



The Derwent London plc Scrip Dividend Scheme

TABLE OF CONTENTS

Explanatory notes of the Derwent London plc Scrip Dividend Scheme	2
PART 1	
The Derwent London plc Scrip Dividend Scheme	3
PART 2	
The Mandate	11
PART 3	
Taxation Guidelines	14
PART 4	
Definitions	20

DERWENT LONDON

EXPLANATORY NOTES OF THE DERWENT LONDON PLC SCRIP DIVIDEND SCHEME (the “Scheme” or “Scrip Dividend Scheme”)

Important Information

- Part 4 contains definitions of certain terms used in this document.
- The Scrip Dividend Scheme will in future apply to all dividends in respect of which a Scrip Dividend Alternative is offered. The availability of the Scrip Dividend Alternative for future dividends will be confirmed via the Regulatory News Service and on the Company website at www.derwentlondon.com, no later than 48 hours before each relevant ex-dividend date.
- The operation of the Scrip Dividend Scheme is always subject to the Directors’ discretion to make an offer of New Ordinary Shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to suspend or terminate the Scheme generally at any time prior to the allotment of the New Ordinary Shares pursuant to it and may scale back elections made under the Scrip Dividend Scheme in respect of any particular dividend. If the Directors suspend or terminate the Scheme, decide not to offer New Ordinary Shares in respect of any particular dividend or scale back elections made in respect of a particular dividend, Shareholders will receive their dividend in cash in full in the usual way (or, where there is a scaling back of elections, Shareholders will receive fewer shares and a greater cash component) on or as soon as reasonably practicable after the Relevant Dividend Payment Date.

IMPORTANT NOTICE

This document and the information contained in it is current as of 6 April 2016. Save to the extent regarding applicable law, Derwent London plc shall be under no obligation to update this document or the information contained in it. In particular, Derwent London plc shall not be under any obligation to update Part 3 of this document which is included only as a general guide. You are therefore advised to read carefully the important notice at the beginning of Part 3 of this document.

PART 1

THE DERWENT LONDON PLC SCRIP DIVIDEND SCHEME

1. What is the Derwent London plc Scrip Dividend Scheme?

The Derwent London plc Scrip Dividend Scheme provides Shareholders with an opportunity to receive, if they wish, a Scrip Dividend Alternative of New Ordinary Shares in the Company instead of a cash dividend in respect of all future dividends proposed by the Company for which the Scrip Dividend Alternative is offered.

Under the Scheme the Company issues New Ordinary Shares to Shareholders, thereby enabling them to increase their shareholdings in the Company without incurring dealing costs and/or stamp duty. In addition, the Scheme benefits the Company as the cash, which would otherwise be paid out in dividends, is retained by the Company for reinvestment in the business. Each Shareholder's decision to elect to receive New Ordinary Shares should depend upon his or her own personal circumstances. Shareholders should also consider Part 3 of this Scheme booklet which deals with certain taxation considerations.

Shareholders who wish to join the Scheme are required to authorise the Company to issue New Ordinary Shares instead of cash for Relevant Dividends by means of the Mandate Form which is available in the 'Investor' section of our website at www.derwentlondon.com. The Mandate Form is available for the convenience of Shareholders to enable them to receive New Ordinary Shares instead of cash dividends as a matter of routine, whenever a Scrip Dividend Alternative is offered. Shareholders can cancel their instructions at any time and revert to receiving dividends in the form of cash (see Question 7 of Part 2 below for more information on cancelling your Mandate).

2. Who can join the Scrip Dividend Scheme?

All Shareholders who are resident in the United Kingdom can join the Scheme. Most overseas Shareholders should be eligible for the benefits of the Scheme. Details regarding participation by overseas Shareholders are set out at Question 11 below.

3. How do I join the Scrip Dividend Scheme?

After having read these Explanatory Notes, please complete a Mandate Form and return it to the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. No acknowledgement of receipt will be issued.

Mandate Forms must generally be received at least 15 working days before the Relevant Dividend Payment Date to be eligible for that particular dividend. Mandate Forms received after the relevant Mandate Delivery Deadline, will be effective only for the following Relevant Dividend and all subsequent Relevant Dividends.

