DERWENT
LONDON

11 August 2020

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

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020
RESILIENT WITH BUILT-IN GROWTH

Financial highlights

- Total return of -0.1%
- EPRA[1] NTA[2] 3,900p per share, down 1.4% from 3,957p in December 2019
- Gross rental income of £97.8m, up 5.0% from £93.1m in H1 2019
- EPRA[1] earnings of £54.7m or 48.9p per share, from 51.3p in H1 2019
    - £6.5m (5.8p per share) of costs linked to Covid-19
- Interim dividend raised 4.8% to 22.0p per share from 21.0p in 2019
- Net debt of £992.8m (£981.6m in December 2019)
- Interest cover 435% (462% in December 2019)
- Loan-to-value ratio 17.3% (16.9% in December 2019)
- Undrawn facilities and cash of £502m (£511m in December 2019)

Portfolio highlights

- 80 Charlotte Street W1 377,000 sq ft completed in June 2020 – 91% let
- Two remaining on-site developments totalling 410,000 sq ft – 60% pre-let or forward sold
- Property disposal proceeds of £129.4m sold above book value
- Acquisition of Blue Star House, Brixton SW9 for £38.1m before costs
- Portfolio valued at £5.4bn – an underlying valuation decrease of 0.9%
- Valuation uplift of 4.0% on developments
- True equivalent yield of 4.77%, unchanged from December 2019
- Total property return of 0.7%, ahead of our benchmark index[3] of -0.7%
- EPRA[1] vacancy rate rose to 1.1% from 0.8% in December 2019
- ERV movement of -0.7% in first half of 2020

Responsibility

- Published our Net Zero Carbon Pathway to 2030
- 25% contribution to tenants' service charges for March and June quarters
- Donations budget increased 81% to £0.7m
- Use of 16 flats donated to University College Hospital until year end

Paul Williams, Chief Executive, commented:

"Recent events have highlighted the importance of offices for enhancing collaboration, social interaction and wellbeing to build business culture and attract and develop talent. Derwent London's design-led and adaptable space will support our occupiers returning to their offices, an essential part of getting London back to full strength.

Derwent London has a strong financial base with built-in growth from its developments and we have increased the interim dividend 4.8% to 22p per share."

[1] Explanations of how EPRA figures are derived from IFRS are shown in note 23 [2] Net Tangible Assets
[3] MSCI IPD Central London Offices Quarterly Index

Presentation and conference call

There will be a recorded presentation together with a conference call for investors and analysts at 9.30 BST today. The audio webcast can be accessed via www.derwentlondon.com

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

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

There will also be a film on our 80 Charlotte Street W1 development released this morning

For further information, please contact:

Derwent London Tel: +44 (0)20 7659 3000	Paul Williams, Chief Executive Damian Wisniewski, Chief Financial Officer Quentin Freeman, Head of Investor Relations
Brunswick Group Tel: +44 (0)20 7404 5959	Simon Sporborg Nina Coad Emily Trapnell

CHIEF EXECUTIVE'S STATEMENT

The year started well with a positive outlook for central London offices. We had 790,000 sq ft under development of which 72% was pre-let, completed the sale of 40 Chancery Lane WC2 for £121.3m and acquired an interesting opportunity in Brixton SW9 for £38.1m. The fundamentals of our market were favourable, exhibiting good occupier and investor demand with limited supply of both letting and investment stock.

Covid-19 and the resulting lockdown has brought unforeseen challenges to London and the wider global economy but has not prevented the Group from making further progress. We completed our first net zero carbon development at 80 Charlotte Street W1 which was 91% pre-let. We progressed the two other major developments at Soho Place W1 and The Featherstone Building EC1 which, following the forward sale of 2 & 4 Soho Place W1 for £40.5m in July, are now 60% pre-let or forward sold. In July we published our Net Zero Carbon Pathway, which sets out in more detail how we will become a net zero carbon business by 2030.

Our office portfolio has been open throughout this difficult period with increased health and safety procedures in place. The strict measures of lockdown have impacted the ability of some of our occupiers to meet their rental obligations. We have responded by working with them to agree payment plans for some and in extreme cases, principally in the retail and hospitality sectors, to grant rent free periods. We have now received 81% of the rents due for the March quarter plus 11% due under agreed payment plans. For the June quarter, 78% of the rents have been received, with another 6% due later in the quarter and 9% under agreed deferrals.

London is gradually beginning to see people come back to their offices and business confidence needs to improve before we see a sustainable recovery. We believe changing work patterns already happening prior to the pandemic will accelerate. Derwent London for some time has been developing space that is more flexible and adaptable, anticipating changing trends. In response to the pandemic we have allocated additional resources to study the changes underway to ensure that our office space continues to meet evolving occupier requirements.

First half results and dividend

New lettings at Brunel Building (completed in 2019) and 80 Charlotte Street helped gross rents rise 5.0% to £97.8m in the first six months. The impact of Covid-related costs and impairments brought a modest decline in net rental income to £84.4m and EPRA earnings were £54.7m or 48.9p per share compared to 51.3p in H1 2019. IFRS earnings include the £68.3m investment property revaluation deficit, principally on our retail space or those properties with shorter leases, so that on an IFRS basis we reported an 8.49p loss per share. EPRA Net Tangible Assets (NTA) per share were 3,900p and, after allowing for the final dividend paid in the period, our total return was -0.1%.

We have raised the first half dividend 4.8% or 1p to 22p per share. This reflects the direct impacts of the pandemic, offset by the fact that our second half will benefit from a full six months' rent from 80 Charlotte Street and further sales of trading properties at Asta House W1.

Against a challenging background our business is in great shape. The EPRA vacancy rate is only 1.1% and that includes the recently finished 80 Charlotte Street scheme. This is our largest project to date totalling 377,000 sq ft which completed in June with all the office space already let. The total capital expenditure on this project was £284m excluding capitalised interest and our profit on cost 27%.

Response to Covid-19

The health and wellbeing of our employees, occupiers and other stakeholders is our top priority. Focus initially was on our teams working from home successfully which then allowed them to concentrate on assisting our occupiers and helping those most in need. As previously reported, we made the decision to reduce the March and June service charges across the whole portfolio by 25% as well as providing additional assistance for those occupiers most impacted. To help our local communities, we also increased our 2020 donations commitment by 81% to £0.7m. The donations were enhanced by the Directors waiving 20% of their second quarter salaries. In addition, we supported local NHS staff by donating the use of 16 flats to University College Hospital for the remainder of the year.

The future of offices

Technology has helped many companies operate effectively with workers working from home since the beginning of the pandemic. As time progressed questions have been raised about office use and its role in business. We believe that this debate has highlighted workplace trends that were already in place which the pandemic has accelerated. For some time, occupiers have looked for more flexible, adaptable and increasingly higher quality and 'greener' space. These trends are likely to increase. As part of our planning and design, in conversation with business, with architects and with local authorities, we are focused on 'long-life loose-fit' adaptable spaces and wellness factors that can enable people to meet together in larger common areas, with higher ceilings and better air quality and ventilation.

We will continue to adapt. More flexible working, heightened health and safety, more space required between desks and in communal areas all impacts the way in which we think about occupational density. Companies still need to bring their staff together, for the collaboration that social interaction brings, to build culture, to attract and retain talent and to have a physical embodiment of their brand. There is no substitute for building relationships with colleagues and clients in person. That is fundamental to the recovery of the economy and to our wellbeing. We expect the benefits of having technology working better from home will be supplemented by relationship building as businesses across sectors get back into work and London's villages come alive again.

Surveys frequently report that many younger workers are keen to get back to the office. This closely relates to our long held view that a significant driver of the demand for our spaces is the 'war for talent'. This tenant demand will increasingly favour well designed modern office space that provides good amenity and promotes wellbeing. We think our focus on progressive design, our wide range of leases, customer focus, flexible approach and early adoption of our Net Zero Carbon Pathway to 2030 leaves us well placed to meet the continually changing office demand.

Market background and outlook

The latest office market statistics, which are based on low activity levels, do not yet reflect the true impact of the lockdown. Our market guidance was withdrawn at the time of our Q1 update on 8 April 2020, reflecting significant uncertainty. This caution persists especially over the pace of the London economic recovery with many businesses delaying their return to work. In the short term, we are still to see the impact of the Government withdrawing furlough support and the terms by which the UK leaves the EU at the beginning of 2021.

We expect rising unemployment and business closures will see the London office vacancy rate rise which, in turn, may put pressure on office rents. However, we believe our better quality lower rise space, located in West End and Tech Belt mixed use locations that attract a broader spread of occupiers, will be relatively resilient.

Against the background of extremely low interest rates, the relatively attractive yields on central London office properties should support values. However, investments are likely to become increasingly differentiated with demand focused on properties that offer secure income with a growing focus on adaptability and climate resilience.

Occupier demand is key to our business so the speed of London's economic recovery will play an important part in determining our medium-term performance. The current slowdown in momentum means that, in the short term, there will be more focus on the Group retaining existing income. However, we do have significant income growth already built-in from our recently completed or pre-let developments: 80 Charlotte Street will contribute in the second half of this year and Soho Place from 2022.

Looking forward, we have another 125,000 sq ft at The Featherstone Building for delivery in 2022, and our strong financial position means that we in a position to commit to new projects or pursue opportunities. We anticipate commencing our next major development at 19-35 Baker Street W1 in 2021, which has planning permission for 293,000 sq ft mixed use and is expected to complete in 2025. Covid-19 may have tempered our short-term growth but ongoing developments ensure that the portfolio is still strongly reversionary and we remain in a good position to benefit once the economy improves.

Board changes

We are announcing today that Simon Silver has informed the Board of his intention to retire with effect from 26 February 2021. On his retirement, Simon will continue to support the business as a consultant until 31 December 2022. Simon is the co-founder of Derwent London and has been a Director since 1986. From the very beginning, Simon has led our development efforts and as such has played a major role in establishing Derwent London's brand as an innovative design-led business adept at anticipating occupier demands.

CENTRAL LONDON OFFICE MARKET

The UK lockdown in response to Covid-19 has had a major impact on the economy with output falling 25% during March and April, subsequently recovering 2% in May. Understandably business confidence remains low while concerns over the pandemic persist. Consensus estimates have UK GDP falling 8-10% this year assuming continuing recovery in the second half. Overall occupier and investment activity has been very low this year especially in Q2 with many decisions put on hold as both occupiers and investors adopt a "wait and see" approach.

First half take-up of 3.6m sq ft was reported by CBRE. This level is approximately 40% below last year's levels, with less than a third transacted in Q2. Business and professional services continue to dominate with 41% of take-up although, as expected, flexible office providers were less active with only 6% of take-up. These lower levels saw the market vacancy rate rise from 3.9% to 5.3%. The greater increase was in the City where the vacancy rate rose to 6.6% while the West End vacancy increased to 3.9%. Some 74% of the vacant space is second hand as new space remains in relatively short supply.

We expect the vacancy rate to rise further, as well as the amount of 'grey' (tenant controlled) space, from what were previously low levels. Active demand has also been falling and according to JLL is currently below average at 7.9m sq ft as a number of searches have been withdrawn or temporarily suspended.

During the period, 974,000 sq ft of development was completed with another 13.9m sq ft under construction for completion up to 2024. The level of future supply has risen 13% since the year end reflecting the increased business confidence for most of the first quarter. Since then development starts have been low. Of this space 50% was pre-let or under offer, leaving c.7.0m sq ft available to let over the next four and a half years, or about 3% of the market.

Investment activity was also significantly down at only £2.3bn in the first half. This was in contrast to the £4.9bn that transacted in Q4 2019 alone. Continental European investors featured strongly with 47% market share and UK investors represented another 40%. It is estimated that £0.9bn of transactions have been withdrawn due to the pandemic, although there have been a number of examples where properties have been acquired by underbidders. There is approximately £2.8bn under offer currently, and with the current low levels of bond and interest rates we believe central London's office investment yields remain attractive.

VALUATION

The buoyant outlook at the beginning of the year all changed in the spring with the pandemic and lockdown leading to activity stalling. However, where there have been transactions of well let property, yields remained stable.

Against this backdrop, the Group's investment portfolio was valued at £5.4bn on 30 June 2020. There was a small valuation deficit of £58.4m which, after accounting adjustments of £10.2m (see note 11) produced a deficit of £68.6m. This movement represents an underlying valuation decline of 0.9%, compared to a 1.9% uplift over the second half of 2019. The Royal Institution of Chartered Surveyors (RICS) required valuers to add uncertainty clauses for central London properties at our valuation date although this has subsequently been relaxed, reflecting the increased levels of activity.

