbH for £165.0m or £148.7m net of top-ups relating to rent free periods and a rent guarantee on the vacant retail space. After allowing for the 12.5% ground rent payable to the freeholder, this represented a net initial yield to the purchaser of 4.2%. Completion will occur once the building is finished in Q4 2017. Allowing for this disposal we have sold or agreed to sell £700m of property since last year's referendum, all above December 2015 book values.

<u>Disposals H1 2017</u>

Property	Date	Area sq ft	Gross proceeds £m	Gross proceeds £ psf	Net yield to purchaser %	Rent £m pa
132-142 Hampstead Road NW1	Q1	219,700	130.1	590	1.2	1.7
8 Fitzroy Street W1	Q2	147,900	197.0	1,330	3.4	7.2

We are finding few purchasing opportunities that meet our acquisition criteria, but we remain active in the pursuit of them.

FINANCIAL REVIEW

Our half year to 30 June 2017 was characterised by continued strong underlying earnings growth, a substantial level of property disposals which has further reduced gearing and a modest upward revaluation of property fair values backed by stable yields and development activity.

Gross rental income rose to £85.4m for the first half of 2017, up 11.3% over the corresponding period in 2016 and 8.5% above H2 2016. This was helped by the recent lettings at The White Chapel Building and White Collar Factory, but also supported by many other letting and asset management successes across the portfolio which more than offset the impact of recent disposals. Net rental income was also up substantially at £79.3m compared to £72.6m in H1 2016 and, though we had no residential apartments to sell this time, net property and other income rose to £81.5m from £74.2m in H1 2016.

Excluding the effect of acquisitions, disposals and developments, EPRA like-for-like net rental income grew by 5.6% against H1 2016 and 3.0% over the six months from H2 2016.

Administration expenses fell by 16.3% to £12.8m for the 2017 half year, mainly a function of lower bonus and incentive payments. This has reduced our EPRA cost ratio to 20.9% compared with 23.4% for the first half of 2016 and 24.0% for the 2016 full year. Overall finance costs were almost unchanged at £14.3m for the half year, lower interest costs offset by less interest capitalised, with the latter at £4.7m compared with £6.3m in H1 2016. EPRA earnings have increased strongly, by 22.5% to £50.6m from £41.3m in H1 2016, and EPRA earnings per share were up by 22.3% over the same period to 45.42p from 37.13p in H1 2016.

The overall revaluation surplus for our investment properties in the first half of 2017 was £66.7m after accounting adjustments for incentives. This was very slightly higher than H1 2016 and reversed the downward movement seen in H2 2016 following the EU referendum vote. Joint ventures showed a £3.4m gain on revaluation. We have also seen substantial profits booked on our investment property disposals so far in 2017 with a combined £19.1m uplift on gross proceeds of £327.1m from 132-142 Hampstead Road NW1 and 8 Fitzroy Street W1. Together with a small overall positive impact from interest rate derivative fair value movements, the IFRS profit before tax for the first half was £145.8m compared with £98.5m in H1 2016.

Though impacted by first half dividend payments totalling £100.8m including the 52.0p per share special, total net assets grew by £43.6m over the six months to 30 June 2017 and EPRA net asset value per share was also up, by 0.9%, to 3,582p per share from 3,551p in December 2016. This represents a total return, including the dividends, over the six month period of 3.4% compared with 2.7% for H1 2016.

Capital expenditure totalled £79.5m in H1 2017, against £100.8m in H1 2016. We anticipate incurring a further £104m in the second half of 2017, principally at 80 Charlotte Street W1 and Brunel Building W2, with £206m expected in 2018. The property disposals referred to earlier have reduced the overall portfolio carrying value to £4.7bn as at 30 June 2017, including £132.0m transferred to 'assets held for sale' following the exchange of contracts on The Copyright Building W1. Our recent head office refurbishment at Savile RowW1 and the move from two upper floors to three lower floors has also increased the carrying value of 'owner occupied property' to £44.7m at the half year. Investment property carrying values have therefore reduced by almost £300m to £4.5bn over the six months to 30 June 2017.

Altogether, this has brought our gearing down again and further improved interest cover while increasing available and undrawn facilities. This puts us in a very strong position from which to commit to further development activity and to fund future acquisitions.

Financing and net debt

The property disposals in H1 reduced net debt by £171.1m to £733.7m at 30 June 2017 from £904.8m on 31 December 2016 and from £1,008.6m at 30 June 2016. It is worth noting that both of these transactions were somewhat unusual, one being the result of a compulsory purchase in connection with HS2 and the other being linked to a major letting agreement. After The Copyright Building W1 completes in H2 2017, we are not currently anticipating further significant disposals and expect to see net debt trend upwards as future capital expenditure is incurred on our pipeline. With interest rates remaining very low, we have chosen to retain £203m of swaps to provide future rate protection and, as we have a policy of being not more than 100% hedged on our bank debt, we held an unusually large cash balance at 30 June 2017.

Our principal financing metrics have improved again. The Group's LTV ratio was only 14.9% at 30 June 2017, down from 19.1% a year earlier and 17.7% at the 2016 year end. LTV including our share of joint ventures was also 14.9%. Interest cover has risen to 431% for the six months to June 2017 compared to 370% for the 2016 full year and available undrawn facilities and cash increased to £446m from £383m at December 2016. Net cash from operating activities also increased to £37.2m for the half year compared to £29.5m in H1 2016 though the latter was affected by a £5.3m incentive payment to the incoming tenant at The Copyright Building to facilitate their move.

During the first half, we extended the maturity of our £75m unsecured revolving facility from Wells Fargo by a further year to July 2022 and cancelled £100m of the £550m revolving bank facility for which we received a fee rebate of £750,000. A £40m interest rate swap was also terminated as part of these arrangements at a slightly discounted cost of £3.2m. The remaining £450m facility runs to January 2022. We have also agreed and signed a new £15m development loan facility with Barclays for our Primister joint venture and a new 5 year £28m loan facility with HSBC secured on assets that we hold with the Portman Estate. The latter was signed in July 2017 and the old facility was due for repayment in June 2018, hence the current liability shown in the June 2017 balance sheet.

A £70m swap with a forward start date has also been deferred to September 2017 at a cost of £1.3m.

A summary of the overall debt position at 30 June 2017 is shown in the following table:

	Jun 2017	Jun 2016	Dec 2016
Hedging profile (%)			
Fixed	74	61	68
Swaps	25	25	27
	99	86	95
Percentage of debt that is unsecured (%)	65	71	68
Percentage of non-bank debt (%)	75	61	68
Weighted average interest rate - cash basis (%)	3.71	3.65	3.65
Weighted average interest rate - IFRS basis (%)	3.99	3.88	3.90
Weighted average maturity of facilities (years)	6.7	7.0	6.9
Weighted average maturity of borrowings (years)	7.5	7.7	7.7
Undrawn facilities and cash (£m)	446	279	383
Uncharged properties (£m)	3,828	3,868	3,777

RISK MANAGEMENT AND INTERNAL CONTROL

Derwent London aims to deliver its strategic objectives whilst operating within a risk envelope defined by the Group's risk appetite. The Board recognises that risks are inherent in running any business and uses the Group's risk management system to ensure that risks to the Group's strategy are identified, understood and managed.

The Board has overall responsibility for risk management and the Group's system of internal controls. To assist with carrying out this task, the Board has delegated responsibility to the Audit Committee and the Risk Committee. Executive management is responsible for developing and operating the Group's risk management system and for designing, implementing, maintaining and evaluating the systems of internal control.

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

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

The Group's risk management framework consists of its Risk Management Policy, Risk Appetite Statement and Risk Management Process document. The framework is designed to identify and manage the risks faced by the business recognising that not all risks can be eliminated at an acceptable cost and that there are some risks that, given its experience, the Board will choose to manage and accept.

In compliance with Code Provision C.2.1 of The UK Corporate Governance Code, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Group. The core element of this assessment is the Group's risk register which is prepared by the Executive Committee in accordance with the Risk Management document. The first stage in its preparation is for the Committee to identify the risks facing the Group. An assessment is then made collectively by the Committee of the following matters:

- The likelihood of each risk occurring.
- The potential impact of the risk on each different area of the business.
- The strength of the controls operating over the risk and the effectiveness of any mitigating actions.

This approach allows the final assessment to reflect the effect of the controls and any mitigating procedures that are in place. If the controls and mitigating actions over a risk are deemed inadequate, the Committee will agree a target risk profile together with supplementary controls/actions and a timetable for their implementation.