Details of the Relevant Dividend Payment Date and Mandate Delivery Deadline for each Relevant Dividend can be obtained from the Company's website at www.derwentlondon.com, from the documentation provided to Shareholders by the Company in respect of that dividend, or by calling the Equiniti share dividend helpline on 0371 384 2192 (UK) or +44 (0) 121 415 7593 (International). Calls to 03 numbers cost no more than a national rate call to a 01 or 02 number. Lines are open from 8.30 a.m. to 5.30 p.m. (UK time).

A Shareholder's Mandate will remain in force for all future Relevant Dividends until cancelled. For further details, please see Questions 7 and 8 of Part 2 below. Upon execution of a Mandate Form, either personally or on a Shareholder's behalf, each Shareholder is deemed to have:

- (a) agreed to participate in the Scrip Dividend Scheme pursuant to the terms and conditions set out in this document; and
- (b) authorised the Company or its agent (i) in the case of holdings in certificated form, to send to the Shareholder at the Shareholder's registered address any definitive share certificate in respect of New Ordinary Shares allotted and (ii) in the case of holdings in uncertificated form, to credit the New Ordinary Shares allotted to the Shareholder's CREST account on the date that dealings commence.

4. How many New Ordinary Shares will I receive?

In accordance with the Company's Articles of Association, a Shareholder's entitlement to New Ordinary Shares for Relevant Dividends will be calculated by taking the amount of the cash dividend to which they are entitled (i.e. the number of Ordinary Shares held by that Shareholder at the Record Date multiplied by the cash value in pounds sterling of the Relevant Dividend per share) plus any residual Cash Balance held in respect of that Shareholder resulting from a previous Relevant Dividend and dividing it by the Scrip Calculation Price. Where the Scrip Dividend Alternative is a PID the Company may have an obligation to make a withholding on account of tax, just as it would if the PID was a cash dividend, in which case the number of New Ordinary Shares received by the Shareholder will be reduced; see paragraph 2(iv) in Part 3 below.

The Scrip Calculation Price will be the average of the closing middle market quotations of an Ordinary Share derived from the London Stock Exchange Daily Official List for the five consecutive business days commencing on the Ex-dividend Date. The results of this calculation will be announced by the Company shortly after the last dealing day and will be available on the Company's website at www.derwentlondon.com.

Absent any requirement to withhold tax, the formula to determine the number of New Ordinary Shares that a Shareholder would receive pursuant to the Scheme is set out below:

$$\begin{array}{r} \text{(Number of Ordinary Shares held at the Record Date} \\ \text{ } \times \text{ cash value of the Relevant Dividend per share)} \\ \text{ } + \text{ any Cash Balance (if any)} \\ \hline \text{Scrip Calculation Price} \end{array}$$

If the Directors elect to scale back elections made by Shareholders, the number of New Ordinary Shares allocated to each Shareholder will be reduced on a pro rata basis. Fractions of Ordinary Shares will not be allotted and any resulting Cash Balance will be carried forward, without interest. If the Cash Balance arises in relation to a Non-PID, it will be included in the calculation for the next Non-PID Scrip Dividend Alternative. If the Cash Balances arises in relation to a PID, it will be included in the calculation for the next PID Scrip Dividend Alternative. For further detail in relation to the treatment of Cash Balances, see Question 5 below.

If the amount of cash dividend to which a Shareholder is entitled in respect of any Relevant Dividend, together with any Cash Balance held on behalf of that Shareholder, is not sufficient for that Shareholder to be allotted at least one New Ordinary Share pursuant to the Scheme, that Shareholder will not be issued any New Ordinary Shares pursuant to the Scheme for that Relevant Dividend. Instead, that Shareholder's cash dividend entitlement will be added to their Cash Balance and carried forward to the next Relevant Dividend. That Shareholder will still receive a Scrip Statement showing that no New Ordinary Shares have been issued in respect of the Relevant Dividend and noting the amount of the Cash Balance held by the Company in respect of that Shareholder. See the response to Question 7 below for further information on Scrip Statements.

Worked example of a Scrip Dividend Alternative

Assuming the following:

- Scrip Dividend Alternative with a cash value of £0.013 per Ordinary Share;
- a holding of 1,300 Ordinary Shares;
- a Scrip Calculation Price of £4.90;
- the Directors do not elect to scale back elections made by Shareholders; and
- no withholding tax applies (Non-PIDs, or Shareholder qualifies for gross payment of PIDs).