Our portfolio outperformed against our capital value benchmarks: the MSCI IPD Quarterly Index for Central London Offices, down 2.3% and the wider UK All Property Index which saw a 5.4% capital value decline. By location, our central London properties, which represent 98% of the portfolio, decreased in value by 0.8% with the West End down 0.9% and City Borders down 0.7%. The balance of the portfolio, our Scottish holdings, declined 5.3%.

Looking at EPRA metrics, with limited activity in the leasing market, our rental values fell marginally by 0.7%. Whilst our portfolio has modest retail exposure, it accounted for most of the fall, as rents here declined by 7.7% compared to 0.1% on the offices. The portfolio's yields were unchanged from the year end, with the initial yield at 3.4% which, after allowing for the expiry of rent frees and contractual uplifts, rises to 4.7% on a 'topped-up' basis. The true equivalent yield was also unchanged at 4.77%. This yield calculation included the newly completed 80 Charlotte Street for the first time which, given its size and quality of income, had a positive impact. If excluded, the portfolio's equivalent yield would be 4 basis points higher at 4.81%. This reflects the outward yield movement on the portfolio's retail space and leasehold properties.

The total property return was a positive 0.7%, which compares to the MSCI IPD Index of -0.7% for Central London Offices and -3.3% for UK All Property.

At the start of the year we were on site with three major developments: 80 Charlotte Street, Soho Place W1 and The Featherstone Building EC1. There is more detail on these in the Development section below. Combined they were valued at £789.9m in June 2020 delivering a 4.0% valuation uplift. 80 Charlotte Street completed in June and the final element of development profit was released in the valuation. However, as rent-free periods run down there should be further valuation surplus uplifts to come. This very successful development delivered a profit on cost of 27%. The two on-site developments were valued at £242.3m, require £254m of capex to complete and are scheduled for delivery in H1 2022. Excluding developments, the portfolio declined by 1.7%.

Our contracted annualised cash rent at 30 June was £180.8m. This was a 6.9% increase over the last 6 months, reflecting our development programme and asset management activity. New acquisitions contributed £0.9m but this did not offset the £5.5m of income lost from disposals. The portfolio's ERV of £295.9m includes £115.1m of potential reversion. Within this, £70.7m is contracted through rent-free periods and fixed uplifts, which under IFRS accounting treatment is already mostly incorporated in the income statement. Our on-site developments and major refurbishments could add £31.1m of which £16.6m is already pre-let at Soho Place. Our vacancy rate is low, at only 1.1%, so this element of the reversion represents only £3.1m. We also have £4.7m in reversion from several ongoing small refurbishments across the portfolio. When complete and if combined with the space available to occupy, this would take the vacancy rate to 2.8%. The £5.5m balance of potential growth is from future reviews and expiries.

ASSET MANAGEMENT AND INVESTMENT ACTIVITY

Asset management

The Group started 2020 with small amounts of space available. As a result, our letting activity has been comparatively modest. In total we let 60,700 sq ft in the first six months agreeing rents of £2.6m. The main transactions were the letting of the remaining office space at 80 Charlotte Street in Q1 and a newly created unit at Tea Building E1 in Q2.

Principal lettings in H1 2020

Property	Tenant	Area sq ft	Office rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
Q1							
80 Charlotte Street W1	Lee & Thompson	13,100	70.00[1]	0.8	11	-	26
Angel Building EC1	Expedia	6,550	40.30[2]	0.3	12.5	5	9
Q2							
Tea Building E1	Buckley Gray Yeoman	4,800	70.00	0.3	5	-	9
		24,450	**57.70**	**1.4**			

[1] £70 psf on ground, £47.50 psf on lower ground [2] Reception area now rentalised as offices let entirely to Expedia

Our property teams have been focused on responding to the impact of Covid-19 and subsequent lockdown. These actions have seen exceptional levels of collaboration between our occupiers and our building managers. The work has unfolded in three phases. First, ensuring that our workplaces remained safe and healthy as the pandemic spread; secondly, managing the buildings during lockdown and now thirdly, focusing on helping our occupiers get more staff back to the office. Our teams have ensured that the Group's properties have been available for occupation throughout the lockdown, but at one stage usage was as low as 5% as tenants heeded government advice to work from home. Over the last few weeks usage has begun to recover but our buildings are on average still only being occupied to 15% of their capacity.

We recently conducted a survey of our managed portfolio to determine whether our teams' work had proved effective and we are pleased to report that 95% of respondents rated our teams' responses either 'very positive' or 'positive' and there were no 'negative' ratings. Given the difficulties that both our customers and our staff are facing, we believe this is a good endorsement of the strength of our response.

As well as combatting the property impacts of the pandemic, our teams have been handling the portfolio's more regular work including a renewed focus on rent collection. We have adopted a collaborative approach with our tenants, recognising that the lockdown has produced significant challenges especially for smaller businesses in the retail and hospitality sectors. In recognition of these issues we reduced the March and June quarters' service charge by 25% across the whole portfolio and granted rent free periods or rent deferrals to those tenants most in need. The financial impacts of these moves are discussed in the Finance Review, but overall we have now collected or agreed payment plans on 92% of the March quarter rents with similar levels of performance for June.

Another area of regular business is rent reviews, lease renewals and regears. This activity covered £5.2m or 3% of the December cash rent, which increased 8.8%. Rent reviews were 4.3% above December 2019 ERV. However, overall the new rent on these transactions was 2.7% below ERV principally due to the regearing of a short term lease at 19-35 Baker Street W1.

Asset management H1 2020

	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	New rent vs Dec 19 ERV %
Rent reviews	16	1.0	1.1	13.3	4.3
Lease renewals	39	1.8	2.1	9.1	(1.5)
Lease regears	52	2.4	2.5	6.7	(6.3)
Total	**107**	**5.2**	**5.7**	**8.8**	**(2.7)**

Although activity was relatively quiet, our EPRA vacancy rate remains very low at 1.1%. This is expected to rise dependent on levels of demand as we have an above average number of leases expiring in 2021. In total 24% (c.£44m) of our June passing cash rent could expire next year, which is approximately double the normal rate. The reason for the higher number of potential expiries is that breaks on a number of buildings, such as 19-35 Baker Street W1, Network Building W1 and Angel Square EC1, have been aligned to potential regeneration dates. Future schemes comprise 58% of 2021 expiries. The Group is mitigating the impact of our future expiries and currently there are active negotiations on 200,000 sq ft (c.£10m of passing rent).

Investment activity

In the first half we completed the disposal of 40 Chancery Lane WC2, which was let to Publicis. The property was part of our "core income" portfolio and was one where we regarded the short term income growth prospects as relatively low ahead of its next rent review. We also exchanged or completed on the sale of 14 residential units at Asta House (part of our 80 Charlotte Street development).

Major disposals in H1 2020

Property	Date	Area sq ft	Gross proceeds £m	Gross proceeds £ psf	Net yield to purchaser %	Rent £m
40 Chancery Lane WC2	Q1	103,700	121.3	1,170	4.25	5.5

Earlier this year we acquired an exciting opportunity in Brixton, which was announced with our annual results in February 2020. We are considering redevelopment plans.

Major acquisitions in H1 2020

Property	Date	Area sq ft	Total cost £m	Total cost £ psf	Net yield %	Net rental income £m pa	Net rental income £ psf
Blue Star House SW9	Q1	53,750	40.6	760	1.9	0.8	14.50[1]

[1] Rent on occupied floorspace

DEVELOPMENT

The Group started 2020 with three major developments on site. Work briefly paused at the beginning of lockdown but resumed once new health and safety working practices could be implemented. Overall, this caused the programme to be delayed by around two months.

In the first half we completed our largest project to date at 80 Charlotte Street, which is also our first all-electric building and net zero carbon development. Capital expenditure of £284m excluding capitalised interest was spent on the building and the project delivered a healthy 27% profit on cost. The 322,000 sq ft office space is fully let with a headline rental income of £25.1m. The two principal occupiers, Arup and Boston Consulting Group, both rated the building's strong sustainability credentials as one of the main reasons for taking space. There is 12,000 sq ft of retail space still to let. In addition, there are 55 residential units. Of these 22 units were for sale, 19 units to let and 14 affordable. Adjusting for units sold or exchanged we have 8 units remaining to be sold representing 8,600 sq ft.

We continue to make good progress at Soho Place W1, our major 285,000 sq ft project sitting above Tottenham Court Road station at the eastern end of Oxford Street. The project is expected to complete in the first half of 2022. The office space and the theatre is largely pre-let or forward sold. This essentially leaves 36,000 sq ft of retail space to let which we aim to start marketing closer to completion. The Featherstone Building is beside our White Collar Factory EC1 and includes many of the features incorporated within the latter such as concrete core cooling, opening windows and generous 3.1m floor to ceiling heights. This 125,000 sq ft office building is also due for completion in H1 2022.

Major developments

Property	Area sq ft	Capex to complete £m[1]	Comment
Completed projects in H1 2020			
80 Charlotte Street W1	377,000	23	322,000 sq ft offices, 43,000 sq ft residential and 12,000 sq ft retail – 91% let / sold overall
On-site projects			
Soho Place W1	285,000	203[3]	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre – 86% pre-let / forward sold
The Featherstone Building EC1	125,000	51	110,000 sq ft offices, 13,000 sq ft workspaces and 2,000 sq ft retail
	410,000	**254**	
Major planning consents			
19-35 Baker Street W1	293,000[2]		206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Holden House W1	150,000		Retail flagship or retail and office scheme
	443,000		
Total (excluding completions)	**853,000**		

[1] As at 30 June 2020 [2] Total area - Derwent London currently has a 55% share of the joint venture
[3] Includes remaining site acquisition cost and profit share to Crossrail

At year end, we listed a number of projects that we could start as early as 2021, demonstrating the significant optionality within the portfolio. The largest of these was 19-35 Baker Street W1 where we are continuing to progress our plans for a 293,000 sq ft mixed-use development which could start in the second half of 2021. We expect to commit to this project later this year. Our other major consented project is at Holden House W1, but given the current uncertainties in the retail market we have decided to delay this project and are looking to extend a number of leases.

We have committed to two refurbishments in Victoria SW1. 6-8 Greencoat Place is currently in hand for delivery of 32,000 sq ft in 2021, and at Francis House we aim to start 40,000 sq ft next year for delivery in 2022. As well as upgrading the physical space we are also improving these buildings' mechanical and electrical infrastructure so they become more climate resilient and contribute to our journey to becoming a net zero carbon business.

Beyond these projects we have another 1.5 million sq ft of existing space earmarked for development. We are currently actively progressing plans for Network Building W1 and Angel Square EC1.

FINANCE REVIEW

The Group remains very well placed financially as at 30 June 2020 with low leverage, strong interest cover and significant liquidity. However, the Covid-19 pandemic and subsequent lockdown measures are having a profound impact on many of our occupiers and other stakeholders and this is reflected in the financial results for the half year.

EPRA net asset value measures have been amended for this year's reporting cycle. From now onwards, we are reporting EPRA net tangible assets (NTA) in place of the previous EPRA net asset value (NAV). Similarly, EPRA net disposal value (NDV) replaces the previous EPRA triple net asset value measure (NNNAV). Derivations of these metrics, along with EPRA net reinstatement value (NRV), are shown in note 23.

With a negative revaluation movement of £65.7m or 59p per share in the first half, EPRA NTA per share fell by 1.4% in H1 2020 to 3,900p from 3,957p per share in December 2019. Adding back the dividends paid in June 2020, the total return was almost flat at -6p per share or -0.1%. The fair value of the portfolio fell slightly to £5.4bn but, as 40 Chancery Lane WC2 was classed as a 'property held for sale' as at December 2019, the carrying value of investment properties rose marginally to £5.2bn helped by further capital expenditure and acquisitions totalling £112.2m.

Turning to the income statement, gross property and other income was £119.3m in H1 2020, an increase of 7.8% over H1 2019 but £0.3m below H2 2019.

The rent commencement date at 80 Charlotte Street W1 was delayed by lockdown and social distancing measures. However, it added £1.5m of income in June 2020 and helped gross rental income rise to £97.8m, £4.7m or 5.0% higher than in H1 2019, but £0.8m lower than in H2 2019. Lettings and asset management added £10.5m compared to H1 2019 with disposals, including The Buckley Building EC1 in 2019 and 40 Chancery Lane in 2020, reducing rents by £4.1m. Breaks, expiries and voids removed a further £2.0m. The support provided to mainly retail and restaurant occupiers in Q2 2020 was £2.5m of rent-free allowances; as these are spread over the respective lease terms under IFRS16, the direct impact on H1 earnings was £0.2m.