The register and its method of preparation have been reviewed by the Risk Committee. In order to gain a more comprehensive understanding of the risks facing the business and the management thereof, the Risk Committee periodically receives presentations from senior managers and external advisers. The Risk Committee has also monitored the Company's risk management and internal control systems primarily by regularly reviewing the set of key risk indicators that were implemented in 2015. This was supplemented by reviews of the top ten risks on the Group's risk register and the adequacy of the controls operating over these risks.

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

The Group's risk register includes 47 risks split between strategic risks, operational risks and finance risks.

The principal risks and uncertainties facing the Group in 2017 are set out on the following pages together with the potential effects, controls and mitigating factors.

Strategic risks

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

Risk, effect and progression	Controls and mitigation	Action
1. Inconsistent strategy The Group's strategy is inconsistent with the state of its market. **2. Inconsistent development programme** The Group's development programme is not consistent with the economic cycle. Throughout the first half of 2017, the Group continued to benefit from a resilient central London market. However, the result of the General Election in May increased the level of economic uncertainty and the likelihood of the London market being adversely affected by one or more of a number of high-level economic factors remained high. If this were to occur, it would reduce the value of the Group's portfolio and the returns from its developments. This would affect two of the Group's KPIs – total return and total property return. Overall, the Board sees the level of both these risks to be broadly unchanged over the period.	• The Group carries out a five-year strategic review each year and also prepares a budget and three rolling forecasts which cover the next two years. In the course of preparing these documents the Board considers the sensitivity of the Group's KPIs and key ratios to changes in the main assumptions underlying the forecast thereby modelling different economic scenarios. • The Group's plans are then set so as to best realise its long-term strategic goals given the most likely economic and market conditions and the Group's risk appetite. This flexibility is largely derived from the Group's policy of maintaining income from properties for as long as possible until development starts. • The level of future redevelopment opportunities in the Group's portfolio enables the Board to delay marginal projects until market conditions are favourable. • The Board pays particular attention, when setting its plans, to maintaining sufficient headroom in all the Group's key ratios and financial covenants. • Pre-lets are sought to de-risk major projects.	• The last annual strategic review was carried out by the Board in June 2017. This considered the sensitivity of five key measures to changes in underlying assumptions, including interest rates and borrowing margins, timing of projects, level of capital expenditure and the extent of capital recycling. • The three rolling forecasts prepared during the year focus on the same key measures but may consider the effect of varying different assumptions to reflect changing economic and market conditions. • The timing of the Group's development programme and the strategies for individual properties reflect the outcome of these considerations. • 41% of the Group's portfolio has been identified for future redevelopment. • During the period the Group's loan-to-value ratio reduced to approximately 15%, its net interest cover ratio was 431% and the REIT ratios were comfortably met. • Pre-lets were secured over 247,000 sq ft during H1 2017.

3. Adverse Brexit settlement

Negotiations to leave the European Union result in arrangements that are damaging to the UK economy and/or Central London.

Negotiations will take at least two years and the operating framework facing UK businesses thereafter cannot be predicted.

This risk would primarily affect the Group's total return and total property return KPIs.

- The Group’s strong financing and covenant headroom enables it to weather a downturn.
- The Group’s diverse and high-quality tenant base provides resilience against tenant default.
- The Group’s development pipeline has a degree of flexibility that enables the strategy for individual properties to be changed to reflect the prevailing economic circumstances.
- Financially strong and reputable contractors are used which have good access to available labour.
- The Group’s focus on good value, middle market properties makes it less susceptible to reductions in tenant demand.

- At the 30 June 2017, the Group had undrawn facilities and cash of £446m.
- Income is maintained at future developments until the scheme is ready to start.

4. Reputational damage

The Group’s reputation is damaged through unauthorised and inaccurate media coverage.

It would most directly impact on the Group’s total shareholder return – one of its key metrics. Indirectly it could impact on a number of the formal KPIs.

The Board considers the risk to be unchanged over the period.

- All new members of staff benefit from an induction programme and are issued with the Group’s Staff Handbook.
- Social media channels are monitored by the Group’s investor relations department.
- The Group takes advice on technological changes in the use of social media and adapts its approach accordingly.
- There is an agreed procedure for approving all external statements.

- The Group employs a Head of Investor and Corporate Communications and retains the services of an external PR agency. Both maintain regular contact with external media sources.
- The Company engages with a number of local community bodies in areas where it operates as part of its CSR activity.

Financial risks

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

Risk, effect and progression	Controls and mitigation	Action
5. Increase in property yields		
Increased property yields, which may be a consequence of rising interest rates, would cause property values to fall. Interest rates have remained low for an extended period and are expected to rise within the next two years. Though there is no direct relationship, this may cause property yields to increase in due course. It would affect the following KPIs: • Loan-to-value ratio. • Total return. • Total property return. The Board continues to assess this risk as high.	• The impact of changes in property values on the Group's financial covenants and performance are monitored regularly and are subject to sensitivity analysis to ensure that adequate headroom is preserved. • The impact of yield changes is considered when potential projects are appraised. • The Group's move towards mainly unsecured financing over the past few years has made management of its financial covenants less complicated.	• The Group produces three rolling forecasts each year which contain detailed sensitivity analyses, including the effect of changes to yields. • Quarterly management accounts report the Group's performance against covenants. • Project appraisals are regularly reviewed and updated in order to monitor the effect of yield changes.

Operational risks

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

Risk, effect and progression	Controls and mitigation	Action
6. Reduced development returns		
The Group's development projects do not produce the targeted financial return due to one or more of the following factors: • Delays on site. • Increased construction costs. • Adverse letting conditions. This would have an effect on the Group's total return and total property return KPIs. The Board considers this risk to have remained broadly the same over the period.	• Standardised appraisals, which include contingencies and inflationary cost increases, are prepared for all investments and sensitivity analysis is undertaken to ensure that an adequate return is made in all circumstances considered likely to occur. • Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed-price contracts are entered into. • Procedures carried out before starting work on site, such as pre-work investigations, historical research of the property and surveys, etc. conducted as part of the planning application, reduce the risk of unidentified issues causing delays once on site. • The Group's pre-letting strategy reduces or removes the letting risk of the development as soon as possible. • Post-completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures can be identified and implemented.	• The procurement process used by the Group includes the use of highly regarded firms of quantity surveyors and is designed to minimise uncertainty regarding costs. • The Group's style of accommodation remains in demand as evidenced by the 33 lettings achieved in H1 2017 which totalled 439,200 sq ft. • The Group has often secured significant pre-lets of the space in its development programme which significantly 'de-risks' those projects. 5 pre-lets were secured in H1 2017 on 247,000 sq ft.

7. Cyber attack

The Group is the victim of a cyber-attack that results in it being unable to use its IT systems.

This would lead to an increase in costs and a diversion of management time. Increased costs would have an impact on the Group's total return KPI whilst a significant diversion of management time would have a wider effect.

Although controls and procedures over the Group's IT infrastructure continue to be improved, the elevated profile of such risks means that the Board considers the risk to have remained high over the period.

- The Group's IT systems are protected by anti-virus software and firewalls that are continually updated.
- The Group's data is regularly backed up and replicated.
- The Group's Business Continuity Plan was revised and tested during 2015.
- Multifactor authentication has been introduced for both internal and external access to the systems.
- The Group's IT department has access to cyber threat intelligence and analytics data.
- Incident response and remediation policies are in place.

- Independent internal and external penetration tests are regularly conducted to assess the effectiveness of the Group's security. No matters were raised as a result of the 2016 test.
- The switchover of the IT system to the Group's backup facility was successfully tested in 2016.
- Staff awareness programmes and presentations are delivered to alert staff to the techniques that may be used to gain unauthorised access to the Group's systems.
- Security measures are regularly reviewed by the IT Security Committee.
- The Head of IT regularly reports to the Executive Committee.
- An independent benchmarking review of the Group's cyber security has been carried out.

8. Regulatory non-compliance

The Group's cost base is increased and management time diverted through a breach of any of the legislation that forms the regulatory framework within which the Group operates.

An increase in costs would directly impact on the Group's total return KPI. A significant diversion of management time could affect a wider range of key metrics.

The Board considers this risk to be unchanged over the period.

- Each year the Group's Risk Committee receives a report prepared by the Group's lawyers identifying legislative/regulatory changes expected over the next 12 months and reports to the Board concerning regulatory risk.
- The Group employs a Head of Health and Safety who reports to the Board.
- The Group employs a Head of Sustainability who reports to the sustainability committee which is chaired by Paul Williams.
- The Company's policies including those on the Bribery Act, Health and Safety, Equal Opportunities, Harassment and Whistleblowing are available to all staff on the Company intranet.
- Members of staff attend external briefings in order to be updated on regulatory changes.