The Shareholder would be entitled to a total amount of cash dividend of £16.90 (i.e. 1,300 Ordinary Shares multiplied by the £0.013 cash value of the Relevant Dividend). This assumes no existing Cash Balance but this figure will (if appropriate) be added to any existing Cash Balance with the total cash value being applied towards New Ordinary Shares pursuant to the Scheme.

The number of New Ordinary Shares that the Shareholder would receive pursuant to the Scheme would be calculated as follows:

$$\frac{(1,300 \times £0.013)}{£4.90} = 3.45$$

The Shareholder would be entitled to 3 New Ordinary Shares (i.e. 3.45 rounded down to the nearest whole number). A residual Cash Balance of £2.20, being the total value of the Derwent London New Ordinary Shares at the Scrip Calculation Price $3 \times £4.90 = £14.70$, subtracted from £16.90, would then be carried forward and applied to the next Relevant Dividend.

5. What is the Cash Balance?

When calculating each Shareholder's entitlement to New Ordinary Shares, it is possible that this will not give rise to an exact number of New Ordinary Shares. As fractions of New Ordinary Shares will not be issued under the Scheme, a Shareholder's entitlement to the cash value of these fractions at the Scrip Calculation Price (the "Cash Balance") will be retained by the Company (without interest) for the benefit of the relevant Shareholder and carried forward and included in the calculation for that Shareholder's entitlement to the next Scrip Dividend Alternative.

If (i) a Mandate ceases to remain in force; (ii) a Shareholder disposes of their entire holding of Ordinary Shares; (iii) the Company terminates the Scheme; or (iv) a sole Shareholder dies, becomes bankrupt, goes into liquidation or suffers from mental incapacity, any Cash Balance held will be paid (without interest) to the relevant Shareholder or their estate or trustee entitled thereto, as applicable, as soon as reasonably practicable.

6. Are there any circumstances in which I will not be issued New Ordinary Shares under the Scrip Dividend Scheme?

If on any occasion your cash dividend entitlement, together with any Cash Balance brought forward from previous Relevant Dividends, is insufficient to acquire at least one whole New Ordinary Share, you will not be issued with any shares pursuant to the Scheme for the Relevant Dividend. You will, however, receive a statement (a "Scrip Statement") explaining that no new shares have been issued under the Scheme and

showing the amount of the Cash Balance that has been carried forward to the next dividend. For further details of the Scrip Statement, see Question 7 below.

The applicability of the Scrip Dividend Scheme for any dividend is also conditional on the Directors having the authority from Shareholders to offer Scrip Dividend Alternatives.

The Directors may amend, suspend or cancel the Scrip Dividend Scheme as further set out in Question 13. In such circumstances, Shareholders may receive the Relevant Dividend in cash.

7. How will I know how many New Ordinary Shares I have received?

On every occasion that the Scrip Dividend Alternative is offered under the Scrip Dividend Scheme, each relevant Shareholder will receive a Scrip Statement and, where relevant, a share certificate for any New Ordinary Shares issued. A Shareholder's Scrip Statement will show:

- a) the cash dividend which that Shareholder would otherwise have received;
- b) any Cash Balances brought forward from a previous Scrip Dividend Alternative of the same type;
- c) the number of New Ordinary Shares issued to the Shareholder instead of the cash dividend;
- d) any Cash Balance carried forward to the next Scrip Dividend Alternative of the same type; and
- e) details of the cash equivalent of the New Ordinary Shares, and any applicable withholding tax, which Shareholders will need for their tax return (for information regarding taxation, please refer to Part 3).

8. Will my New Ordinary Shares have the same voting rights?

Yes, the New Ordinary Shares will carry the same voting rights as existing Ordinary Shares.

9. When will I receive my New Ordinary Shares?

Subject to the New Ordinary Shares being admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, definitive share certificates and/or Scrip Statements will be posted, at the relevant Shareholder's risk, on or about the same day as dividend cheques are posted to Shareholders who are taking the Relevant Dividend in cash.