Our net rental income for the six-month period shows the impact of Covid-19 more vividly, with a modest decrease to £84.4m from £86.3m in H1 2019. This incorporates £6.5m of costs arising from the actions we have taken to support tenants and from impairment of trade receivable and lease incentive balances in accordance with IFRS 9. The cost of providing a 25% service charge waiver for the second quarter of 2020 was £2.1m, £0.8m of bad debts were written off relating mainly to retail/restaurant tenants who have failed and we have impaired the remaining trade receivables by £0.7m. In addition, we have provided for impairment of £2.9m in relation to the accrued income from lease incentives and the straight-lining of rental income. These impairment provisions have been carried out on a case-by-case basis for our largest 50 tenants and for those believed to be most at risk, with the remaining balances considered according to their specific sector. The highest level of sectoral impairment was in relation to retail, restaurant and leisure operators.

Including irrecoverable service charge of £1.6m, other property expenditure was £6.9m in H1 2020, almost identical to the £6.8m incurred in H1 2019. EPRA like-for-like gross rental income grew by 1.5% compared to H1 2019 but declined by 0.3% compared to H2 2019. EPRA like-for-like net rental income, which includes the bad debts written off and the impairments referred to above, fell by 7.3% and 8.3%, respectively but was almost flat if the Covid-19 costs are excluded.

Administrative expenses remained unchanged at £17.1m for the half year, higher staff salaries on an increased headcount being offset by lower bonus and incentive accruals. In addition, all our staff other than Directors now receive a 15% pension contribution and the Directors' contributions are being reduced from 20% this year to 15% by 1 January 2022. Our main EPRA Cost Ratio has increased to 28.9% due to the Covid-19 costs but, if they are excluded, it would have been 22.2%.

After adjusting for lease incentives and other accounting adjustments, the revaluation deficit passing through the income statement was £68.3m against a surplus in H1 2019 of £75.0m. Together with a lower profit on disposal of investment properties, this is the main reason why the profit from operations declined from £151.1m in H1 2019 to £2.8m in H1 2020.

Net finance costs were £13.6m for the six months to 30 June 2020, a small increase on H1 2019 when the corresponding amount was £12.8m. This partially reflects the c.£200m of cash and short-term deposits that we have been holding over recent months to ensure our access to liquidity is demonstrably safe. Interest capitalised in the half year was £6.3m compared to £6.6m in H1 2019 and, as before, no administrative expenses have been capitalised.

Overall, the IFRS loss for the half year was £13.2m of which £9.5m is attributable to equity shareholders with the balance of £3.7m being in relation to the Portman Estate's 45% holding in the Baker Street properties.

EPRA earnings, which exclude fair value movements and property disposal profits, fell slightly to £54.7m from £57.3m in H1 2019. Were the direct Covid-19 costs stripped out, EPRA earnings would have been £6.5m higher than reported. EPRA earnings per share were 48.90p per share for the period (51.34p in H1 2019).

Cash movements, financing and net debt

Activity at our construction sites was inevitably affected by Covid-19, capital expenditure in H1 2020 falling substantially below expectations to £72.7m compared with £100.1m in H1 2019. This has extended our building programmes on the major projects by two months, including 80 Charlotte Street that reached practical completion in June 2020. Anticipated capex across all projects for the rest of the year is about £115m.

Supporting our stakeholders, particularly those most vulnerable, has been a major part of our efforts in 2020. Though many of our occupiers have been able to continue paying as normal, rent collected as cash in H1 has taken account of some additional rent-free periods, monthly payments or deferrals into longer term payment plans and explains why trade receivables have risen from £7.9m in December 2019 to £26.0m on 30 June 2020. The table below illustrates our rent collection performance to date for the March and June quarters. We are pleased to report that those with whom we agreed monthly amounts have been paying in accordance with that revised schedule. Rent deposits of £1.4m have been drawn, leaving a balance of £21.9m.

Rent collection in March and June quarters 2020

	June quarter			March quarter		
Current position	**Office**	**Retail/ Hospitality**	**Total**	**Office**	**Retail/ Hospitality**	**Total**
Received to date	82%	31%	**78%**	86%	25%	**81%**
Due later in the quarter[1]	6%	1%	**6%**	0%	0%	**0%**
Payment plans 2020	1%	1%	**1%**	4%	6%	**4%**
Payment plans 2021	8%	2%	**8%**	7%	13%	**7%**
Outstanding	2%	22%	**3%**	1%	5%	**2%**
Rent free granted	1%	43%	**4%**	2%	51%	**6%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
	£39.7m	**£3.8m**	**£43.5m**	**£39.3m**	**£3.8m**	**£43.1m**

[1] Principally monthly receipts

In contrast to the slower rate at which our rental income has been received from our customers, we have been actively supporting our own supply chain and have reduced the average payment days to 20 from 25 in 2019.

Partly as a result of rental deferrals, net cash from operating activities fell to £30.1m from £42.9m in H1 2019 but the sales proceeds from the disposal of 40 Chancery Lane and the initial sales of the apartments at Asta House mean that cash and available facilities remain very strong at £502m. This compares with £495m at 30 June 2019 and £511m as at 31 December 2019.

As we have elected to hold additional cash over recent months, the Group's borrowings increased to £1,134.2m at 30 June 2020 but net debt of £992.8m was lower than at 30 June 2019 and only £11.2m more than at the 2019 year end. The Group's loan-to-value ratio therefore remains low at 17.3%, a fraction higher than the 16.9% reported at 31 December 2019 but lower than at June 2019. We are also encouraged that the Group's interest cover ratio, always a key indicator for the management team, remains strong at 435% even after impairment provisions have been netted off. The equivalent figure in H1 2019 was 454% when there was no impairment charge.

After refinancing facilities totalling £875m in 2019, which included our £300m 'green' tranche on the Group's principal revolving credit facility (RCF), the first half of 2020 has been quiet though the £28m interest rate swap reached maturity; it was connected with our £28m bank facility running to July 2022 secured on the Baker Street properties. With the expectation that the property ownerships at Baker Street will be rearranged between us and the Portman Estate, it is unlikely that this facility will reach its full term. The other facility expiring in 2022 is the £75m RCF with Wells Fargo. Together with HSBC, NatWest and Barclays, Wells Fargo have been an important relationship bank for many years and we anticipate extending this facility with them within the next year.

As at 30 June 2020, the weighted average maturity of our borrowings was 6.8 years (December 2019: 7.8 years) and the weighted average interest rate fell to 3.19% on a cash basis and 3.31% on an IFRS basis.

Dividend

Our dividend has remained well covered by EPRA earnings in recent years and we recognise the value to our shareholders of a consistent and sustainable dividend policy. We are also aware of the risks facing our tenant base, the potential impact upon our earnings and the importance of maintaining demonstrable liquidity and a strong financial position. Our rental income will be helped in H2 2020 by 80 Charlotte Street and we have further trading property sales of apartments either exchanged or under offer at Asta House. Taking all these things into account, we have raised the 2020 interim dividend by 4.8% to 22.0p per share, all to be paid as a PID on 16 October 2020 to shareholders on the register as at 11 September 2020.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and have assessed how these risks could best be mitigated through a combination of internal controls, risk management and the purchase of insurance cover. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board in August 2020. The Group's approach to the management and mitigation of risk is included in the 2019 Annual Report.

Since the signing of our 2019 Annual Report, Covid-19 was declared a global pandemic and has caused significant societal and economic disruption. It has impacted on our business and in general our overall risk profile is elevated. As a business, we have taken steps to mitigate the threat and disruption being caused by the virus and have worked proactively with our occupiers to assist them during this time of difficulty. To ensure the Board remained appraised of the latest developments, additional Board meetings were arranged in March and April. There was also an additional Risk Committee meeting in March. The safety and wellbeing of our employees and other key stakeholders has been consistently at the forefront of our efforts.

Due to the Group's strong financial position and its proactive response to the pandemic, the initial risks arising from Covid-19, and the lockdown restrictions, have been carefully managed. This has been confirmed by an internal audit review performed by RSM.

There is a risk that there could be ongoing 'waves' of infections which could result in further lockdowns in the UK, and/or societal restrictions, which will prolong the adverse impacts of Covid-19 on businesses. Although we have the procedures in place to weather further lockdowns, this would still have a significant impact on our business, our occupiers, and the economic outlook for London. This risk and its potential impact is being monitored by the Board. There have been questions raised regarding the future of office use and its role in business; we have provided further commentary on this risk above under the heading 'The future of office use'.

The principal risks and uncertainties facing the Group for the remainder of the financial year are set out on the following pages with the potential impact and the mitigating actions and controls in place. The Board, Risk Committee and Executive Committee have been actively monitoring the impact of Covid-19 on our business and have subsequently reassessed its impact on our principal risks and uncertainties. An overview of the Board's assessment of this on each principal risk is contained in the tables below. In summary, Covid-19 has had a considerable impact on the materiality of these risks and has resulted in the classification of tenant failure, income decline and the potential cost on our business from the introduction of a capital or land values tax as principal risks.

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

Risk, effect and progression	Controls and mitigation
1. Failure to implement the Group's strategy	
The Group's strategy is not met due to poor strategy implementation or a failure to respond appropriately to internal or external factors such as: • an economic downturn; • the Group's development programme being inconsistent with the current economic cycle; and/or • London losing its global appeal with a consequential impact on the property investment or occupational markets. Although the Covid-19 pandemic did not stop the Group implementing its strategy to date in 2020, the lockdown restrictions have marginally extended the project length for Soho Place and The Featherstone Building, and has caused significant economic disruption. Our strategy	• The Group's development pipeline has a degree of flexibility that enables plans for individual properties to be changed to reflect prevailing economic circumstances. • The Group seeks to maintain income from properties until development commences and has an ongoing strategy to extend income through lease renewals and regearing. The Group aims to de-risk the development programme through pre-lets. • The Group conducts an annual strategic review and prepares a budget and three rolling forecasts covering the next two years. • The Board considers the sensitivity of the Group KPIs to changes in the assumptions underlying our forecasts in light of anticipated economic conditions. If considered necessary, modifications are made.

currently includes incorporating a retail element into our buildings to support our tenants and the local community. As Covid-19 has only amplified the weaknesses within the retail market, this aspect of our strategy is being reviewed. The impact of a potential recession on our strategy, and other longer-term consequences of the Covid-19 pandemic, are also being considered by the Executive Committee and will be discussed further at the Board strategy review in December 2020.	• The Group maintains sufficient headroom in all the Group's key ratios and financial covenants with a particular focus on interest cover.
2. Adverse international trade negotiations following Brexit	
International trade negotiations following Brexit result in arrangements which are damaging to the London economy. As a predominantly London-based Group, we are particularly impacted by factors which affect London's growth and demand for office space. Trade negotiations to cover the position post Brexit have continued with the EU and elsewhere during 2020 despite the Covid-19 pandemic. It is anticipated that the transition period will not be extended beyond 31 December 2020 and there is an increased risk of a no-deal exit based on the current state of negotiations. In the short term, such an exit could impact on our supply chain with increased costs and extended delivery periods for construction materials and components. The longer-term risk could be a negative impact on London's growth and demand for office space.	• Trade negotiations are being monitored and potential outcomes discussed with external advisers. • The Group's strong financing and covenant headroom enables it to weather a downturn. In addition, the Group's diverse and high-quality tenant base provides resilience against tenant default. • Cost risk, with the exception of Government tariffs, sits with our main contractors. Early ordering and off-site holding facilities are in place for our development projects. • The Group focuses on good value properties that are less susceptible to reductions in tenant demand. The Group's average 'topped-up' office rent is only £57.48 per sq ft. • Income is maintained at future development sites for as long as possible. The Group develops properties in locations where there is good potential for future demand, such as near Crossrail stations.

Financial risks

Significant steps have been taken in recent years to reduce or mitigate the Group's financial risks such that few are now considered to be principal risks of the Group. Income decline has become the key financial risk for the Company, as a fall in rental income would lead to lower interest cover under these financial covenants. It would also normally have an adverse impact upon the property valuation.