- A Health and Safety report is presented at all Executive Committee and main Board meetings.
- The Executive Committee receives regular reports from the Head of Sustainability.
- The Group pays considerable attention to sustainability issues and produces an annual sustainability report.
- No incidents were reported under the Group's whistleblowing policy in the period.
- The Group has considered the requirements of the Modern Slavery Act and revised its policies where appropriate in order to comply with the legislation.
- The Groups' Health and Safety processes were reviewed and improved in 2016 and a new external consultant was appointed.

9. Contractor/sub-contractor default

Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major sub-contractor defaulting during the project. This would primarily affect the Group's total property return KPI. The risk is considered to have remained at the same level in the period.	• Whenever possible the Group uses contractors/sub-contractors that it has previously worked with successfully. • The resilience of a project's critical path is improved by establishing procedures to manage any sub-contractor default effectively. • Key construction packages are acquired early in the project. • Performance bonds are sought if considered necessary. • Regular on-site supervision by Derwent London personnel increases the likelihood of identifying any problems at an early stage, thereby enabling remedial action to be taken sooner.	• As the size of the Group's projects has increased so the contractors have become more substantial. • The financial accounts of both main contractors and major sub-contractors are reviewed. • The Group's development managers are regularly on site and conduct surprise visits.

10. Shortage of key staff

The Group is unable successfully to implement its strategy due to a failure to recruit and retain key staff with appropriate skills. This risk could impact on any or all of the Group's KPIs. The risk is seen to be unchanged over the period.	• The Nominations Committee consider succession matters as a standing agenda item. • Requirements for senior management succession are considered as part of the five-year strategic review. • The remuneration packages of all employees are benchmarked regularly. • Six-monthly appraisals identify training requirements which are fulfilled over the next six months.	• The Group has recruited eight new members of staff in the year to date. • Staff turnover in the first half of 2017 was low at 3%. • The average length of employment is 7.3 years.

Financial instruments – risk management

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

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

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

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

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

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

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

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

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

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

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

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

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. At 30 June 2017, the proportion of fixed debt held by the Group was above this range at 99% (31 December 2016: 95%) following a property disposal in June. During both 2017 and 2016, the Group's borrowings at variable rate were denominated in sterling.

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

Liquidity risk

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

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

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

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

Capital disclosures

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

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern so that it can continue to provide above average long-term returns for shareholders; and
- to provide an above average annualised long-term 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 2017, the Group's strategy, which was unchanged from 2016, 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 at the end of this announcement and are derived in note 24.

Statement of Directors' responsibilities

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

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

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

The Directors are listed in the Derwent London plc Annual Report of 31 December 2016 and a list of the current Directors is maintained on the Derwent London plc website: www.derwentlondon.com. The maintenance and integrity of the Derwent London website is the responsibility of the Directors.

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

On behalf of the Board

John D. Burns	Damian M.A. Wisniewski
Chief Executive Officer	Finance Director

10 August 2017

GROUP CONDENSED INCOME STATEMENT

	Note	**Half year to 30.06.2017 Unaudited £m**	Half year to 30.06.2016 Unaudited £m	Year to 31.12.2016 Audited £m
Gross property and other income	5	**99.4**	101.4	193.7
Net property and other income	5	**81.5**	74.2	149.2
Administrative expenses		**(12.8)**	(15.3)	(30.9)
Revaluation surplus/(deficit)	11	**66.7**	64.5	(37.1)
Profit on disposal of investment property	6	**19.1**	2.5	7.5
Profit from operations		**154.5**	125.9	88.7
Finance costs	7	**(14.3)**	(13.9)	(27.8)
Movement in fair value of derivative financial instruments		**6.4**	(12.8)	0.3
Financial derivative termination costs	8	**(4.5)**	(1.2)	(9.0)
Share of results of joint ventures	9	**3.7**	0.5	2.3
Profit before tax		**145.8**	98.5	54.5
Tax charge	10	**(0.6)**	(1.0)	(0.9)
Profit for the period		**145.2**	97.5	53.6
Attributable to:				
- Equity shareholders		**146.4**	98.5	58.7
- Non-controlling interest		**(1.2)**	(1.0)	(5.1)
		145.2	97.5	53.6
Earnings per share	23	**131.42p**	88.55p	52.73p
Diluted earnings per share	23	**131.04p**	86.50p	52.59p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Half year to 30.06.2017 Unaudited £m**	Half year to 30.06.2016 Unaudited £m	Year to 31.12.2016 Audited £m
Profit for the period		**145.2**	97.5	53.6
Actuarial losses on defined benefit pension scheme		**(1.1)**	(1.3)	(2.1)
Revaluation surplus/(deficit) of owner-occupied property	11	**-**	0.5	(5.5)
Deferred tax (charge)/credit on revaluation	19	**(0.4)**	0.2	1.3
Other comprehensive expense that will not be reclassified to profit or loss		**(1.5)**	(0.6)	(6.3)
Total comprehensive income relating to the period		**143.7**	96.9	47.3
Attributable to:				
- Equity shareholders		**144.9**	97.9	52.4
- Non-controlling interest		**(1.2)**	(1.0)	(5.1)
		143.7	96.9	47.3

GROUP CONDENSED BALANCE SHEET

	Note	**30.06.2017 Unaudited £m**	30.06.2016 Unaudited £m	31.12.2016 Audited £m
Non-current assets				
Investment property	11	**4,509.6**	4,997.0	4,803.8
Property, plant and equipment	12	**50.5**	39.6	38.1
Investments	13	**38.5**	32.9	36.0
Other receivables	14	**100.6**	101.8	109.1
		4,699.2	5,171.3	4,987.0
Current assets				
Trading property	11	**14.1**	9.6	11.7
Trade and other receivables	15	**43.9**	40.7	38.5
Cash and cash equivalents		**102.8**	12.7	17.7
		160.8	63.0	67.9
Non-current assets held for sale	16	**132.0**	-	-
Total assets		**4,992.0**	5,234.3	5,054.9
Current liabilities				
Borrowings	18	**28.0**	-	-
Trade and other payables	17	**95.2**	113.0	110.0
Corporation tax liability		**1.8**	1.2	1.6
Provisions		**0.3**	0.3	0.4
		125.3	114.5	112.0
Non-current liabilities				
Borrowings	18	**808.5**	1,021.3	922.5
Derivative financial instruments	18	**11.0**	30.4	17.3
Provisions		**0.2**	0.2	0.3
Pension scheme deficit		**1.4**	0.2	0.3
Deferred tax	19	**2.6**	5.4	3.1
		823.7	1,057.5	943.5
Total liabilities		**949.0**	1,172.0	1,055.5
Total net assets		**4,043.0**	4,062.3	3,999.4
Equity				
Share capital		**5.6**	5.6	5.6
Share premium		**188.7**	188.2	188.4
Other reserves		**940.9**	952.7	950.4
Retained earnings		**2,841.9**	2,843.9	2,787.9
Equity shareholders' funds		**3,977.1**	3,990.4	3,932.3
Non-controlling interest		**65.9**	71.9	67.1
Total equity		**4,043.0**	4,062.3	3,999.4

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2017	5.6	188.4	950.4	2,787.9	3,932.3	67.1	3,999.4
Profit/(loss) for the period	-	-	-	146.4	146.4	(1.2)	145.2
Other comprehensive expense	-	-	(0.4)	(1.1)	(1.5)	-	(1.5)
Transfer of owner-occupied property	-	-	(6.9)	6.9	-	-	-
Share-based payments	-	0.3	(2.2)	2.6	0.7	-	0.7
Dividends paid	-	-	-	(100.8)	(100.8)	-	(100.8)
At 30 June 2017 (unaudited)	**5.6**	**188.7**	**940.9**	**2,841.9**	**3,977.1**	**65.9**	**4,043.0**
At 1 January 2016	5.6	186.3	952.9	2,777.7	3,922.5	72.9	3,995.4
Profit/(loss) for the period	-	-	-	98.5	98.5	(1.0)	97.5
Other comprehensive income/(expense)	-	-	0.7	(1.3)	(0.6)	-	(0.6)
Share-based payments	-	0.8	(0.9)	3.2	3.1	-	3.1
Dividends paid	-	-	-	(33.1)	(33.1)	-	(33.1)
Scrip dividends	-	1.1	-	(1.1)	-	-	-
At 30 June 2016 (unaudited)	5.6	188.2	952.7	2,843.9	3,990.4	71.9	4,062.3
At 1 January 2016	5.6	186.3	952.9	2,777.7	3,922.5	72.9	3,995.4
Profit/(loss) for the year	-	-	-	58.7	58.7	(5.1)	53.6
Other comprehensive expense	-	-	(4.2)	(2.1)	(6.3)	-	(6.3)
Share-based payments	-	1.0	1.7	3.3	6.0	-	6.0
Dividends paid	-	-	-	(48.6)	(48.6)	(0.7)	(49.3)
Scrip dividends	-	1.1	-	(1.1)	-	-	-
At 31 December 2016 (audited)	5.6	188.4	950.4	2,787.9	3,932.3	67.1	3,999.4