CREST members who have elected to receive New Ordinary Shares will have their CREST accounts credited directly with the relevant New Ordinary Shares and will be notified via CREST on the same day the cash dividend is paid. If the Company is unable to do this under the provisions of the Uncertificated Securities Regulations 2001 or the facilities and requirements of CREST, the relevant New Ordinary Shares will be issued as certificated shares and definitive share certificates will be posted to the relevant Shareholder at that Shareholder's risk.

Applications will be made to each of the UK Listing Authority and the London Stock Exchange for any New Ordinary Shares issued under the Scheme to be admitted to the Official List of the UK Listing Authority and the London Stock Exchange's main market for listed securities respectively. In the unlikely event that the New Ordinary Shares are not admitted to listing, listing does not become effective or the New Ordinary Shares are not admitted to trading, the dividend for Shareholders who have chosen to receive New Ordinary Shares will be paid in cash on or as soon as reasonably practicable after the Relevant Dividend Payment Date. When issued, the New Ordinary Shares will rank equally in all respects with the existing Ordinary Shares and will qualify for all future dividends.

10. What if I hold my Ordinary Shares wholly or partly in CREST?

Under the Uncertificated Securities Regulations 2001, if holdings of Ordinary Shares are held partly in certificated and partly in uncertificated form (i.e. a holder does not have a share certificate in respect of their holdings), the Company will treat such shareholdings as if they were separate shareholdings and a separate Mandate Form will be required for each holding.

If a holding is wholly or partly in uncertificated form (i.e. in CREST) at the Record Date for the Relevant Dividend, by completing and returning a Mandate Form the relevant Shareholder is deemed to authorise the Company to issue New Ordinary Shares in uncertificated form. Similarly, to the extent that a holding is in certificated form at the Record Date for the Relevant Dividend, or a Shareholder converts from certificated to uncertificated form after the relevant Record Date, by signing a Mandate Form the relevant Shareholder is deemed to authorise the Company to issue New Ordinary Shares in certificated form.

11. Can Shareholders outside the United Kingdom join the Scheme?

The right to receive New Ordinary Shares instead of cash in respect of dividends is not available to any person in any jurisdiction outside the United Kingdom where such an offer would require compliance by the Company with any governmental or regulatory procedures or any similar formalities.

The ability of Shareholders who have registered addresses outside of the United Kingdom, or who are resident or located in, or citizens of, countries other than the United Kingdom to participate in the Scrip Dividend Scheme may be affected by the laws of the relevant jurisdiction.

No person receiving a copy of this document or a Mandate Form in any such country or jurisdiction may treat such documents as offering a right to elect unless such an offer could lawfully be made without any such compliance.

Any Shareholder outside the United Kingdom wishing to receive New Ordinary Shares is responsible for ensuring, without any further obligation on the Company, that their election can be validly made without any further obligation on the part of the Company and to satisfy himself or herself as to the full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required and observing all other necessary formalities.

By completing and returning a Mandate Form, each Shareholder will confirm that they are not resident in the State of California or any jurisdiction that would require the Company to comply with any governmental or regulatory procedures or requirements or any similar formalities arising out of this election or holding any Ordinary Shares as nominee(s), transferee(s) or any beneficial holder who is so resident.

12. What are the tax effects of electing to receive a Scrip Dividend Alternative?

The tax consequences for a Shareholder electing to receive New Ordinary Shares instead of a cash dividend will depend upon the personal circumstances of that Shareholder.

A summary of certain UK tax consequences of the Scrip Dividend Scheme as at 6 April 2016 is set out in Part 3 of these Explanatory Notes. This summary is for information purposes only and if Shareholders are in any doubt as to their own taxation position, they should consult their professional advisers before taking any action.

13. Can the Company cancel the Scrip Dividend Scheme?

The Company always has the discretion to cancel the Scrip Dividend Scheme but it is the Directors' current intention to offer a Scrip Dividend Alternative on a regular basis.

The operation of the Scrip Dividend Scheme is always subject to the Directors' decision to offer a Scrip Dividend Alternative in respect of any particular dividend. The Directors may also determine whether any Scrip Dividend Alternative will be a PID or Non-PID including whether it should be treated as a Non-PID in circumstances where the cash dividend is a PID, and vice versa. The Directors also have the power, after such an offer is made, to amend, suspend or terminate the Scrip Dividend Scheme generally at any time prior to the allotment of the New Ordinary Shares pursuant to it and may scale back elections made under the Scrip Dividend Scheme in respect of any particular dividend. If the Directors suspend or terminate the Scrip Dividend Scheme, decide not to offer New Ordinary Shares in respect of any particular dividend or scale back elections in respect of any particular dividend, Shareholders will receive their dividend in cash in full in the usual way (or, in the case of a scaling back of elections, in a greater amount than would otherwise be the case) on or as soon as reasonably practicable after the Relevant Dividend Payment Date.