Risk, effect and progression	Controls and mitigation
3. Risk of tenants defaulting or tenant failure	
The risk that tenants become unable to pay their rents and/or their businesses fail. In the current environment, this risk has increased to be classified as a principal risk for the Group. Due to the economic impact of Covid-19, and its potential long-term implications, occupiers could be facing increased financial difficulty. Restaurants, retail and leisure occupiers (who account for approximately 10% of our rental income) are of particular concern. Covid-19 has only amplified the weaknesses within the retail market and there is a strong likelihood that retail rents and values could fall even further.	• The Credit Committee perform detailed reviews of all prospective tenants. • A "tenants at risk" register is maintained and regularly reviewed by the Executive Committee and the Board. • Rent deposits are held where considered appropriate; the balance at 30 June 2020 was £21.9m. • Active rent collection with regular reports to the Executive Committee. • We maintain close and frequent contact with our tenants. • Insurance for loss of rent is regularly considered.

4. Risks arising from changing macroeconomic factors

A. Income decline

Due to the various risk factors, including:

- Future demand for office space;
- Rising grey market in office space;
- Weaknesses of retail and hospitality businesses;
- Depth of recession;
- Brexit uncertainty; and
- Rising unemployment,

there is a further risk that our income could decline which could lead to lower interest cover under our debt facility financial covenants. This could also have an adverse impact upon the property valuation and future dividend payments. In addition, depending on how prolonged the adverse impacts of Covid-19 are on businesses, and how our occupiers fare during this period, we could face additional risk of income impairment.

In the light of Covid-19, we have been monitoring the economic outlook, vacancy rates, the financial health of our tenants and the condition of the wider property market. Given the ongoing uncertainty, it is difficult to forecast the impact on 2020 EPRA earnings or cash receipts. Future dividends will remain under review.

- The Credit Committee receives detailed reviews of all prospective tenants.
- A "tenants at risk" register is maintained and regularly reviewed by the Executive Committee and the Board.
- Ongoing dialogue with tenants to understand their requirements.
- The Group's low loan-to-value ratio reduces the likelihood that falls in property values have a significant impact on our business.
- The quality of our buildings and the amenities and adaptability that they offer should help to minimise this risk.

B. The potential impact on our business from the introduction of a capital or land values tax

Due to the ongoing weakness of physical retail trading, the cost of supporting the economy during Covid-19 and the loss of tax revenues, the government has been reported as considering measures to increase tax take. There has been speculation whether there will be a capital or land values tax introduced, which would be paid by landowners and not tenants, and which would replace business rates. Although this would have a positive impact on our occupiers, it could have a significant negative impact on Derwent London and other REITS and property owners.

- The Executive Committee and Board monitor macroeconomic factors, including interest rates and tax policy.
- The Group has an experienced Head of Tax who advises the Board on the implications of tax policy.

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

Risk, effect and progression	Controls and mitigation
5. Risks arising from our development activities	
A. Reduced development returns	
The Group's development projects do not produce the targeted financial returns due to one or more of the following factors: • delay on site • increased construction costs • adverse letting conditions Due to Covid-19 our on site developments were subject to temporary closures and delay. During 2020, our development team liaised and agreed with our principal contractors in respect to liabilities and cost sharing. We continue to monitor the potential impact of cost inflation.	• Investment appraisals, which include contingencies and inflationary cost increases, are prepared and sensitivity analysis is undertaken to judge whether an adequate return is made in all likely circumstances. • The procurement process used by the Group includes the use of highly regarded firms of quantity surveyors and is designed to minimise uncertainty regarding costs. • Development costs are benchmarked to ensure that the Group obtains competitive pricing and, where appropriate, fixed price contracts are negotiated. • Procedures carried out before starting work on site, such as site investigations, historical research of the property and surveys conducted as part of the planning application, reduce the risk of unidentified issues causing delays once on site. • The Group's pre-letting strategy reduces or removes the letting risk of the development as soon as possible. • Detailed reviews are performed on construction projects to ensure that programme forecasts predicted by our contractors are aligned with our views. • Post-completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures are identified, implemented and lessons learned.
B. 'On-site' risk	
Risk of project delays and/or cost overruns caused by unidentified issues e.g. asbestos in refurbishments or ground conditions in developments. For example, our successful pre-letting programme means we could face a loss of rental income and penalties if projects are delayed. Due to Covid-19 our on site developments were subject to temporary closures and delay. Sites are now operational but are not at full capacity due to social distancing measures. Despite the delays, 80 Charlotte Street achieved practical completion on 22 May 2020. The Featherstone Building and Soho Place are still expected to be completed within their original budgets.	• Prior to construction beginning on site, we conduct site investigations including the building's history and various surveys to identify any potential issues. • Regular monitoring of our contractors' cash flows. • Off-site inspection of key components to ensure they have been completed to the requisite quality. • Frequent meetings with key contractors and subcontractors to review their work programme. • Productivity is monitored on a monthly basis and our contractors have been incentivised to achieve the reset programmes post the Covid-19 site closures.

C. Contractor/subcontractor default

Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major subcontractor defaulting during the project. There have been ongoing issues within the construction industry in respect of the level of risk and narrow profit margins being accepted by contractors. We regularly monitor our contractors for any trading concerns.

There is an increased risk of insolvencies in the construction industry when the government's Covid-19 furlough scheme ceases. Due to this risk, we have been actively monitoring the financial health of our main contractors and subcontractors.

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

6. Risk of business interruption

A. Cyber-attack on our IT systems

The Group is subject to a cyber-attack that results in it being unable to use its IT systems and/or losing data. This could lead to an increase in costs whilst a significant diversion of management time would have a wider impact. Considerable time has been spent assessing cyber risk and strengthening our controls and procedures.

During 2020, there has been an increase in cyber attacks being perpetrated online as cyber criminals seek to exploit Covid-19. In response, we identified the key IT risks arising from home working and implemented additional controls.

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

B. Cyber-attack on our buildings

The Group is subject to a cyber-attack that results in data breaches or significant disruption to IT-enabled tenant services. Buildings are becoming ‘smarter’, with an increase in internet enabled devices broadening the cyber security threat landscape.

The potential impact of a cyber attack on our buildings has reduced due to the winding down of services and overall low occupancy caused by Covid-19. However, the potential risk of this occurring has subsequently increased due to low occupancy levels which could provide an opportunity for attack. During the lockdown, 24/7 security was provided by outsourced providers.

- Each building has incident management procedures which are regularly reviewed and tested.
- Physical segregation between the building’s core IT infrastructure and tenants’ corporate IT networks.
- Physical segregation of IT infrastructure between buildings across the portfolio.
- Inclusion of Building Managers in any cyber security awareness training and phishing simulations.

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

The risk that a pandemic, terrorism-related event or other business interruption causes significant business interruption to the Group and/or its occupiers or supply chain. This could result in issues such as inability to access or operate our properties, tenant failures or reduced rental income, share price volatility, loss of key suppliers, etc.

Covid-19 has caused significant business interruption for some of our occupiers, particularly retail, travel, restaurants or other leisure services. During 2020, there has been limited business interruption for Derwent London; however, the lockdown has caused a delay to our development activities and reduction in cash flow due to deferment or non-payment of rent.

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

7. Reputational damage

The Group’s reputation is damaged, for example through unauthorised and/or inaccurate media coverage or failure to comply with relevant legislation. We have invested significantly in developing a well-regarded and respected brand. Our strong culture, low overall risk tolerance and established procedures and policies mitigate against the risk of internal wrongdoing.

How the Group responds to, and manages, the Covid-19 pandemic could either enhance or damage our reputation. Feedback on how we have responded, particularly in respect to our occupiers, suppliers, employees and community funds, has generally been positive.

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

8. Our resilience to climate change

The Group fails to respond appropriately, and sufficiently, to climate change risks or fails to benefit from the potential opportunities. This could lead to damage to our reputation, loss of income and /or property values and loss of our licence to operate.

On 28 July 2020, we published our pathway to becoming net zero carbon by 2030.

- The Board and Executive Committee receive regular updates and presentations on environmental and sustainability performance and management matters as well as progress against our pathway to becoming net zero carbon by 2030.
- The Sustainability Committee monitors our performance and management controls.
- Employment of a qualified team led by an experienced Head of Sustainability.
- The Group monitors its ESG (environmental, social and governance) reporting against various industry benchmarks.
- Production of an Annual Responsibility Report, the key data points and performance of which are externally assured.
- In 2017 we adopted independently verified science-based targets which have been approved by the Science-Based Targets Initiative (SBTi). During 2020, our targets were re-aligned with COP21's more challenging 1.5°C climate scenario.

9. Non-compliance with regulation

A. Non-compliance with health and safety legislation

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

During 2020, due to the Covid-19 health pandemic, a key priority for the Group has been the health and wellbeing of our employees, contractors and other stakeholders.

- Our properties have all the relevant health, safety and fire management procedures in place which are reviewed annually.
- The Group has a qualified health and safety team with skills relevant to our diverse portfolio whose performance is monitored and managed by the Group Health and Safety Committee.
- To manage and monitor Health and Safety compliance within our Managed Portfolio we use Quooda, a software compliance platform. This is supported by annual property health checks.
- Our internal Construction Health and Safety Manager, with the support of our approved external Health and Safety provision, review health and safety on each construction site on a monthly basis.
- The Board and Executive Committee receive frequent updates and presentations on key health and safety matters.

B. Other regulatory non-compliance

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

During 2020, we followed the UK government's regulations in respect of social distancing and safe working practices. In accordance with disclosure requirements, we ensured our stakeholders and the wider investment market were kept appraised of Derwent London's response to Covid-19 and its impact on our business.

- The Board and Risk Committee receive regular reports prepared by the Group's legal advisers identifying upcoming legislative/regulatory changes. External advice is taken on any new legislation.
- Staff training and awareness programmes.
- Group policies and procedures dealing with all key legislation are available on the Group's intranet.
- A Group whistleblowing system for staff is maintained to report wrongdoing anonymously.
- Managing our properties to ensure they are compliant with the Minimum Energy Efficiency Standards (MEES) for Energy Performance Certificates (EPCs).

10. Financial instruments – risk management

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

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

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

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

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

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

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

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

The impact of Covid-19 has given rise to higher estimated probabilities of default for some of the Group's occupiers. As a result, impairment calculations on the receivables balance have been carried out using the expected credit loss model within IFRS 9. In addition, the Credit Committee has reviewed its register of tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA and the top 50 tenants by size with the remaining occupiers considered on a sector by sector basis.

As the Group operates predominantly in central London, it is subject to some geographical 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 2020, the proportion of fixed debt held by the Group was within this range at 78% (31 December 2019: 93%). During both 2020 and 2019, the Group's borrowings at variable rate were denominated in sterling.

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

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

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

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

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

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

The Group's objectives when maintaining capital are:

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

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders subject to the rules imposed by its REIT status. It may also seek to redeem bonds, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and loan-to-value ratio. During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the NAV gearing below 80% in normal circumstances. These two gearing ratios, as well as the interest cover ratio, are defined in the list of definitions at the end of this announcement and are derived in note 24.

The Group is also required to ensure that it has sufficient property assets which are not subject to fixed or floating charges or other encumbrances. Most of the Group's debt is unsecured and, accordingly, there was £4.4bn of uncharged property as at 30 June 2020.

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 2019 and a list of the current Directors is maintained on the Derwent London plc website: www.derwentlondon.com. The maintenance and integrity of the Derwent London website is the responsibility of the Directors.