GROUP CONDENSED CASH FLOW STATEMENT

	Note	**Half year to 30.06.2017 Unaudited £m**	Half year to 30.06.2016 Unaudited £m	Year to 31.12.2016 Audited £m
Operating activities				
Property income		**74.1**	70.1	147.1
Property expenses		**(11.2)**	(12.6)	(18.0)
Cash paid to and on behalf of employees		**(9.2)**	(13.5)	(21.8)
Other administrative expenses		**(3.2)**	(1.9)	(5.6)
Interest paid	7	**(11.6)**	(10.8)	(22.0)
Other finance costs	7	**(1.7)**	(1.4)	(2.3)
Other income		**1.2**	1.0	2.4
Tax paid in respect of operating activities		**(1.2)**	(1.4)	(2.1)
Net cash from operating activities		**37.2**	29.5	77.7
Investing activities				
Acquisition of investment properties		**(0.9)**	(18.0)	(18.0)
Capital expenditure on the property portfolio	7	**(87.2)**	(93.2)	(213.5)
Disposal of investment and trading properties		**324.8**	20.4	224.7
Investment in joint ventures		**-**	(1.7)	(3.0)
Repayment of loan by joint venture		**1.2**	-	-
Purchase of property, plant and equipment		**(4.7)**	(0.3)	(4.5)
Tax (paid)/received in respect of investing activities		**(4.8)**	-	4.8
Net cash from/(used in) investing activities		**228.4**	(92.8)	(9.5)
Financing activities				
Net movement in revolving bank loans		**(77.8)**	(3.5)	(103.9)
Drawdown of private placement notes		**-**	104.3	104.3
Financial derivative termination costs		**(4.5)**	(1.2)	(9.0)
Net proceeds of share issues		**0.3**	0.8	1.0
Dividends paid to non-controlling interest holder		**-**	-	(0.8)
Dividends paid	20	**(98.5)**	(30.9)	(48.6)
Net cash (used in)/from financing activities		**(180.5)**	69.5	(57.0)
Increase in cash and cash equivalents in the period		**85.1**	6.2	11.2
Cash and cash equivalents at the beginning of the period		**17.7**	6.5	6.5
Cash and cash equivalents at the end of the period		**102.8**	12.7	17.7

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Neither the financial information for the half year to 30 June 2017 nor the half year to 30 June 2016 was subject to an audit but has been subject to a review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

The comparative financial information presented herein for the year to 31 December 2016 does not constitute the Group's statutory accounts, but is derived from those accounts. The Group's statutory accounts for the year to 31 December 2016 have been delivered to the Registrar of Companies. The Auditor's report on those accounts was unmodified, did not draw attention to any matters by way of an emphasis of matter and did not contain any statement under Section 498 of the Companies Act 2006.

The financial information in these condensed consolidated financial statements is that of the holding company and all of its subsidiaries (the "Group") together with the Group's share of its joint ventures. It has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual report and accounts for the year to 31 December 2016 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRS IC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, property, plant and equipment and financial assets and liabilities held for trading.

As with most other UK property companies and REITs, the Group presents many of its financial measures in accordance with the guidance criteria issued by the European Public Real Estate Association ('EPRA'). These measures, which provide consistency across the sector, are all derived from the IFRS figures in note 23.

Going concern

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

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

In particular the Directors have considered the relatively long-term and stable nature of the cash flows receivable under the tenant leases, the Group's loan-to-value ratio of 14.9%, the interest cover ratio of 431% and the £446m total of undrawn facilities and cash at 30 June 2017. They have also considered the fact that the average maturity of borrowings was 7.5 years at 30 June 2017.

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

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

2. Changes in accounting policies

The accounting policies used by the Group in these condensed consolidated financial statements are consistent with those applied by the Group in its financial statements for the year to 31 December 2016.

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

IFRS 2 (amended) – Share Based Payments;
IFRS 4 (amended) – Insurance Contracts;
IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
IAS 7 (amended) – Statement of Cash Flows;
IAS 12 (amended) – Income Taxes;
IAS 40 (amended) – Investment Property; and
Annual Improvements to IFRSs (2014 – 2016 cycle).

In addition to the above, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases were in issue at the date of approval of these condensed consolidated financial statements but were not yet effective for the current accounting period and have not been adopted early.

IFRS 9 Financial Instruments (effective from 1 January 2018)

This standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The Group has completed its preliminary assessment of the impact of IFRS 9 and believes that the main area of impact relates to impairment provisioning which may affect measurement and presentation of trade receivables and balances due from subsidiaries within the Company financial statements. By December 2017, the Group will have determined how it will estimate expected credit losses and the sources of forward-looking data, but does not expect the standard to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

This standard combines a number of previous standards, setting out a five step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. The standard is applicable to service charge income, facilities management income, investment property disposals and trading property disposals, but excludes rent receivable, which is within the scope of IFRS 16. The Group has completed its preliminary assessment of IFRS 15 and does not expect its adoption to have a material impact on the financial statements, but it may result in changes to presentation and disclosure.

IFRS 16 Leases (effective 1 January 2019)

This standard does not substantially affect the current accounting for rental income earned by the Group as lessor. The main impact of the standard is the removal of the distinction between operating and finance leases for lessees, which will result in almost all leases being recognised on the balance sheet. As the Group does not hold any material operating leases as lessee, the impact of the standard is not expected to be material to the financial statements.

3. Significant judgments, key assumptions and estimates

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

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

These are the same policies identified at the previous year end and a full discussion of these policies is included in the 2016 financial statements.

4. Segmental information

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

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA earnings and net asset value. Reconciliations of each of these figures to their statutory equivalents are detailed in note 23. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property, assets held for sale and trading property and comprised 97% office buildings* in central London by value (30 June 2016: 94%; 31 December 2016: 95%). Therefore, the Directors consider that these individual properties have similar economic characteristics and have aggregated them into a single operating segment. The remaining 3% (30 June 2016: 6%; 31 December 2016: 5%) represented a mixture of retail, hotel, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

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

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

Gross property income

	Office buildings £m	Other £m	**Total £m**
Half year to 30 June 2017			
West End central	41.2	0.3	**41.5**
West End borders	9.2	-	**9.2**
City borders	32.2	0.2	**32.4**
Provincial	-	2.3	**2.3**
	82.6	**2.8**	**85.4**
Half year to 30 June 2016			
West End central	40.8	2.2	43.0
West End borders	8.1	-	8.1
City borders	23.0	0.1	23.1
Provincial	-	2.5	2.5
	71.9	4.8	76.7
Year to 31 December 2016			
West End central	81.4	4.2	85.6
West End borders	17.2	-	17.2
City borders	48.0	0.2	48.2
Provincial	-	5.0	5.0
	146.6	9.4	156.0

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

Property portfolio

	Carrying value			Fair value		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	**Total £m**
30 June 2017						
West End central	2,432.9	28.5	**2,461.4**	2,470.7	28.7	**2,499.4**
West End borders	428.3	-	**428.3**	446.9	-	**446.9**
City borders	1,706.2	6.5	**1,712.7**	1,744.0	6.5	**1,750.5**
Provincial	-	98.0	**98.0**	-	101.0	**101.0**
	4,567.4	**133.0**	**4,700.4**	**4,661.6**	**136.2**	**4,797.8**
30 June 2016						
West End central	2,675.5	177.4	2,852.9	2,717.0	179.4	2,896.4
West End borders	435.2	14.0	449.2	454.2	14.0	468.2
City borders	1,637.2	6.2	1,643.4	1,656.3	6.2	1,662.5
Provincial	-	97.7	97.7	-	101.2	101.2
	4,747.9	295.3	5,043.2	4,827.5	300.8	5,128.3
31 December 2016						
West End central	2,531.5	141.1	2,672.6	2,573.9	142.1	2,716.0
West End borders	408.3	-	408.3	426.5	-	426.5
City borders	1,665.4	6.4	1,671.8	1,693.6	6.3	1,699.9
Provincial	-	97.0	97.0	-	100.3	100.3
	4,605.2	244.5	4,849.7	4,694.0	248.7	4,942.7