In the case of an amendment of the Scrip Dividend Scheme by the Directors, a Shareholder's instructions will remain valid under the amended terms unless they notify Equiniti in writing, cancelling their instructions 15 working days before the next Relevant Dividend Payment Date, failing which the cancellation will take effect from the following dividend. The Directors will not offer New Ordinary Shares unless the Company has unissued shares authorised for issue and sufficient reserves or funds that may be capitalised to give effect to it after the basis of allotment is determined.

PART 2

THE MANDATE

1. What is the Mandate Form?

A Mandate Form must be completed by each Shareholder or joint Shareholder in order to participate in the Scrip Dividend Scheme and to receive New Ordinary Shares for future dividends for which a Scrip Dividend Alternative is offered.

A Mandate will remain valid in respect of all Relevant Dividends unless and until cancelled in writing by the Shareholder or until the Scheme is cancelled by the Company.

2. Can I complete a Mandate Form for part of my holding?

No. Mandate Forms will not be accepted for part of a shareholding. A Mandate Form applies to the full number of Ordinary Shares registered in a Shareholder's name on the relevant Record Date.

Notwithstanding this, the Company may, at its discretion, permit a Shareholder to complete a Mandate Form in respect of a lesser number of Ordinary Shares than their full shareholding where that Shareholder is acting on behalf of more than one beneficial owner i.e. a nominee Shareholder. Any such completed Mandate Form in respect of part of a shareholding will continue to apply for future dividends to the number of Ordinary Shares specified until it is altered or cancelled. A cash dividend will automatically be paid on any Ordinary Shares which are not specified in a Mandate Form.

3. Does the Mandate apply to Ordinary Shares held in joint names?

Yes, for as long as the Ordinary Shares are held jointly, but all joint Shareholders must sign the Mandate Form.

4. What happens if I buy more shares after I have completed a Mandate Form?

If a Shareholder buys Ordinary Shares prior to the first day such shares are quoted "ex-dividend" for any particular dividend, that Shareholder may be entitled to the dividend on those shares and they are advised to contact their stockbroker or other agent through whom the purchase was made without delay so as to ensure that the purchased shares are registered promptly in their name.

Any additional Ordinary Shares which a Shareholder buys, and which are registered in their name prior to the Record Date for any dividend to which they are entitled, will be covered by the Mandate Form they have completed and such Shareholder will receive New Ordinary Shares, instead of cash dividends, for their entire holding.

5. What happens if I sell part of my holdings?

If a Shareholder sells any of their Ordinary Shares prior to the first day such shares are quoted “ex-dividend” for any particular dividend, they may not be entitled to the dividend on those shares and they are advised to contact their stockbroker or other agent through whom the sale was effected without delay as there may be a claim for the cash amount of the dividend by the purchaser in accordance with the rules of the UK Listing Authority.

If a Shareholder sells part of their shareholding prior to the relevant Record Date for any dividend and such sale is registered in the Company’s register of members prior to the relevant Record Date, the Scheme will only apply to their remaining Ordinary Shares.

6. What happens if I have more than one holding?

If a Shareholder's Ordinary Shares are registered in more than one holding and they want to receive New Ordinary Shares instead of cash dividends in respect of each holding, they must complete a separate Mandate Form for each holding. If they wish, a Shareholder may ask Equiniti to combine their holdings. A Shareholder cannot, however, combine a sole shareholding with a joint shareholding.

7. Can I cancel my Mandate?

Shareholders may cancel their Mandate at any time by writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. A Mandate may be cancelled at any time, except that for a cancellation instruction to be effective for a particular dividend, it must be received at least 15 working days before the Relevant Dividend Payment Date. If a cancellation instruction is received after that date, it will apply to all subsequent dividends.