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

On behalf of the Board

Paul M. Williams
Chief Executive

Damian M.A. Wisniewski
Chief Financial Officer

11 August 2020

GROUP CONDENSED INCOME STATEMENT

	Note	**Half year to 30.06.2020 Unaudited £m**	Half year to 30.06.2019 Unaudited £m	Year to 31.12.2019 Audited £m
Gross property and other income	5	**119.3**	110.7	230.3
Net property and other income	5	**86.5**	88.5	182.6
Administrative expenses		**(17.1)**	(17.1)	(37.0)
Revaluation (deficit)/surplus	11	**(68.3)**	75.0	156.4
Profit on disposal	6	**1.7**	4.7	13.8
Profit from operations		**2.8**	151.1	315.8
Finance income	7	**0.1**	0.2	0.2
Finance costs	7	**(13.7)**	(13.0)	(26.7)
Bond redemption premium	7	**-**	(7.8)	(7.8)
Movement in fair value of derivative financial instruments		**(2.6)**	(1.3)	(0.1)
Financial derivative termination costs	8	**(0.6)**	(1.2)	(2.7)
Share of results of joint ventures	9	**-**	2.0	1.9
(Loss)/profit before tax		**(14.0)**	130.0	280.6
Tax credit/(charge)	10	**0.8**	(0.4)	(2.5)
(Loss)/profit for the period		**(13.2)**	129.6	278.1
Attributable to:				
- Equity shareholders		**(9.5)**	131.8	283.4
- Non-controlling interest		**(3.7)**	(2.2)	(5.3)
		(13.2)	129.6	278.1
Earnings per share	23	**(8.49p)**	118.09p	253.82p
Diluted earnings per share	23	**(8.49p)**	117.79p	253.11p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Half year to 30.06.2020 Unaudited £m**	Half year to 30.06.2019 Unaudited £m	Year to 31.12.2019 Audited £m
(Loss)/profit for the period		**(13.2)**	129.6	278.1
Actuarial (loss)/gains on defined benefit pension scheme		**(3.1)**	1.1	(0.6)
Deferred tax on pension		**0.5**	-	-
Revaluation surplus/(deficit) of owner-occupied property	11	**0.1**	(0.5)	(1.8)
Deferred tax (charge)/credit revaluation	18	**(0.1)**	0.2	0.1
Other comprehensive (expense)/income that will not be reclassified to profit or loss		**(2.6)**	0.8	(2.3)
Total comprehensive (expense)/income relating to the period		**(15.8)**	130.4	275.8
Attributable to:				
- Equity shareholders		**(12.1)**	132.6	281.1
- Non-controlling interest		**(3.7)**	(2.2)	(5.3)
		(15.8)	130.4	275.8

GROUP CONDENSED BALANCE SHEET

	Note	**30.06.2020 Unaudited £m**	30.06.2019 Unaudited £m	31.12.2019 Audited £m
Non-current assets				
Investment property	11	**5,219.1**	5,179.0	5,174.3
Property, plant and equipment	12	**50.0**	52.2	50.2
Investments	13	**1.3**	2.8	1.3
Pension scheme surplus		**-**	1.7	0.5
Trade and other receivables	14	**140.1**	136.9	134.4
		5,410.5	5,372.6	5,360.7
Current assets				
Trading property	11	**36.5**	40.6	40.7
Trade and other receivables	15	**76.5**	56.9	58.6
Cash and cash equivalents	20	**201.8**	31.5	54.5
		314.8	129.0	153.8
Non-current assets held for sale		**-**	-	118.6
Total assets		**5,725.3**	5,501.6	5,633.1
Current liabilities				
Borrowings	17	**-**	2.3	-
Derivative financial instruments	17	**-**	1.1	-
Trade and other payables	16	**115.1**	109.0	112.5
Corporation tax liability		**0.8**	1.2	0.3
Provisions		**0.2**	0.4	0.9
		116.1	114.0	113.7
Non-current liabilities				
Borrowings	17	**1,134.2**	971.0	976.6
Derivative financial instruments	17	**6.3**	3.8	3.7
Leasehold liabilities	17	**60.4**	61.7	59.5
Provisions		**0.2**	0.2	1.5
Pension scheme deficit		**2.6**	-	-
Deferred tax	18	**0.8**	1.2	1.2
		1,204.5	1,037.9	1,042.5
Total liabilities		**1,320.6**	1,151.9	1,156.2
Total net assets		**4,404.7**	4,349.7	4,476.9
Equity				
Share capital		**5.6**	5.6	5.6
Share premium		**193.3**	190.1	193.0
Other reserves		**935.6**	937.5	936.2
Retained earnings		**3,218.2**	3,157.7	3,286.4
Equity shareholders’ funds		**4,352.7**	4,290.9	4,421.2
Non-controlling interest		**52.0**	58.8	55.7
Total equity		**4,404.7**	4,349.7	4,476.9

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 2020	5.6	193.0	936.2	3,286.4	4,421.2	55.7	4,476.9
Loss for the period	-	-	-	(9.5)	(9.5)	(3.7)	(13.2)
Other comprehensive expense	-	-	-	(2.6)	(2.6)	-	(2.6)
Share-based payments	-	0.3	(0.6)	1.5	1.2	-	1.2
Dividends paid	-	-	-	(57.6)	(57.6)	-	(57.6)
At 30 June 2020 (unaudited)	**5.6**	**193.3**	**935.6**	**3,218.2**	**4,352.7**	**52.0**	**4,404.7**
At 1 January 2019	5.6	189.6	943.5	3,063.2	4,201.9	61.5	4,263.4
Profit/(loss) for the period	-	-	-	131.8	131.8	(2.2)	129.6
Other comprehensive (expense)/income	-	-	(0.3)	1.1	0.8	-	0.8
Share-based payments	-	0.5	(1.1)	2.6	2.0	-	2.0
Bond redemption	-	-	(12.1)	11.2	(0.9)	-	(0.9)
Bond issue	-	-	7.5	-	7.5	-	7.5
Dividends paid	-	-	-	(52.2)	(52.2)	(0.5)	(52.7)
At 30 June 2019 (unaudited)	5.6	190.1	937.5	3,157.7	4,290.9	58.8	4,349.7
At 1 January 2019	5.6	189.6	943.5	3,063.2	4,201.9	61.5	4,263.4
Profit/(loss) for the year	-	-	-	283.4	283.4	(5.3)	278.1
Other comprehensive expense	-	-	(1.7)	(0.6)	(2.3)	-	(2.3)
Share-based payments	-	3.4	(0.8)	4.6	7.2	-	7.2
Bond redemption	-	-	(12.3)	11.4	(0.9)	-	(0.9)
Bond issue	-	-	7.5	-	7.5	-	7.5
Dividends paid	-	-	-	(75.6)	(75.6)	(0.5)	(76.1)
At 31 December 2019 (audited)	5.6	193.0	936.2	3,286.4	4,421.2	55.7	4,476.9

GROUP CONDENSED CASH FLOW STATEMENT

	Note	**Half year to 30.06.2020 Unaudited £m**	Half year to 30.06.2019 Unaudited £m	Year to 31.12.2019 Audited £m
Operating activities				
Rents received		**71.9**	82.2	171.0
Surrender premiums and other property income		**-**	0.5	0.5
Property expenses		**(9.6)**	(10.7)	(18.6)
Cash paid to and on behalf of employees		**(16.4)**	(14.2)	(24.4)
Other administrative expenses		**(3.8)**	(5.6)	(9.9)
Interest received	7	**-**	0.2	0.2
Interest paid	7	**(11.3)**	(7.9)	(18.8)
Other finance costs	7	**(1.3)**	(1.7)	(3.0)
Other income		**0.6**	1.9	3.6
Tax paid in respect of operating activities		**-**	(1.8)	(3.5)
Net cash from operating activities		**30.1**	42.9	97.1
Investing activities				
Acquisition of properties		**(43.7)**	(20.7)	(31.6)
Capital expenditure on the property portfolio	7	**(72.9)**	(101.3)	(204.0)
Reimbursement of capital expenditure		**0.2**	1.2	3.5
Disposal of investment properties		**126.0**	57.9	159.3
Disposal of trading properties		**3.4**	-	-
Investment in joint ventures		**-**	-	(0.6)
Receipts from joint ventures		**-**	28.8	30.3
Net (purchase)/disposal of property, plant and equipment		**(0.1)**	0.1	1.0
VAT received/(paid)		**3.7**	(0.5)	(2.2)
Net cash from/(used in) investing activities		**16.6**	(34.5)	(44.3)
Financing activities				
Net proceeds of bond issue		**-**	171.3	171.0
Drawdown of private placement notes		**-**	248.8	248.8
Net movement in revolving bank loans		**156.5**	(207.5)	(203.1)
Bond redemption		**-**	(147.7)	(150.0)
Bond redemption premium		**-**	(8.5)	(8.5)
Financial derivative termination costs	8	**(0.6)**	(1.2)	(2.7)
Net proceeds of share issues		**0.2**	0.5	3.5
Dividends paid to non-controlling interest holder		**-**	(0.5)	(0.5)
Dividends paid	19	**(55.5)**	(50.4)	(75.1)
Net cash from/(used in) financing activities		**100.6**	4.8	(16.6)
Increase in cash and cash equivalents in the period		**147.3**	13.2	36.2
Cash and cash equivalents at the beginning of the period		**54.5**	18.3	18.3
Cash and cash equivalents at the end of the period	20	**201.8**	31.5	54.5

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information for the half year to 30 June 2020 and the half year to 30 June 2019 was not subject to an audit but has been subject to a review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

The comparative financial information presented herein for the year to 31 December 2019 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 2019 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 2019 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 30 of the UK Corporate Governance Code 2018, the Board needs to report whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

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

The Directors have considered the relatively long-term and stable nature of the cash flows receivable under the tenant leases, the Group's loan-to-value ratio of 17.3%, the interest cover ratio of 435%, the £502m total of undrawn facilities and cash and the fact that the average maturity of borrowings was 6.8 years at 30 June 2020. They have also considered the impact of the Covid-19 pandemic and lockdown on the Group's business and occupiers.

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

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

2. Changes in accounting policies

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2019, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

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

References to Conceptual Framework in IFRSs (amended);
IAS 1 and IAS 8 (amended) – Definition of Material;
IFRS 3 (amended) – Definition of a Business;
IFRS 16 (amended) – Covid-19-related Rent Concessions.

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

IFRS 17 – Insurance Contracts;
IAS 1 (amended) – Classification of liabilities as current or non-current
IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture.

3. Significant judgments, key assumptions and estimates

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

Key sources of estimation uncertainty

Property portfolio valuation
The Group uses the valuation carried out by external valuers as the fair value of its property portfolio. The valuation considers a range of assumptions including future rental income streams, investment yields, anticipated outgoings and maintenance costs, future development expenditure and appropriate discount rates. The external valuers also make reference to market evidence of transaction prices for similar properties. Against the backdrop of the Covid-19 pandemic, the Royal Institution of Chartered Surveyors (RICS) required valuers to add uncertainty clauses to their reports at the balance sheet date, although this has subsequently been relaxed for central London office properties. This was to reflect that less certainty and consequently a higher degree of caution should be attached to the valuation than would normally be the case. The valuers have also considered the impact of rent free periods and rent deferrals on the valuation, as well as the impact of occupiers from sectors deemed highest risk. For example, capital deductions equal to the rent free granted have been made to the valuations, with additional deductions for assumed future rent free periods for retail units, restaurants (both three months) and fitness clubs (six months).

Impairment testing of trade receivables and other financial assets
Trade receivables and accrued rental income recognised in advance of receipt are subject to impairment testing. This accrued rental income arises due to the spreading of rent free and reduced rent periods, capital contributions and contracted rent uplifts in accordance with IFRS 16 Leases.

Impairment calculations have been carried out using the expected credit loss model within IFRS 9. The impact of Covid-19 has given rise to higher estimated probabilities of default for some of our occupiers, so the impairment provisions calculated as at 30 June 2020 are higher than in previous periods. In arriving at our estimates, we have considered the tenants at higher risk, particularly in the retail or hospitality sectors, those in administration or CVA, the top 50 tenants by size and have also considered the remaining balances classified by sector.