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

5. Property and other income

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Gross rental income	**85.4**	76.7	155.4
Surrender premiums received	**-**	-	0.1
Other property income	**-**	-	0.5
Gross property income	**85.4**	76.7	156.0
Trading property sales proceeds	**-**	12.5	12.5
Service charge income	**12.8**	11.1	22.8
Other income	**1.2**	1.1	2.4
Gross property and other income	**99.4**	101.4	193.7
Gross rental income	**85.4**	76.7	155.4
Ground rent credit/(expense)	**0.1**	(0.3)	(0.7)
Service charge income	**12.8**	11.1	22.8
Service charge expenses	**(14.0)**	(11.8)	(24.1)
	(1.2)	(0.7)	(1.3)
Other property costs	**(5.0)**	(3.1)	(7.5)
Net rental income	**79.3**	72.6	145.9
Trading property sales proceeds	**-**	12.5	12.5
Trading property cost of sales	**-**	(10.6)	(10.6)
Profit on trading property disposals	**-**	1.9	1.9
Reversal of write-down/(write-down) of trading property	**1.0**	(1.4)	(1.6)
Other property income	**-**	-	0.5
Other income	**1.2**	1.1	2.4
Surrender premiums received	**-**	-	0.1
Reverse surrender premiums	**-**	(0.1)	(0.1)
Dilapidation receipts	**-**	0.1	0.1
Net property and other income	**81.5**	74.2	149.2

Rental income included £8.8m (half year to 30 June 2016: £5.5m; year to 31 December 2016: £10.3m) relating to rents recognised in advance of cash receipts. Other income relates to fees and commissions earned in relation to the management of the Group's properties and was recognised in the Group income statement in accordance with the delivery of services.

6. Profit on disposal of investment property

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Investment property			
Gross disposal proceeds	**327.1**	5.2	210.6
Costs of disposal	**(1.3)**	(0.1)	(2.6)
Net disposal proceeds	**325.8**	5.1	208.0
Carrying value	**(295.6)**	(2.6)	(198.8)
Adjustment for rents recognised in advance	**(11.1)**	-	(1.7)
	19.1	2.5	7.5

7. Finance costs

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Finance costs			
Bank loans and overdraft	**3.7**	6.3	11.8
Non-utilisation fees	**0.8**	0.6	1.2
Unsecured convertible bonds	**1.9**	1.9	3.8
Secured bonds	**5.7**	5.7	11.4
Unsecured private placement notes	**4.1**	2.9	7.0
Secured loan	**1.7**	1.7	3.3
Amortisation of issue and arrangement costs	**1.0**	1.1	2.2
Amortisation of the fair value of the secured bonds	**(0.5)**	(0.5)	(1.0)
Finance lease costs	**0.5**	0.5	1.0
Other	**0.1**	-	0.1
Gross interest costs	**19.0**	20.2	40.8
Less: interest capitalised	**(4.7)**	(6.3)	(13.0)
Finance costs	**14.3**	13.9	27.8

Finance costs of £4.7m (half year to 30 June 2016: £6.3m; year to 31 December 2016: £13.0m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowing during each quarter. Total finance costs paid to 30 June 2017 were £18.0m (half year to 30 June 2016: £18.5m; year to 31 December 2016: £37.3m) of which £4.7m (half year to 30 June 2016: £6.3m; year to 31 December 2016: £13.0m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

8. Financial derivative termination costs

The Group incurred costs of £4.5m in the half year to 30 June 2017 (half year to 30 June 2016: £1.2m; year to 31 December 2016: £9.0m) deferring, re-couponing or terminating interest rate swaps.

9. Share of results of joint ventures

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Revaluation surplus	**3.4**	0.2	1.8
Other profit after tax from operations	**0.3**	0.3	0.5
	3.7	0.5	2.3

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

10. Tax charge

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Corporation tax			
UK corporation tax and income tax in respect of profit for the period	**1.5**	0.9	1.9
Other adjustments in respect of prior years' tax	**-**	-	0.1
Corporation tax charge	**1.5**	0.9	2.0
Deferred tax			
Origination and reversal of temporary differences	**(0.6)**	0.5	(0.9)
Adjustment for changes in estimates	**(0.3)**	(0.4)	(0.2)
Deferred tax (credit)/charge	**(0.9)**	0.1	(1.1)
Tax charge	**0.6**	1.0	0.9

In addition to the tax charge of £0.6m (half year to 30 June 2016: £1.0m; year to 31 December 2016: £0.9m) that passed through the Group income statement, a deferred tax charge of £0.4m (half year to 30 June 2016: credit of £0.2m; year to 31 December of 2016: credit of £1.3m) was recognised in the Group statement of comprehensive income relating to the revaluation of the owner-occupied property at 25 Savile Row W1.

The effective rate of tax for the half year to 30 June 2017 is lower (half year to 30 June 2016: lower; year to 31 December 2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Profit before tax	**145.8**	98.5	54.5
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20%)*	**28.1**	19.7	10.9
Difference between tax and accounting profit on disposals	**(4.0)**	(0.5)	(1.2)
REIT exempt income	**(5.3)**	(3.8)	(7.8)
Revaluation attributable to REIT properties	**(13.1)**	(12.9)	7.2
Expenses and fair value adjustments not allowable for tax purposes	**(2.2)**	0.4	(2.8)
Capital allowances	**(2.1)**	(2.5)	(5.3)
Other differences	**(0.8)**	0.6	(0.2)
Tax charge on current period's profit	**0.6**	1.0	0.8
Adjustments in respect of prior years' tax	**-**	-	0.1
	0.6	1.0	0.9

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

11. Property portfolio

Carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
At 1 January 2017	3,959.9	843.9	4,803.8	34.2	-	11.7	4,849.7
Acquisitions	0.8	0.2	1.0	-	-	-	1.0
Capital expenditure	34.6	36.5	71.1	2.3	-	1.4	74.8
Interest capitalisation	2.6	2.1	4.7	-	-	-	4.7
Additions	38.0	38.8	76.8	2.3	-	1.4	80.5
Disposals	(295.6)	-	(295.6)	-	-	-	(295.6)
Transfers	(8.2)	(133.9)	(142.1)	8.2	133.9	-	-
Revaluation	43.4	23.3	66.7	-	-	-	66.7
Reversal of write-down of trading property	-	-	-	-	-	1.0	1.0
Adjustment to assets held for sale	-	-	-	-	(1.9)	-	(1.9)
At 30 June 2017	**3,737.5**	**772.1**	**4,509.6**	**44.7**	**132.0**	**14.1**	**4,700.4**
At 1 January 2016	4,006.8	825.5	4,832.3	36.1	-	10.5	4,878.9
Acquisitions	12.0	-	12.0	-	-	-	12.0
Capital expenditure	63.8	30.1	93.9	-	-	0.6	94.5
Interest capitalisation	5.4	0.9	6.3	-	-	-	6.3
Additions	81.2	31.0	112.2	-	-	0.6	112.8
Disposals	(2.6)	-	(2.6)	-	-	(10.2)	(12.8)
Transfers	(10.1)	-	(10.1)	-	-	10.1	-
Revaluation	66.6	(2.1)	64.5	0.5	-	-	65.0
Write-down of trading property	-	-	-	-	-	(1.4)	(1.4)
Movement in grossing up of headlease liabilities	-	0.7	0.7	-	-	-	0.7
At 30 June 2016	4,141.9	855.1	4,997.0	36.6	-	9.6	5,043.2
At 1 January 2016	4,006.8	825.5	4,832.3	36.1	-	10.5	4,878.9
Acquisitions	12.0	-	12.0	-	-	-	12.0
Capital expenditure	116.1	75.7	191.8	3.6	-	2.9	198.3
Interest capitalisation	10.6	2.4	13.0	-	-	-	13.0
Additions	138.7	78.1	216.8	3.6	-	2.9	223.3
Disposals	(158.1)	(40.7)	(198.8)	-	-	(10.2)	(209.0)
Transfers	(10.1)	-	(10.1)	-	-	10.1	-
Revaluation	(17.4)	(19.7)	(37.1)	(5.5)	-	-	(42.6)
Write-down of trading property	-	-	-	-	-	(1.6)	(1.6)
Movement in grossing up of headlease liabilities	-	0.7	0.7	-	-	-	0.7
At 31 December 2016	3,959.9	843.9	4,803.8	34.2	-	11.7	4,849.7