8. When will my Mandate be cancelled?

Instructions will be regarded as cancelled in respect of any Ordinary Shares which a Shareholder sells or otherwise transfers to another person and regarded as fully cancelled on the sale or transfer of the whole of a Shareholder’s shareholding. This will take effect from registration of the relevant share transfer.

Instructions will be regarded as cancelled immediately on notice being given to the Company by writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, of the death, bankruptcy, liquidation or mental incapacity of a Shareholder, unless the Shareholder was a joint Shareholder in which case participation of the other joint Shareholder(s) will continue.

9. What do I do if I have any questions?

If you have any queries, please contact Equiniti using the contact details set out below:

- by post at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.
- by telephone on 0371 384 2192 (UK) or +44 (0) 121 415 7593 (International). Calls to 03 numbers cost no more than a national rate call to a 01 or 02 number. Lines are open from 8.30 a.m. to 5.30 p.m. (UK time).

Alternatively you can visit www.derwentlondon.com.

10. How do I notify changes?

Any notifications regarding the Scheme should be addressed to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. All communications, notices, certificates and remittances to be delivered by or sent to or from Shareholders will be delivered or sent at their own risk.

11. What is the governing law of the Scrip Dividend Scheme?

The Scrip Dividend Scheme (including any Mandate Form, election(s), instruction(s) and authorisation(s) given by any Shareholder) is subject to the Company's Articles of Association in force from time to time and is governed by and its terms and conditions are to be construed in accordance with English law. By electing to receive New Ordinary Shares a Shareholder agrees to submit to the jurisdiction of the English courts in relation to the Scrip Dividend Scheme.

PART 3

TAXATION GUIDELINES

The following statements are intended only as a general guide to certain relevant aspects of UK tax law and of the current practice of HMRC (as at 6 April 2016), both of which are subject to change at any time, possibly with retrospective effect. They are not advice. Except in so far as express reference is made to the treatment of non-UK residents, they are intended to apply only to Shareholders who are resident (or, in the case of an individual, resident or ordinarily resident) in the United Kingdom for UK tax purposes, who hold their Ordinary Shares as investments and who are the absolute beneficial owners of such Ordinary Shares. The statements do not apply to certain classes of Shareholder, such as Substantial Shareholders, dealers in securities or distributions, insurance companies, collective investment schemes and persons who have acquired (or are deemed for tax purposes to have acquired) their shares by reason of office or employment.

Shareholders who are in any doubt as to their tax position or who are resident or subject to tax in a jurisdiction other than the United Kingdom should consult their own professional advisers without delay.

1. General

As part of a REIT, UK resident REIT group members and non-UK resident REIT group members with a UK qualifying property rental business do not pay UK direct taxes on income and capital gains from their qualifying property rental businesses in the United Kingdom (the “Tax-Exempt Business”), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will generally be treated for UK tax purposes as property income in the hands of Shareholders. However, corporation tax is still payable in the normal way in respect of income and gains from other parts of the Group’s business (the “Residual Business”). A dividend paid by the Company in respect of profits or gains of the Tax-Exempt Business of the Group is referred to below as a “Property Income Distribution” or “PID”. A dividend paid by the Company that is not a PID is referred to as a “Non-PID Dividend” or “Non-PID”.

The “cash equivalent” of any New Ordinary Shares received in lieu of a cash dividend will be the amount of the cash dividend foregone unless the difference between that amount and the market value of the New Ordinary Shares received in lieu of the cash dividend calculated on the first day of dealing on the London Stock Exchange (in accordance with section 412 of the Income Tax (Trading and Other Income) Act 2005) is equal to or greater than 15 per cent. of that market value, in which case the cash equivalent will be that market value.

Just as when it pays a cash PID, the Company may be required to make a withholding on account of income tax (at 20 per cent.) when it makes a distribution of New Ordinary Shares in the form of a PID; see paragraph 2(iv) below. The result will be a reduction in the number of New Ordinary Shares issued to the relevant Shareholder.

2. Taxation of Property Income Distributions (PIDs)

When references are made below to a PID, the amount of that PID is (a) in the case of a PID in the form of New Ordinary Shares, the cash equivalent of the New Ordinary Shares, and (b) in the case of a cash PID, the amount of that cash PID, in both cases before any applicable obligation to make a withholding on account of tax.