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

Significant judgments

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

4. Segmental information

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

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA Earnings and Net Asset Value metrics. 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 and trading property and comprised 97% office buildings* in central London by value (30 June 2019: 97%; 31 December 2019: 97%). The Directors consider that these individual properties have similar economic characteristics and therefore have been aggregated into a single operating segment. The remaining 3% (30 June 2019: 3%; 31 December 2019: 3%) represented a mixture of retail, hotel, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

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

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

Gross property income

	Office buildings £m	Other £m	**Total £m**
Half year to 30 June 2020			
West End central	47.7	-	**47.7**
West End borders/outer	10.1	-	**10.1**
City borders	37.6	0.3	**37.9**
Provincial	-	2.3	**2.3**
	95.4	**2.6**	**98.0**
Half year to 30 June 2019			
West End central	40.5	0.1	40.6
West End borders/outer	9.7	-	9.7
City borders	40.8	0.2	41.0
Provincial	-	2.3	2.3
	91.0	2.6	93.6
Year to 31 December 2019			
West End central	87.3	0.1	87.4
West End borders/outer	19.3	-	19.3
City borders	81.1	0.5	81.6
Provincial	-	4.4	4.4
	187.7	5.0	192.7

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 2020						
West End central	2,923.3	77.4	**3,000.7**	2,940.9	82.0	**3,022.9**
West End borders/outer	472.0	-	**472.0**	501.5	-	**501.5**
City borders	1,739.7	8.0	**1,747.7**	1,791.3	8.0	**1,799.3**
Provincial	-	80.5	**80.5**	-	81.5	**81.5**
	5,135.0	**165.9**	**5,300.9**	**5,233.7**	**171.5**	**5,405.2**
30 June 2019						
West End central	2,801.6	58.2	2,859.8	2,805.4	61.0	2,866.4
West End borders/outer	435.2	-	435.2	461.6	-	461.6
City borders	1,873.2	7.7	1,880.9	1,933.6	7.6	1,941.2
Provincial	-	90.2	90.2	-	91.7	91.7
	5,110.0	156.1	5,266.1	5,200.6	160.3	5,360.9
31 December 2019						
West End central	2,933.6	58.0	2,991.6	2,944.1	60.5	3,004.6
West End borders/outer	434.8	-	434.8	464.2	-	464.2
City borders	1,860.2	7.7	1,867.9	1,912.8	7.7	1,920.5
Provincial	-	84.6	84.6	-	85.9	85.9
	5,228.6	150.3	5,378.9	5,321.1	154.1	5,475.2

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 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Gross rental income	**97.8**	93.1	191.7
Surrender premiums received	**0.2**	0.5	1.0
Gross property income	**98.0**	93.6	192.7
Trading property sales proceeds	**5.1**	-	-
Service charge income	**14.7**	15.4	34.0
Other income	**1.5**	1.7	3.6
Gross property and other income	**119.3**	110.7	230.3

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Gross rental income	**97.8**	93.1	191.7
Write-off/impairment of receivables	**(4.4)**	-	-
Service charge waiver	**(2.1)**	-	-
Service charge income	**14.7**	15.4	34.0
Service charge expenses	**(16.3)**	(16.6)	(36.1)
	(1.6)	(1.2)	(2.1)
Property costs	**(5.3)**	(5.6)	(11.6)
Net rental income	**84.4**	86.3	178.0
Trading property sales proceeds	**5.1**	-	-
Trading property cost of sales	**(4.3)**	-	-
Profit on disposal of trading properties	**0.8**	-	-
Other income	**1.5**	1.7	3.6
Surrender premiums received	**0.2**	0.5	1.0
Write-down of trading property	**(0.4)**	-	-
Net property and other income	**86.5**	88.5	182.6

Gross rental income includes £9.7m (half year to 30 June 2019: £12.1m; year to 31 December 2019: £27.3m) 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.

The write-off/impairment of receivables in the half year to 30 June 2020 of £4.4m includes £0.8m of receivable balances written off and an impairment charge of £3.6m, £0.7m of which relates to trade receivables and £2.9m to lease incentive receivables. This is in accordance with IFRS 9 Financial Instruments.

A 25% waiver of the service charge due in the second quarter of 2020 was given to occupiers at a cost of £2.1m to the Group in the half year to 30 June 2020.

In line with IFRS 15 Revenue from Contracts with Customers, the Group recognises trading property sales proceeds and service charge income, which relates to expenditure that is directly recoverable from tenants, within gross property and other income.

6. Profit on disposal

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Investment property			
Gross disposal proceeds	**120.8**	50.4	155.2
Costs of disposal	**(0.5)**	(0.5)	(1.9)
Net disposal proceeds	**120.3**	49.9	153.3
Carrying value	**(118.6)**	(45.2)	(136.8)
Adjustment for lease costs and rents recognised in advance	**-**	-	(3.3)
Profit on disposal of investment property	**1.7**	4.7	13.2
Artwork			
Gross disposal proceeds	**-**	-	1.2
Carrying value	**-**	-	(0.6)
Profit on disposal of artwork	**-**	-	0.6
Profit on disposal	**1.7**	4.7	13.8

In February 2020, the Group completed the disposal of the long leasehold interest in 40 Chancery Lane WC2 for £121.3m before rental top-ups and costs.

7. Finance income and total finance costs

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Finance income			
Other	**0.1**	0.2	0.2
Finance income	**0.1**	0.2	0.2
Finance costs			
Bank loans and overdraft	**1.2**	1.2	2.1
Non-utilisation fees	**0.8**	1.0	2.1
Unsecured convertible bonds	**1.9**	2.0	3.9
Secured bonds	**5.7**	5.7	11.4
Unsecured private placement notes	**7.8**	7.1	15.0
Secured loan	**1.7**	1.7	3.3
Amortisation of issue and arrangement costs	**1.1**	1.1	2.2
Amortisation of the fair value of the secured bonds	**(0.6)**	(0.6)	(1.2)
Obligations under headleases	**0.3**	0.3	0.7
Other	**0.1**	0.1	0.2
Gross interest costs	**20.0**	19.6	39.7
Less: interest capitalised	**(6.3)**	(6.6)	(13.0)
Finance costs	**13.7**	13.0	26.7
Bond redemption premium	**-**	7.8	7.8
Total finance costs	**13.7**	20.8	34.5

Finance costs of £6.3m (half year to 30 June 2019: £6.6m; year to 31 December 2019: £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 2020 were £18.9m (half year to 30 June 2019: £16.2m; year to 31 December 2019: £34.8m) of which £6.3m (half year to 30 June 2019: £6.6m; year to 31 December 2019: £13.0m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

Included in the bond redemption premium in the half year to 30 June 2020 (and year to 31 December 2019) of £7.8m is £0.1m of unamortised loan arrangement costs written off.

8. Financial derivative termination costs

The Group incurred costs of £0.6m in the half year to 30 June 2020 (half year to 30 June 2019: £1.2m; year to 31 December 2019: £2.7m) deferring or terminating interest rate swaps.

9. Share of results of joint ventures

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Revaluation surplus	**-**	0.9	-
Profit on disposal of investment property	**-**	0.8	1.7
Other profit from operations after tax	**-**	0.3	0.2
	-	2.0	1.9

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

10. Tax (credit)/charge

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Corporation tax			
UK corporation tax and income tax in respect of result for the period	**0.4**	0.8	1.0
Other adjustments in respect of prior years' tax	**-**	-	0.7
Corporation tax charge	**0.4**	0.8	1.7
Deferred tax			
Origination and reversal of temporary differences	**(1.2)**	(0.4)	0.8
Deferred tax (credit)/charge	**(1.2)**	(0.4)	0.8
Tax (credit)/charge	**(0.8)**	0.4	2.5

In addition to the tax credit of £0.8m (half year to 30 June 2019: charge of £0.4m; year to 31 December 2019: charge of £2.5m) that passed through the Group income statement, a deferred tax credit of £0.4m (half year to 30 June 2019: £0.2m; year to 31 December of 2019: £0.1m) was recognised in the Group statement of comprehensive income and a deferred tax charge of £1.2m (half year to 30 June 2019: £nil; year to 31 December 2019: credit of £1.3m) was recognised in the Group statement of changes in equity. See note 18 for further details.

The effective rate of tax for the half year to 30 June 2020 is lower (half year to 30 June 2019: lower; year to 31 December 2019: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
(Loss)/profit before tax	**(14.0)**	130.0	280.6
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)*	**(2.7)**	24.7	53.3
Difference between tax and accounting profit on disposals	**0.9**	(0.9)	(2.6)
REIT exempt income	**(7.5)**	(4.8)	(11.2)
Revaluation deficit/(surplus) attributable to REIT properties	**12.7**	(14.2)	(29.2)
Expenses and fair value adjustments not allowable for tax purposes	**(0.4)**	(1.6)	(4.4)
Capital allowances	**(2.4)**	(2.7)	(5.5)
Other differences	**(1.4)**	(0.1)	1.4
Tax on current period's (loss)/profit	**(0.8)**	0.4	1.8
Adjustments in respect of prior years' tax	**-**	-	0.7
Tax (credit)/charge	**(0.8)**	0.4	2.5

*Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and include reducing the main rate to 19%. The reduction to 17% from 1 April 2020 enacted as part of the Finance Bill 2016 has been cancelled as announced in the Budget on 11 March 2020, maintaining the rate of corporation tax at 19%. 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 2020	4,121.2	1,053.1	5,174.3	45.3	118.6	40.7	5,378.9
Acquisitions	43.5	-	43.5	-	-	-	43.5
Capital expenditure	31.0	31.6	62.6	(0.1)	-	0.1	62.6
Interest capitalisation	3.8	2.3	6.1	-	-	0.2	6.3
Additions	78.3	33.9	112.2	(0.1)	-	0.3	112.4
Disposals	-	-	-	-	(118.6)	(4.1)	(122.7)
Revaluation	(56.4)	(11.9)	(68.3)	0.1	-	-	(68.2)
Write-down of trading property	-	-	-	-	-	(0.4)	(0.4)
Movement in grossing up of headlease liabilities	-	0.9	0.9	-	-	-	0.9
At 30 June 2020	**4,143.1**	**1,076.0**	**5,219.1**	**45.3**	**-**	**36.5**	**5,300.9**
At 1 January 2019	4,034.1	994.1	5,028.2	47.0	-	36.3	5,111.5
Acquisitions	21.0	-	21.0	-	-	-	21.0
Capital expenditure	58.3	34.4	92.7	-	-	4.0	96.7
Interest capitalisation	3.4	2.9	6.3	-	-	0.3	6.6
Additions	82.7	37.3	120.0	-	-	4.3	124.3
Disposals	(45.4)	0.2	(45.2)	-	-	-	(45.2)
Revaluation	11.8	63.2	75.0	(0.5)	-	-	74.5
Movement in grossing up of headlease liabilities	-	1.0	1.0	-	-	-	1.0
At 30 June 2019	4,083.2	1,095.8	5,179.0	46.5	-	40.6	5,266.1
At 1 January 2019	4,034.1	994.1	5,028.2	47.0	-	36.3	5,111.5
Acquisitions	21.0	11.0	32.0	-	-	-	32.0
Capital expenditure	110.7	76.8	187.5	0.1	-	3.6	191.2
Interest capitalisation	7.7	4.5	12.2	-	-	0.8	13.0
Additions	139.4	92.3	231.7	0.1	-	4.4	236.2
Disposals	(137.1)	0.3	(136.8)	-	-	-	(136.8)
Transfers	-	(107.0)	(107.0)	-	107.0	-	-
Revaluation	84.8	71.6	156.4	(1.8)	-	-	154.6
Transfer from prepayments and accrued income	-	-	-	-	14.6	-	14.6
Movement in grossing up of headlease liabilities	-	1.8	1.8	-	(3.0)	-	(1.2)
At 31 December 2019	4,121.2	1,053.1	5,174.3	45.3	118.6	40.7	5,378.9

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 2020							
Fair value	**4,283.9**	**1,035.0**	**5,318.9**	**45.3**	**-**	**41.0**	**5,405.2**
Revaluation of trading property	-	-	-	-	-	(4.5)	(4.5)
Lease incentives and costs included in receivables	(140.8)	(19.4)	(160.2)	-	-	-	(160.2)
Grossing up of headlease liabilities	-	60.4	60.4	-	-	-	60.4
Carrying value	**4,143.1**	**1,076.0**	**5,219.1**	**45.3**	**-**	**36.5**	**5,300.9**
At 30 June 2019							
Fair value	4,212.1	1,059.1	5,271.2	46.5	-	43.2	5,360.9
Revaluation of trading property	-	-	-	-	-	(2.6)	(2.6)
Lease incentives and costs included in receivables	(128.9)	(25.0)	(153.9)	-	-	-	(153.9)
Grossing up of headlease liabilities	-	61.7	61.7	-	-	-	61.7
Carrying value	4,083.2	1,095.8	5,179.0	46.5	-	40.6	5,266.1
At 31 December 2019							
Fair value	4,257.7	1,010.2	5,267.9	45.3	119.0	43.0	5,475.2
Selling costs relating to assets held for sale	-	-	-	-	(0.4)	-	(0.4)
Revaluation of trading property	-	-	-	-	-	(2.3)	(2.3)
Lease incentives and costs included in receivables	(136.5)	(16.6)	(153.1)	-	-	-	(153.1)
Grossing up of headlease liabilities	-	59.5	59.5	-	-	-	59.5
Carrying value	4,121.2	1,053.1	5,174.3	45.3	118.6	40.7	5,378.9

Reconciliation of fair value

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Portfolio including the Group's share of joint ventures	**5,405.2**	5,362.7	5,475.2
Less: joint ventures	**-**	(1.8)	-
IFRS property portfolio	**5,405.2**	5,360.9	5,475.2

The property portfolio is subject to semi-annual external valuations and was revalued at 30 June 2020 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. At the balance sheet date, the Royal Institution of Chartered Surveyors required valuers to add an uncertainty clause given the unknown future impact of the Covid-19 pandemic on the real estate market.