Adjustments from fair value to carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Assets held for sale £m	Trading property £m	Total property portfolio £m
At 30 June 2017							
Fair value	**3,829.8**	**775.5**	**4,605.3**	**44.7**	**133.7**	**14.1**	**4,797.8**
Selling costs relating to assets held for sale	-	-	-	-	(1.7)	-	(1.7)
Lease incentives and costs included in receivables	(92.3)	(17.5)	(109.8)	-	-	-	(109.8)
Grossing up of headlease liabilities	-	14.1	14.1	-	-	-	14.1
Carrying value	**3,737.5**	**772.1**	**4,509.6**	**44.7**	**132.0**	**14.1**	**4,700.4**
At 30 June 2016							
Fair value	4,232.8	849.3	5,082.1	36.6	-	9.6	5,128.3
Lease incentives and costs included in receivables	(90.9)	(18.1)	(109.0)	-	-	-	(109.0)
Grossing up of headlease liabilities	-	23.9	23.9	-	-	-	23.9
Carrying value	4,141.9	855.1	4,997.0	36.6	-	9.6	5,043.2
At 31 December 2016							
Fair value	4,054.0	842.8	4,896.8	34.2	-	11.7	4,942.7
Lease incentives and costs included in receivables	(94.1)	(22.8)	(116.9)	-	-	-	(116.9)
Grossing up of headlease liabilities	-	23.9	23.9	-	-	-	23.9
Carrying value	3,959.9	843.9	4,803.8	34.2	-	11.7	4,849.7

Reconciliation of fair value

	30.06.2017 £m	30.06.2016 £m	31.12.2016 £m
Portfolio including the Group's share of joint ventures	**4,842.2**	5,164.0	4,980.5
Joint ventures	**(44.4)**	(35.7)	(37.8)
IFRS property portfolio	**4,797.8**	5,128.3	4,942.7

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2017 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation.

CBRE Limited valued properties at £4,765.2m (30 June 2016: £5,097.6m; 31 December 2016: £4,910.7m) and other valuers at £32.6m (30 June 2016: £30.7m; 31 December 2016: £32.0m). Of the properties revalued by CBRE, £44.7m (30 June 2016: £36.6m; 31 December 2016: £34.2m) relating to owner-occupied property was included within property, plant and equipment, £133.7m (30 June 2016: £nil; 31 December 2016: £nil) was included within non-current assets held for sale, and £14.1m (30 June 2016: £9.6m; 31 December 2016: £11.7m) was included within trading property.

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

During the year ended 31 December 2016, the Group transferred from investment property to trading property, at market value, the residential element of the 80 Charlotte Street development which it intends to sell. Any future revaluation surplus relating to the trading property will be recognised as an adjustment to EPRA net asset value, but, in accordance with IAS 2 Inventories, will not be recognised in the carrying value of the property as trading properties are stated at the lower of cost and net realisable value.

Reconciliation of revaluation surplus/(deficit)

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Total revaluation surplus/(deficit)	**85.1**	75.6	(20.9)
Share of joint ventures	**(3.6)**	(0.2)	(1.8)
Lease incentives and costs	**(12.1)**	(12.0)	(21.5)
Assets held for sale selling costs	**(1.7)**	-	-
Other	**-**	0.2	-
IFRS revaluation surplus/(deficit)	**67.7**	63.6	(44.2)
Reported in the:			
Revaluation surplus/(deficit)	**66.7**	64.5	(37.1)
Reversal of write-down/(write-down) of trading property	**1.0**	(1.4)	(1.6)
Group income statement	**67.7**	63.1	(38.7)
Group statement of comprehensive income	**-**	0.5	(5.5)
	67.7	63.6	(44.2)

12. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2017	34.2	1.5	2.4	38.1
Additions	2.3	-	2.4	4.7
Disposals	-	-	(0.2)	(0.2)
Transfers	8.2	-	-	8.2
Depreciation	-	-	(0.3)	(0.3)
At 30 June 2017	**44.7**	**1.5**	**4.3**	**50.5**
At 1 January 2016	36.1	1.5	1.5	39.1
Additions	-	-	0.1	0.1
Depreciation	-	-	(0.1)	(0.1)
Revaluation	0.5	-	-	0.5
At 30 June 2016	36.6	1.5	1.5	39.6
At 1 January 2016	36.1	1.5	1.5	39.1
Additions	3.6	-	1.3	4.9
Depreciation	-	-	(0.4)	(0.4)
Revaluation	(5.5)	-	-	(5.5)
At 31 December 2016	34.2	1.5	2.4	38.1
Net book value				
Cost or valuation	44.7	1.5	5.8	52.0
Accumulated depreciation	-	-	(1.5)	(1.5)
At 30 June 2017	**44.7**	**1.5**	**4.3**	**50.5**
Net book value				
Cost or valuation	36.6	1.5	3.7	41.8
Accumulated depreciation	-	-	(2.2)	(2.2)
At 30 June 2016	36.6	1.5	1.5	39.6
Net book value				
Cost or valuation	34.2	1.5	4.8	40.5
Accumulated depreciation	-	-	(2.4)	(2.4)
At 31 December 2016	34.2	1.5	2.4	38.1

The artwork is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in October 2016 and the Directors consider that there have been no material valuation movements since that date. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3.

13. Investments

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

	30.06.2017 £m	30.06.2016 £m	31.12.2016 £m
At 1 January	**36.0**	30.7	30.7
Additions	**-**	1.7	3.0
Share of results of joint ventures (see note 9)	**3.7**	0.5	2.3
Repayment of shareholder loan	**(1.2)**	-	-
	38.5	32.9	36.0

14. Other receivables (non-current)

	30.06.2017 £m	30.06.2016 £m	31.12.2016 £m
Prepayments and accrued income	**96.9**	98.1	105.4
Other	**3.7**	3.7	3.7
	100.6	101.8	109.1

Prepayments and accrued income relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts, as well as the initial direct costs of the letting, over the expected terms of their respective leases. Together with £12.9m (30 June 2016: £10.9m; 31 December 2016: £11.5m), which was included as current assets within trade and other receivables, these amounts totalled £109.8m at 30 June 2017 (30 June 2016: £109.0m; 31 December 2016: £116.9m).

15. Trade and other receivables

	30.06.2017 £m	30.06.2016 £m	31.12.2016 £m
Trade receivables	**7.3**	4.5	5.1
Other receivables	**2.6**	2.4	2.7
Prepayments	**19.2**	19.6	15.5
Accrued income	**14.8**	14.2	15.2
	43.9	40.7	38.5

16. Non-current assets held for sale

	30.06.2017 £m	30.06.2016 £m	31.12.2016 £m
Transfer from investment property (see note 11)	**132.0**	-	-

In June 2017, the Group exchanged contracts on the sale of a long leasehold interest for a total of £165.0m, or £148.7m before costs and net of adjustments relating to rent free periods and a rent guarantee on the vacant retail space. After costs to complete and a risk premium, the property was valued at £133.7m at 30 June 2017.

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 £1.7m, the carrying value was £132.0m.

17. Trade and other payables

	30.06.2017 £m	30.06.2016 £m	31.12.2016 £m
Trade payables	**2.5**	5.1	2.0
Other payables	**16.6**	15.7	16.7
Other taxes	**3.4**	0.3	6.5
Accruals	**35.7**	55.3	45.9
Deferred income	**37.0**	36.6	38.9
	95.2	113.0	110.0

18. Borrowings and derivative financial instruments

	30.06.2017		30.06.2016		31.12.2016	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
Secured bank loan	**28.0**	**28.0**	-	-	-	-
	28.0	**28.0**	-	-	-	-
Non-current liabilities						
1.125% unsecured convertible bonds 2019	**144.2**	**151.1**	141.5	148.6	142.9	152.4
6.5% secured bonds 2026	**187.4**	**225.4**	188.4	232.1	187.9	225.6
3.46% unsecured private placement notes 2028	**29.8**	**30.8**	29.8	31.4	29.8	30.8
4.41% unsecured private placement notes 2029	**24.8**	**28.8**	24.8	29.6	24.8	28.8
3.57% unsecured private placement notes 2031	**74.5**	**75.7**	74.5	76.8	74.5	75.6
4.68% unsecured private placement notes 2034	**74.3**	**88.4**	74.3	90.4	74.3	88.5
3.99% secured loan 2024	**81.9**	**88.1**	82.1	89.6	82.1	88.2
Unsecured bank loans	**177.5**	**181.5**	354.0	359.0	254.3	259.5
Secured bank loan	**-**	**-**	28.0	28.0	28.0	28.0
Leasehold liabilities	**14.1**	**14.1**	23.9	23.9	23.9	23.9
Borrowings	**808.5**	**883.9**	1,021.3	1,109.4	922.5	1,001.3
Derivative financial instruments expiring in greater than one year	**11.0**	**11.0**	30.4	30.4	17.3	17.3
Total borrowings and derivative financial instruments	**847.5**	**922.9**	1,051.7	1,139.8	939.8	1,018.6

	30.06.2017	30.06.2016	31.12.2016
Reconciliation to net debt:			
Borrowings and derivative financial instruments	**847.5**	1,051.7	939.8
Less:			
Derivative financial instruments	**(11.0)**	(30.4)	(17.3)
Cash and cash equivalents	**(102.8)**	(12.7)	(17.7)
Net debt	**733.7**	1,008.6	904.8

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

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

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

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

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

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

There have been no transfers between Level 1 and Level 2 or Level 2 and Level 3 in either 2017 or 2016.

19. Deferred tax

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2017	5.3	(2.2)	3.1
(Credited)/charged to the income statement	(0.7)	0.1	(0.6)
Change in tax rates in the income statement	(0.5)	0.2	(0.3)
Charged to other comprehensive income	0.5	-	0.5
Change in tax rates in other comprehensive income	(0.1)	-	(0.1)
At 30 June 2017	**4.5**	**(1.9)**	**2.6**
At 1 January 2016	8.7	(3.2)	5.5
(Credited)/charged to the income statement	(0.5)	1.0	0.5
Change in tax rates in the income statement	(0.7)	0.3	(0.4)
Change in tax rates in other comprehensive income	(0.2)	-	(0.2)
At 30 June 2016	7.3	(1.9)	5.4
At 1 January 2016	8.7	(3.2)	5.5
(Credited)/charged to the income statement	(1.8)	0.9	(0.9)
Change in tax rates in the income statement	(0.3)	0.1	(0.2)
Credited to other comprehensive income	(1.2)	-	(1.2)
Change in tax rates in other comprehensive income	(0.1)	-	(0.1)
At 31 December 2016	5.3	(2.2)	3.1

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

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

20. Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	**Half year to 30.06.2017 £m**	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Current period							
2017 interim dividend	20/10/2017	17.33	-	17.33	**-**	-	-
Distribution of current period profit		17.33	-	17.33			
Prior period							
2016 interim dividend	21/10/2016	13.86	-	13.86	-	-	15.5
Distribution of prior period profit		13.86	-	13.86			
Prior year							
2016 final dividend	09/06/2017	32.70	5.80	38.50	**42.9**	-	-
2016 special dividend	09/06/2017	-	52.00	52.00	**57.9**	-	-
Distribution of prior year profit		46.56	57.80	104.36			
2015 final dividend	10/06/2016	30.80	-	30.80	**-**	34.2	34.2
Dividends as reported in the Group statement of changes in equity					**100.8**	34.2	49.7
2016 final dividend withholding tax	14/07/2017				**(4.0)**	-	-
2016 interim dividend withholding tax	14/01/2017				**1.7**	-	(1.7)
2015 final scrip dividend	10/06/2016				**-**	(1.1)	(1.1)
2015 final scrip dividend withholding tax	14/07/2016				**-**	(0.2)	-
2015 final dividend withholding tax	14/07/2016				**-**	(3.7)	-
2015 interim dividend withholding tax	14/01/2016				**-**	1.7	1.7
Dividends paid as reported in the Group cash flow statement					**98.5**	30.9	48.6

21. Post balance sheet events

In July 2017, the Group refinanced the £28.0m secured bank loan, shown in current liabilities at 30 June 2017, with a new £28.0m five-year facility from the same lender.

22. Related party disclosure

There have been no related party transactions during the half year to 30 June 2017 that have materially affected the financial position or performance of the Group. All related party transactions are materially consistent with those disclosed by the Group in its financial statements for the year ended 31 December 2016.

23. EPRA performance measures

Number of shares

	Earnings per share measures			Net asset value per share measures		
	Weighted average for the period ended			At period ended		
	30.06.2017 '000	30.06.2016 '000	31.12.2016 '000	**30.06.2017 '000**	30.06.2016 '000	31.12.2016 '000
For use in basic measures	**111,402**	111,242	111,315	**111,454**	111,383	111,390
Dilutive effect of convertible bonds	**-**	4,498	-	**-**	4,498	-
Dilutive effect of share-based payments	**321**	331	296	**321**	319	291
For use in measures for which bond conversion is dilutive	**111,723**	116,071	111,611	**111,775**	116,200	111,681
Less dilutive effect of convertible bonds	**-**	(4,498)	-	**-**	(4,498)	-
For use in other diluted measures	**111,723**	111,573	111,611	**111,775**	111,702	111,681

The £150m unsecured convertible bonds 2019 ('2019 bonds') have a current conversion price of £32.73. 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 half year to 30 June 2017 and for the year ended 31 December 2016, the Group did not recognise the dilutive impact of the conversion of the 2019 bonds on its earnings per share (EPS) or net asset value (NAV) per share measures as, based on the recent share price, the bonds were not expected to convert.

For the half year to 30 June 2016, the 2019 bonds were dilutive for all NAV per share measures and IFRS EPS, but anti-dilutive for EPRA EPS.

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

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

Earnings and earnings per share

	IFRS £m	Adjustments A £m	B £m	C £m	EPRA basis £m
Half year to 30 June 2017					
Net property and other income	81.5	-	(1.0)	-	80.5
Total administrative expenses	(12.8)	-	-	-	(12.8)
Revaluation surplus	66.7	-	(66.7)	-	-
Profit on disposal of investment property	19.1	(19.1)	-	-	-
Net finance costs	(14.3)	-	-	-	(14.3)
Movement in fair value of derivative financial instruments	6.4	-	-	(6.4)	-
Financial derivative termination costs	(4.5)	-	-	4.5	-
Share of results of joint ventures	3.7	-	(3.4)	-	0.3
Profit before tax	145.8	(19.1)	(71.1)	(1.9)	53.7
Tax charge	(0.6)	-	(1.2)	-	(1.8)
Profit for the period	145.2	(19.1)	(72.3)	(1.9)	51.9
Non-controlling interest	1.2	-	(2.7)	0.2	(1.3)
Earnings attributable to equity shareholders	**146.4**	**(19.1)**	**(75.0)**	**(1.7)**	**50.6**
Earnings per share	**131.42p**				**45.42p**
Diluted earnings per share	131.04p				45.29p
Half year to 30 June 2016					
Net property and other income	74.2	(1.9)	1.4	-	73.7
Total administrative expenses	(15.3)	-	-	-	(15.3)
Revaluation surplus	64.5	-	(64.5)	-	-
Profit on disposal of investment property	2.5	(2.5)	-	-	-
Net finance costs	(13.9)	-	-	-	(13.9)
Movement in fair value of derivative financial instruments	(12.8)	-	-	12.8	-
Financial derivative termination costs	(1.2)	-	-	1.2	-
Share of results of joint ventures	0.5	-	(0.2)	-	0.3
Profit before tax	98.5	(4.4)	(63.3)	14.0	44.8
Tax charge	(1.0)	-	(1.2)	-	(2.2)
Profit for the period	97.5	(4.4)	(64.5)	14.0	42.6
Non-controlling interest	1.0	-	(2.1)	(0.2)	(1.3)
Earnings attributable to equity shareholders	98.5	(4.4)	(66.6)	13.8	41.3
Interest effect of dilutive convertible bonds	1.9	-	-	(1.9)	-
Diluted earnings	100.4	(4.4)	(66.6)	11.9	41.3
Earnings per share	88.55p				37.13p
Diluted earnings per share	86.50p				37.02p

		Adjustments			EPRA
	IFRS	A	B	C	basis
	£m	£m	£m	£m	£m
Year to 31 December 2016					
Net property and other income	149.2	(1.9)	1.6	-	148.9
Total administrative expenses	(30.9)	-	-	-	(30.9)
Revaluation deficit	(37.1)	-	37.1	-	-
Profit on disposal of investment property	7.5	(7.5)	-	-	-
Net finance costs	(27.8)	-	-	-	(27.8)
Movement in fair value of derivative financial instruments	0.3	-	-	(0.3)	-
Financial derivative termination costs	(9.0)	-	-	9.0	-
Share of results of joint ventures	2.3	-	(1.8)	-	0.5
Profit before tax	54.5	(9.4)	36.9	8.7	90.7
Tax charge	(0.9)	0.5	(2.2)	-	(2.6)
Profit for the year	53.6	(8.9)	34.7	8.7	88.1
Non-controlling interest	5.1	-	(7.6)	0.1	(2.4)
Earnings attributable to equity shareholders	58.7	(8.9)	27.1	8.8	85.7
Earnings per share	52.73p				76.99p
Diluted earnings per share	52.59p				76.78p