CBRE Limited valued properties at £5,373.5m (30 June 2019: £5,327.8m; 31 December 2019: £5,443.0m) and other valuers at £31.7m (30 June 2019: £33.1m; 31 December 2019: £32.2m). Of the properties revalued by CBRE, £45.3m (30 June 2019: £46.5m; 31 December 2019: £45.3m) relating to owner-occupied property was included within property, plant and equipment and £41.0m (30 June 2019: £43.2m; 31 December 2019: £43.0m) was included within trading property.

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

Reconciliation of revaluation (deficit)/surplus

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Total revaluation (deficit)/surplus	**(58.4)**	92.0	188.5
Share of joint ventures	**-**	(0.9)	-
Lease incentives and costs	**(7.4)**	(15.0)	(32.2)
Trading property revaluation adjustment	**(2.8)**	(1.6)	(1.3)
Assets held for sale selling costs	**-**	-	(0.4)
IFRS revaluation (deficit)/surplus	**(68.6)**	74.5	154.6
Reported in the:			
Revaluation (deficit)/surplus	**(68.3)**	75.0	156.4
Write-down of trading property	**(0.4)**	-	-
Group income statement	**(68.7)**	75.0	156.4
Group statement of comprehensive income	**0.1**	(0.5)	(1.8)
	(68.6)	74.5	154.6

Sensitivity of measurement to variations in the significant unobservable inputs

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

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

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

A sensitivity analysis was performed to ascertain the impact on the fair value of a 25 basis point shift in true equivalent yield and a £2.50 psf shift in ERV.

	West End central	West End borders	City borders	Provincial commercial	Provincial land	Total
True equivalent yield						
+25bp	(5.2%)	(4.9%)	(5.0%)	(2.8%)	(2.4%)	(5.0%)
-25bp	5.7%	5.4%	5.5%	2.9%	2.6%	5.5%
ERV						
+£2.50 psf	4.2%	5.0%	4.8%	23.3%	-	4.6%
-£2.50 psf	(4.2%)	(5.0%)	(4.8%)	(23.3%)	-	(4.6%)

12. Property, plant and equipment

	Owner-occupied property £m	Other £m	Total £m
At 1 January 2020	45.3	4.9	50.2
Additions	(0.1)	0.2	0.1
Depreciation	-	(0.4)	(0.4)
Revaluation	0.1	-	0.1
At 30 June 2020	**45.3**	**4.7**	**50.0**
At 1 January 2019	47.0	6.1	53.1
Depreciation	-	(0.4)	(0.4)
Revaluation	(0.5)	-	(0.5)
At 30 June 2019	46.5	5.7	52.2
At 1 January 2019	47.0	6.1	53.1
Additions	0.1	0.2	0.3
Disposals	-	(0.7)	(0.7)
Depreciation	-	(0.7)	(0.7)
Revaluation	(1.8)	-	(1.8)
At 31 December 2019	45.3	4.9	50.2
Net book value			
Cost or valuation	45.3	8.0	53.3
Accumulated depreciation	-	(3.3)	(3.3)
At 30 June 2020	**45.3**	**4.7**	**50.0**
Net book value			
Cost or valuation	46.5	8.3	54.8
Accumulated depreciation	-	(2.6)	(2.6)
At 30 June 2019	46.5	5.7	52.2
Net book value			
Cost or valuation	45.3	7.9	53.2
Accumulated depreciation	-	(3.0)	(3.0)
At 31 December 2019	45.3	4.9	50.2

Artwork, which is included within ‘Other’, is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in May 2018 and, after allowing for the artwork disposal in 2019, 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

Although the respective property interests have now been disposed of, the Group has a continuing 50% interest in three joint venture vehicles, Dorrington Derwent Holdings Limited, Primister Limited and Prescot Street Limited Partnership.

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
At 1 January	**1.3**	29.1	29.1
Share of results of joint ventures (see note 9)	**-**	2.0	1.9
Additions	**-**	-	0.6
Repayment of shareholder loan	**-**	(21.0)	(21.3)
Distributions received	**-**	(7.3)	(9.0)
	1.3	2.8	1.3

14. Trade and other receivables (non-current)

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Prepayments and accrued income	**138.9**	136.9	134.4
Trade receivables	**1.2**	-	-
	140.1	136.9	134.4

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 £21.3m (30 June 2019: £17.0m; 31 December 2019: £18.7m), which was included as current assets within trade and other receivables (see note 15), these amounts totalled £160.2m at 30 June 2020 (30 June 2019: £153.9m; 31 December 2019: £153.1m).

15. Trade and other receivables

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Trade receivables	**26.0**	9.8	7.9
Other receivables	**6.7**	3.9	4.4
Prepayments	**19.5**	23.3	20.6
Accrued income	**24.3**	19.9	25.7
	76.5	56.9	58.6

Receivables include a provision for impairment as follows:

At 1 January	**0.4**	0.4	0.4
Additions	**3.9**	-	-
Released	**(0.3)**	-	-
At period end	**4.0**	0.4	0.4

The provision for impairment is split as follows:

Included in current trade receivables	**1.1**	0.4	0.4
Included in non-current prepayments and accrued income	**2.9**	-	-
	4.0	0.4	0.4

16. Trade and other payables

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Trade payables	**2.8**	3.1	7.2
Other payables	**17.2**	20.4	19.8
Other taxes	**7.2**	1.2	2.1
Accruals	**43.6**	42.9	38.6
Deferred income	**44.3**	41.4	44.8
	115.1	109.0	112.5

Included within other payables is £14.8m (30 June 2019: £18.4m; 31 December 2019: £17.3m) relating to service charge amounts collected from tenants.

17. Net debt and derivative financial instruments

	30.06.2020		30.06.2019		31.12.2019	
	Book value £m	**Fair value £m**	Book Value £m	Fair value £m	Book value £m	Fair value £m
Current liabilities						
1.125% unsecured convertible bonds 2019	**-**	**-**	2.3	2.3	-	-
	-	**-**	2.3	2.3	-	-
Non-current liabilities						
1.5% unsecured convertible bonds 2025	**165.4**	**159.8**	163.6	164.1	164.5	183.9
6.5% secured bonds 2026	**184.2**	**224.5**	185.3	222.7	184.8	222.8
2.68% unsecured private placement notes 2026	**54.8**	**55.4**	54.7	55.4	54.7	55.3
3.46% unsecured private placement notes 2028	**29.9**	**32.5**	29.8	31.7	29.9	31.7
4.41% unsecured private placement notes 2029	**24.8**	**30.9**	24.8	29.9	24.8	29.8
2.87% unsecured private placement notes 2029	**92.6**	**97.5**	92.5	95.5	92.5	95.6
2.97% unsecured private placement notes 2031	**49.8**	**53.6**	49.8	51.8	49.8	51.9
3.57% unsecured private placement notes 2031	**74.6**	**82.5**	74.6	78.9	74.6	79.2
3.09% unsecured private placement notes 2034	**51.7**	**57.3**	51.7	54.5	51.7	54.8
4.68% unsecured private placement notes 2034	**74.5**	**101.9**	74.4	95.0	74.4	95.4
3.99% secured loan 2024	**82.2**	**89.6**	82.0	88.1	82.1	87.8
Unsecured bank loans	**221.8**	**225.0**	60.0	62.0	65.0	68.5
Secured bank loan	**27.9**	**28.0**	27.8	28.0	27.8	28.0
	1,134.2	**1,238.5**	971.0	1,057.6	976.6	1,084.7
Borrowings	**1,134.2**	**1,238.5**	973.3	1,059.9	976.6	1,084.7
Derivative financial instruments expiring in						
less than one year	**-**	**-**	1.1	1.1	-	-
greater than one year	**6.3**	**6.3**	3.8	3.8	3.7	3.7
	6.3	**6.3**	4.9	4.9	3.7	3.7
Total borrowings and derivative financial instruments	**1,140.5**	**1,244.8**	978.2	1,064.8	980.3	1,088.4

Reconciliation to net debt:			
Borrowings and derivative financial instruments	**1,140.5**	978.2	980.3
Adjustments for:			
Leasehold liabilities	**60.4**	61.7	59.5
Derivative financial instruments	**(6.3)**	(4.9)	(3.7)
Cash and cash equivalents	**(201.8)**	(31.5)	(54.5)
Net debt	**992.8**	1,003.5	981.6

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 2020 or 2019.

At 30 June 2020, the Group's secured bank loan and the 3.99% secured loan 2024 were secured by a fixed charge over £100.7m (30 June 2019: £109.0m; 31 December 2019: £105.7m) and £308.5m (30 June 2019: £297.9m; 31 December 2019: £311.6m), respectively, of the Group's properties. In addition, the secured bonds 2026 were secured by a floating charge over a number of the Group's subsidiary companies which contained £633.3m (30 June 2019: £625.4m; 31 December 2019: £634.5m) of the Group's properties.

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

18. Deferred tax liabilities

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2020	3.3	(2.1)	1.2
Credited to the income statement	(0.3)	(1.1)	(1.4)
Change in tax rates in the income statement	0.3	(0.1)	0.2
Credited to other comprehensive income	-	(0.5)	(0.5)
Change in tax rates in other comprehensive income	0.1	-	0.1
Charged to equity	-	1.4	1.4
Changes in tax rates in equity	-	(0.2)	(0.2)
At 30 June 2020	**3.4**	**(2.6)**	**0.8**
At 1 January 2019	3.6	(1.8)	1.8
Credited to the income statement	(0.2)	(0.2)	(0.4)
Credited to other comprehensive income	(0.2)	-	(0.2)
At 30 June 2019	3.2	(2.0)	1.2
At 1 January 2019	3.6	(1.8)	1.8
(Credited)/charged to the income statement	(0.2)	1.0	0.8
Credited to other comprehensive income	(0.1)	-	(0.1)
Credited to equity	-	(1.3)	(1.3)
At 31 December 2019	3.3	(2.1)	1.2

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

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

19. Dividend

	Payment date	Dividend per share			**Half year to**	Half year to	Year to
		PID	Non-PID	Total	**30.06.2020**	30.06.2019	31.12.2019
		p	p	p	**£m**	£m	£m
Current period							
2020 interim dividend	16 October 2020	22.00	-	22.00	**-**	-	-
Distribution of current period profit		22.00	-	22.00			
Prior year							
2019 final dividend	5 June 2020	34.45	17.00	51.45	**57.6**	-	-
2019 interim dividend	18 October 2019	21.00	-	21.00	**-**	-	23.4
Distribution of prior year profit		55.45	17.00	72.45			
2018 final dividend	7 June 2019	30.00	16.75	46.75	**-**	52.2	52.2
Dividends as reported in the Group statement of changes in equity					**57.6**	52.2	75.6
2019 final dividend withholding tax	14 July 2020				**(4.9)**	-	-
2019 interim dividend withholding tax	14 January 2020				**2.8**	-	(2.8)
2018 final dividend withholding tax	12 July 2019				**-**	(4.1)	-
2018 interim dividend withholding tax	14 January 2019				**-**	2.3	2.3
Dividends paid as reported in the Group cash flow statement					**55.5**	50.4	75.1

20. Cash and cash equivalents

	30.06.2020	30.06.2019	31.12.2019
	£m	£m	£m
Cash at bank	**76.8**	31.5	54.5
Cash held in deposits	**125.0**	-	-
	201.8	31.5	54.5

21. Post balance sheet events

Contracts were exchanged on 13 July 2020 for the sale of 2 & 4 Soho Place W1 for £40.5m before costs with completion expected in the first half of 2022.

22. Related party disclosure

There have been no related party transactions during the half year to 30 June 2020 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 2019.

23. EPRA performance measures (unaudited)

Number of shares

	Earnings per share measures			Net asset value per share measures		
	Weighted average for the period ended			At period ended		
	30.06.2020 '000	30.06.2019 '000	31.12.2019 '000	**30.06.2020 '000**	30.06.2019 '000	31.12.2019 '000
For use in basic measures	**111,872**	111,608	111,652	**111,947**	111,660	111,773
Dilutive effect of share-based payments	**304**	287	315	**222**	281	400
For use in other diluted measures	**112,176**	111,895	111,967	**112,169**	111,941	112,173

The £175m unsecured convertible bonds 2025 ('2025 bonds') have an initial conversion price set at £44.96. The £150m unsecured convertible bonds 2019 ('2019 bonds') were repurchased in 2019.

The Group recognises the effect of conversion of the bonds if they are both dilutive and, based on the share price, likely to convert. For both the half years to 30 June 2019 and 2020 and for the year ended 31 December 2019, the Group did not recognise the dilutive impact of the conversion of the 2019 bonds or 2025 bonds on its earnings per share (EPS) or net asset value (NAV) per share metrics as, based on the share price at the end of each period, the bonds were not expected to convert.

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

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

The Group has adopted the new set of EPRA NAV metrics effective for the period beginning 1 January 2020. A reconciliation between the new and the previous metrics for both the current and comparative accounting periods is presented below.

Earnings and earnings per share

	IFRS £m	Adjustments A £m	B £m	C £m	EPRA basis £m
Half year to 30 June 2020					
Net property and other income	86.5	(0.8)	0.4	-	86.1
Administrative expenses	(17.1)	-	-	-	(17.1)
Revaluation deficit	(68.3)	-	68.3	-	-
Profit on disposal of investments	1.7	(1.7)	-	-	-
Net finance costs	(13.6)	-	-	-	(13.6)
Movement in fair value of derivative financial instruments	(2.6)	-	-	2.6	-
Financial derivative termination costs	(0.6)	-	-	0.6	-
Loss before tax	(14.0)	(2.5)	68.7	3.2	55.4
Tax credit	0.8	(0.8)	-	-	-
Loss for the period	(13.2)	(3.3)	68.7	3.2	55.4
Non-controlling interest	3.7	-	(4.4)	-	(0.7)
Earnings attributable to equity shareholders	**(9.5)**	**(3.3)**	**64.3**	**3.2**	**54.7**
Earnings per share	**(8.49p)**				**48.90p**
Diluted earnings per share	(8.49p)				48.76p

The diluted loss per share for the period to 30 June 2020 has been restricted to a loss of 8.49p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

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

Earnings and earnings per share

	IFRS	Adjustments A	Adjustments B	Adjustments C	EPRA basis
	£m	£m	£m	£m	£m
Year to 31 December 2019					
Net property and other income	182.6	-	-	-	182.6
Administrative expenses	(37.0)	-	-	-	(37.0)
Revaluation surplus	156.4	-	(156.4)	-	-
Profit on disposal of investments	13.8	(13.8)	-	-	-
Net finance costs	(34.3)	-	-	7.8	(26.5)
Movement in fair value of derivative financial instruments	(0.1)	-	-	0.1	-
Financial derivative termination costs	(2.7)	-	-	2.7	-
Share of results of joint ventures	1.9	(1.7)	-	-	0.2
Profit before tax	280.6	(15.5)	(156.4)	10.6	119.3
Tax charge	(2.5)	0.7	(0.2)	-	(2.0)
Profit for the year	278.1	(14.8)	(156.6)	10.6	117.3
Non-controlling interest	5.3	-	(7.5)	-	(2.2)
Earnings attributable to equity shareholders	283.4	(14.8)	(164.1)	10.6	115.1
Earnings per share	253.82p				103.09p
Diluted earnings per share	253.11p				102.80p

EPRA net asset value metrics

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Net assets attributable to equity shareholders	4,352.7	4,290.9	4,421.2
Adjustment for:			
Revaluation of trading properties	4.5	2.1	2.3
Deferred tax on revaluation surplus[1]	1.7	1.6	1.6
Fair value of derivative financial instruments	6.3	4.9	3.7
Fair value adjustment to secured bonds	10.0	11.2	10.6
Non-controlling interest in respect of the above[1]	(0.4)	(0.4)	(0.4)
EPRA Net Tangible Assets	**4,374.8**	**4,310.3**	**4,439.0**
Per share measure - diluted	**3,900p**	**3,851p**	**3,957p**

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Net assets attributable to equity shareholders	4,352.7	4,290.9	4,421.2
Adjustment for:			
Revaluation of trading properties	4.5	2.1	2.3
Fair value adjustment to secured bonds	10.0	11.2	10.6
Mark-to-market of fixed rate debt	(103.9)	(87.2)	(107.2)
Unamortised issue and arrangement costs	(10.4)	(10.6)	(11.5)
EPRA Net Disposal Value	**4,252.9**	**4,206.4**	**4,315.4**
Per share measure - diluted	**3,792p**	**3,758p**	**3,847p**

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
Net assets attributable to equity shareholders	4,352.7	4,290.9	4,421.2
Adjustment for:			
Revaluation of trading properties	4.5	2.1	2.3
Deferred tax on revaluation surplus	3.4	3.2	3.3
Fair value of derivative financial instruments	6.3	4.9	3.7
Fair value adjustment to secured bonds	10.0	11.2	10.6
Non-controlling interest in respect of the above	(0.7)	(0.8)	(0.8)
Purchasers' costs[2]	367.6	364.5	372.3
EPRA Net Reinstatement Value	**4,743.8**	**4,676.0**	**4,812.6**
Per share measure - diluted	**4,229p**	**4,177p**	**4,290p**

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

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

Reconciliation of new EPRA net asset value metrics to previous metrics

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
EPRA Net Tangible Assets	4,374.8	4,310.3	4,439.0
Adjustment for:			
Deferred tax on revaluation surplus	1.7	1.6	1.7
Non-controlling interest in respect of the above	(0.3)	(0.4)	(0.4)
EPRA Net Asset Value	**4,376.2**	**4,311.5**	**4,440.3**
Per share measure - diluted	**3,901p**	**3,852p**	**3,958p**
EPRA Net Reinstatement Value	4,743.8	4,676.0	4,812.6
Adjustment for:			
Purchasers' costs	(367.6)	(364.5)	(372.3)
EPRA Net Asset Value	**4,376.2**	**4,311.5**	**4,440.3**
Per share measure - diluted	**3,901p**	**3,852p**	**3,958p**

As the Group’s EPRA Net Disposal Value is the same as the EPRA Triple Net Asset Value, there are no reconciling items.

	30.06.2020 £m	30.06.2019 £m	31.12.2019 £m
EPRA Net Disposal Value	4,252.9	4,206.4	4,315.4
Per share measure - diluted	**3,792p**	**3,758p**	**3,847p**

Cost ratios

	Half year to 30.06.2020 £m	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Administrative expenses	**17.1**	17.1	37.0
Write-off/impairment of receivables (A)	**4.4**	-	-
Service charge waiver (A)	**2.1**	-	-
Other property costs	**4.6**	4.9	10.1
Net service charge costs	**1.6**	1.2	2.1
Service charge costs recovered through rents but not separately invoiced	**(0.3)**	(0.2)	(0.5)
Management fees received less estimated profit element	**(1.5)**	(1.7)	(3.6)
Share of joint ventures' expenses	**-**	0.3	0.3
EPRA Costs (including direct vacancy costs) (B)	**28.0**	21.6	45.4
Direct vacancy costs	**(4.6)**	(1.6)	(2.6)
EPRA Costs (excluding direct vacancy costs) (C)	**23.4**	20.0	42.8
Gross rental income	**97.8**	93.1	191.7
Ground rent	**(0.7)**	(0.7)	(1.5)
Service charge components of rental income	**(0.3)**	(0.2)	(0.5)
Share of joint ventures' rental income less ground rent	**-**	0.6	0.5
Adjusted gross rental income (D)	**96.8**	92.8	190.2
EPRA Cost Ratio (including direct vacancy costs) (B/D)	**28.9%**	23.3%	23.9%
EPRA Cost Ratio (excluding direct vacancy costs) (C/D)	**24.2%**	21.6%	22.5%
Adjusted EPRA Cost Ratios[1]			
Adjusted EPRA Cost Ratio (including direct vacancy costs and excluding write-off/impairment of receivables) ((B-A)/D)	**22.2%**	23.3%	23.9%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs and excluding write-off/impairment of receivables) ((C-A)/D)	**17.5%**	21.6%	22.5%

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

Property portfolio at fair value (E)	**5,405.2**	5,360.9	5,475.2
Portfolio cost ratio (B/E) - annualised	**1.0%**	0.8%	0.8%

[1] In addition to the standard EPRA Cost Ratios (both including and excluding direct vacancy costs), adjusted versions of these ratios have also been presented which remove the impact of the write-off/impairment of receivables and service charge waiver.

The Group has not capitalised any overhead or operating expenses in either 2020 or 2019.

24. Gearing and interest cover

NAV gearing

	Note	**30.06.2020 £m**	30.06.2019 £m	31.12.2019 £m
Net debt	17	**992.8**	1,003.5	981.6
Net assets		**4,404.7**	4,349.7	4,476.9
NAV gearing		**22.5%**	23.1%	21.9%

Loan-to-value ratio

	Note	**30.06.2020 £m**	30.06.2019 £m	31.12.2019 £m
Net debt	17	**992.8**	1,003.5	981.6
Fair value adjustment of secured bonds		**(10.0)**	(11.2)	(10.6)
Unamortised issue and arrangement costs		**10.4**	10.6	11.5
Leasehold liabilities	17	**(60.4)**	(61.7)	(59.5)
Drawn debt		**932.8**	941.2	923.0
Fair value of property portfolio	11	**5,405.2**	5,360.9	5,475.2
Loan-to-value ratio		**17.3%**	17.6%	16.9%

Net interest cover ratio

	Note	**Half year to 30.06.2020 £m**	Half year to 30.06.2019 £m	Year to 31.12.2019 £m
Net property and other income	5	**86.5**	88.5	182.6
Adjustments for:				
Other income	5	**(1.5)**	(1.7)	(3.6)
Net surrender premiums	5	**(0.2)**	(0.5)	(1.0)
Write-down of trading property	5	**0.4**	-	-
Profit on disposal of trading properties	5	**(0.8)**	-	-
Adjusted net property income		**84.4**	86.3	178.0
Finance income	7	**(0.1)**	(0.2)	(0.2)
Finance costs	7	**13.7**	13.0	26.7
		13.6	12.8	26.5
Adjustments for:				
Finance income	7	**0.1**	0.2	0.2
Other finance costs	7	**(0.1)**	(0.1)	(0.2)
Amortisation of fair value adjustment to secured bonds	7	**0.6**	0.6	1.2
Amortisation of issue and arrangement costs	7	**(1.1)**	(1.1)	(2.2)
Finance costs capitalised	7	**6.3**	6.6	13.0
		19.4	19.0	38.5
Net interest cover ratio		**435%**	454%	462%

25. Total return

	Half year to 30.06.2020 p	Half year to 30.06.2019 p	Year to 31.12.2019 p
EPRA Net Tangible Assets on a diluted basis			
At end of period	**3,900**	3,851	3,957
At start of period	**(3,957)**	(3,775)	(3,775)
(Decrease)/increase	**(57)**	76	182
Dividend per share	**51**	47	68
(Decrease)/increase including dividend	**(6)**	123	250
Total return	**(0.1%)**	3.3%	6.6%

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 October 2019. 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 Reinstatement Value per share**

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

- **EPRA Net Tangible Assets per share**

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

- **EPRA Net Disposal Value per share**

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

- **EPRA 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.

Previous EPRA NAV metrics

- **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.

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

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

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

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

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

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

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

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

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

NAV gearing
Net debt divided by net assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 six month period ended 30 June 2020. 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 2020;
- the Group condensed income statement and Group condensed statement of comprehensive income for the period then ended;
- the Group condensed cash flow statement for the period then ended;
- the Group condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Emphasis of matter - Significant estimation uncertainty in relation to the valuation of investment property and property related investments

Without modifying our conclusion on the interim financial statements, we have considered the adequacy of the disclosures made in Notes 3 (Significant judgments, key assumptions and estimates) and 11 (Property portfolio) to the interim financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties of £5,405.2m included in the Group condensed balance sheet as at 30 June 2020. The third-party valuers, instructed by management, have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results, including the interim financial statements, are the responsibility of, and have 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
11 August 2020

Notes to editors

Derwent London plc

Derwent London plc owns 83 buildings in a commercial real estate portfolio predominantly in central London valued at £5.4 billion (including joint ventures) as at 30 June 2020, making it the largest London-focused real estate investment trust (REIT).

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

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

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

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

Landmark schemes in our 5.6 million sq ft portfolio include 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2019, the Group won several awards including EG Offices Company of the Year, the CoStar West End Deal of the Year for Brunel Building, Westminster Business Council's Best Achievement in Sustainability award and topped the real estate sector and was placed ninth overall in the Management Today 2019 awards for 'Britain's Most Admired Companies'. In 2013 the Company launched a voluntary Community Fund and has to date supported over 100 community projects in the West End and the Tech Belt.

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

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