Net asset value and net asset value per share

	£m	Undiluted p	Diluted p
At 30 June 2017			
Net assets attributable to equity shareholders	3,977.1	3,568	3,558
Adjustment for:			
Deferred tax on revaluation surplus	4.5		
Fair value of derivative financial instruments	11.0		
Fair value adjustment to secured bonds	13.5		
Non-controlling interest in respect of the above	(1.9)		
EPRA net asset value	**4,004.2**	**3,593**	**3,582**
Adjustment for:			
Mark-to-market of secured bonds 2026	(50.5)		
Mark-to-market of secured loan 2024	(5.1)		
Mark-to-market of unsecured private placement notes 2029 and 2034	(17.2)		
Mark-to-market of unsecured private placement notes 2028 and 2031	(1.5)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(5.7)		
Deferred tax on revaluation surplus	(4.5)		
Fair value of derivative financial instruments	(11.0)		
Unamortised issue and arrangement costs	(8.9)		
Non-controlling interest in respect of the above	1.9		
EPRA triple net asset value	**3,901.7**	**3,501**	**3,491**

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

	£m	Undiluted p	Diluted p
At 31 December 2016			
Net assets attributable to equity shareholders	3,932.3	3,530	3,521
Adjustment for:			
Deferred tax on revaluation surplus	5.3		
Fair value of derivative financial instruments	17.3		
Fair value adjustment to secured bonds	14.0		
Non-controlling interest in respect of the above	(2.6)		
EPRA net asset value	3,966.3	3,561	3,551
Adjustment for:			
Mark-to-market of secured bonds 2026	(50.6)		
Mark-to-market of secured loan 2024	(5.2)		
Mark-to-market of unsecured private placement notes 2029 and 2034	(17.3)		
Mark-to-market of unsecured private placement notes 2028 and 2031	(1.4)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(8.0)		
Deferred tax on revaluation surplus	(5.3)		
Fair value of derivative financial instruments	(17.3)		
Unamortised issue and arrangement costs	(10.3)		
Non-controlling interest in respect of the above	2.6		
EPRA triple net asset value	3,853.5	3,459	3,450

Cost ratios

	Half year to 30.06.2017 £m	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Administrative expenses	**12.8**	15.3	30.9
Other property costs	**5.0**	3.1	7.5
Dilapidation receipts	**-**	(0.1)	(0.1)
Net service charge costs	**1.2**	0.7	1.3
Service charge costs recovered through rents but not separately invoiced	**(0.1)**	(0.1)	(0.3)
Management fees received less estimated profit element	**(1.2)**	(1.1)	(2.4)
Share of joint ventures' expenses	**0.3**	0.2	0.5
EPRA costs (including direct vacancy costs) (A)	**18.0**	18.0	37.4
Direct vacancy costs	**(2.0)**	(1.2)	(2.5)
EPRA costs (excluding direct vacancy costs) (B)	**16.0**	16.8	34.9
Gross rental income	**85.4**	76.7	155.4
Ground rent	**0.1**	(0.3)	(0.7)
Service charge components of rental income	**(0.1)**	(0.1)	(0.3)
Share of joint ventures' rental income less ground rent	**0.8**	0.6	1.3
Adjusted gross rental income (C)	**86.2**	76.9	155.7
EPRA cost ratio (including direct vacancy costs) (A/C)	**20.9%**	23.4%	24.0%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**18.6%**	21.8%	22.4%

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

Property portfolio at fair value (D)	**4,797.8**	5,128.3	4,942.7
Portfolio cost ratio (A/D) - annualised	**0.8%**	0.7%	0.8%

The Group has not capitalised any overhead or operating expenses in either 2017 or 2016.

24. Gearing and interest cover

NAV gearing

	Note	**30.06.2017 £m**	30.06.2016 £m	31.12.2016 £m
Net debt	18	**733.7**	1,008.6	904.8
Net assets		**4,043.0**	4,062.3	3,999.4
NAV gearing		**18.1%**	24.8%	22.6%

Loan-to-value ratio

	Note	**30.06.2017 £m**	30.06.2016 £m	31.12.2016 £m
Net debt	18	**733.7**	1,008.6	904.8
Fair value adjustment of secured bonds		**(13.5)**	(14.5)	(14.0)
Unamortised issue and arrangement costs		**8.9**	10.4	10.3
Leasehold liabilities	18	**(14.1)**	(23.9)	(23.9)
Drawn debt		**715.0**	980.6	877.2
Fair value of property portfolio	11	**4,797.8**	5,128.3	4,942.7
Loan-to-value ratio		**14.9%**	19.1%	17.7%

At 30 June 2017, the loan-to-value ratio including the Group's share of joint ventures was 14.9%.

Net interest cover ratio

	Note	**Half year to 30.06.2017 £m**	Half year to 30.06.2016 £m	Year to 31.12.2016 £m
Net property and other income	5	**81.5**	74.2	149.2
Adjustments for:				
Other income	5	**(1.2)**	(1.1)	(2.4)
Other property income	5	**-**	-	(0.5)
Net surrender premiums received	5	**-**	-	(0.1)
Profit on disposal of trading properties	5	**-**	(1.9)	(1.9)
(Reversal of write-down)/write-down of trading	5	**(1.0)**	1.4	1.6
Reverse surrender premiums	5	**-**	0.1	0.1
Adjusted net property income		**79.3**	72.7	146.0
Finance costs	7	**14.3**	13.9	27.8
Adjustments for:				
Other finance costs	7	**(0.1)**	-	(0.1)
Amortisation of fair value adjustment to secured	7	**0.5**	0.5	1.0
Amortisation of issue and arrangement costs	7	**(1.0)**	(1.1)	(2.2)
Finance costs capitalised	7	**4.7**	6.3	13.0
		18.4	19.6	39.5
Net interest cover ratio		**431%**	371%	370%

For the half year ended 30 June 2017, the net interest cover ratio including the Group's share of joint ventures was 433%.

25. Total return

	Half year to 30.06.2017 p	Half year to 30.06.2016 p	Year to 31.12.2016 p
EPRA net asset value on a diluted basis			
At end of period	**3,582**	3,598	3,551
At start of period	**(3,551)**	(3,535)	(3,535)
Increase	**31**	63	16
Dividend per share	**91**	31	45
Increase including dividend	**122**	94	61
Total return	**3.4%**	2.7%	1.7%

26. List of definitions

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

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

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

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

European Public Real Estate Association (EPRA)
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA published its latest Best Practices Recommendations in November 2016. This includes guidelines for the calculation of the following performance measures which the Group has adopted.

- **EPRA earnings per share**

Earnings from operational activities.

- **EPRA net asset value per share**

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

- **EPRA triple net asset value per share**

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes on revaluations, where applicable.

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

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

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

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

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

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

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

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

- **EPRA vacancy rate**

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

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

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

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

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

Ground rent
The rent payable by the Group for its leasehold properties. Under IFRS, these leases are treated as finance leases and the cost allocated between interest payable and property outgoings.

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

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

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

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

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

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

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

NAV gearing
Net debt divided by net assets.

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

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

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

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

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

Real Estate Investment Trust (REIT)
The UK Real Estate Investment Trust ("REIT") regime was launched on 1 January 2007. On 1 July 2007, Derwent 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 publically available vehicle which opens the property market to a wide range of investors.

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

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

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

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

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

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

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

Total return
The movement in EPRA adjusted net asset value per share on a diluted basis between the beginning and the end of each financial period plus the dividend per share paid during the period expressed as a percentage of the EPRA net asset value per share on a diluted basis at the beginning of the year.

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

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

Underlying valuation increase
The valuation increase on the underlying portfolio.

Yields

- **Net initial yield**

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

- **Reversionary yield**

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

- **True equivalent yield**

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

- **Yield shift**

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

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

Independent review report to Derwent London plc

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Derwent London plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Derwent London plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:

- the Group condensed balance sheet as at 30 June 2017;
- the Group condensed income statement and statement of comprehensive income for the period then ended;
- the Group condensed cash flow statement for the period then ended;
- the Group condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

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

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

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 August 2017

Notes:

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

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

Notes to editors

Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £4.8 billion (including joint ventures) as at 30 June 2017, making it the largest London-focused real estate investment trust (REIT).

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

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

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

Landmark schemes in our 5.6 million sq ft portfolio include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2017 the Group won the Property Week Developer of the Year award and was listed 12th out of 4,000 in the Corporate Knights Global 100 of the world's most sustainable companies. In 2016 the Group won Estates Gazette National Company of the Year and London awards as well as awards from Architects' Journal, British Council for Offices, Civic Trust and RIBA and achieved EPRA Gold for corporate and sustainability reporting.

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

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

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

Forward-looking statements

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

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