(i) Individuals

(A) Income tax

Subject to certain exceptions, a PID (taken together with any PID from another UK REIT) will be treated in the hands of Shareholders who are individuals as the profit of a UK property business, and one that is separate from any other UK property business carried on by the relevant Shareholder. This means that any surplus expenses from any such other business cannot be offset against the PID for UK tax purposes.

Please see also paragraph 2(iv) (Withholding tax) below.

(B) Capital gains tax

For capital gains tax purposes, a Shareholder who is an individual and who receives New Ordinary Shares in PID form will be treated as having acquired those New Ordinary Shares for an amount equal to their cash equivalent. A subsequent disposal will then be subject to the capital gains tax regime in the normal way.

(ii) Corporate Shareholders

Subject to certain exceptions, a PID (together with any PID from another UK REIT) will be treated in the hands of Shareholders that are within the charge to corporation tax as profit of a UK property business, and one that is separate from any other UK property business carried on by the relevant Shareholder. Again, this means that any surplus expenses from any such other UK property business cannot be offset against the PID for UK tax purposes.

Please see also paragraph 2(iv) (Withholding tax) below.

For the purposes of corporation tax on chargeable gains, a corporate Shareholder that receives New Ordinary Shares in PID form will be treated as having acquired those New Ordinary Shares for an amount equal to their cash equivalent. A subsequent disposal will then be subject to the chargeable gains regime in the normal way.

(iii) Shareholders who are not resident for tax purposes in the United Kingdom

Where a Shareholder who is resident for tax purposes outside the United Kingdom receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

(iv) Withholding tax

(A) General

Subject to certain exceptions summarised at paragraph (D) below, the Company will be required to withhold tax at source from its PIDs at the basic rate (currently 20 per cent.). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld and the net amount of the PID. If the PID is received by the Shareholder in the form of New Ordinary Shares, the Shareholder will receive a Scrip Statement setting out the cash PID foregone, the number of New Ordinary Shares issued, the amount of any Cash Balance carried forward and the applicable withholding tax amount.

(B) Shareholders resident for tax purposes in the United Kingdom

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Corporate Shareholders will generally be liable to pay corporation tax on their PID (see paragraph 2(ii) above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax (or against any obligation to withhold income tax which they may have) in the accounting period in which the PID is received.

Corporate Shareholders may generally receive a PID without withholding tax (see (D) below).

(C) Shareholders who are not resident for tax purposes in the United Kingdom

It is not possible for a Shareholder to make a claim under a double tax treaty for a PID to be paid by the Company gross or at a reduced rate of withholding. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of the double tax treaty (if any) between the United Kingdom and the country in which the Shareholder is resident.

(D) Exceptions to requirement to withhold income tax

Shareholders should note that in certain circumstances the Company is not required to withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the United Kingdom (or resident for tax purposes outside the United Kingdom but required to bring the PID into account in computing the taxable profits of

a permanent establishment in the United Kingdom), a charity, a local authority or a specified government body. They also include PIDs which, in the reasonable belief of the Company, are received by the scheme administrator of a registered pension scheme or the account manager of an Individual Savings Account and will be applied for the purposes of the relevant scheme or account.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid “Declaration of Eligibility” (copies of which are available on the ‘Investor’ section of our website at www.derwentlondon.com or may be obtained from the Registrar by calling its shareholder helpline). The relevant form must be lodged with Equiniti, no later than the Record Date for the relevant dividend. Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their Declaration of Eligibility are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

3. Taxation of Non-PIDs

(i) Individuals

(A) Income tax

A Shareholder who is an individual and who receives New Ordinary Shares in Non-PID form under the Scrip Dividend Alternative, or receives a cash dividend in Non-PID form, will be treated as if they had received dividend income; in the case of New Ordinary Shares, the income will be an amount equal to the cash equivalent of the shares.

The UK government has proposed significant changes to the income tax treatment of dividends to take effect from 6 April 2016. The remainder of this paragraph 3. (i) (A) assumes that the changes will be enacted in the form set out in the Finance Bill published on 24 March 2016.

Under the new rules, dividends paid on or after 6 April 2016 will not carry a tax credit. A nil rate of income tax will apply to the first £5,000 of taxable dividend income received by the Shareholder in a tax year (the “Nil Rate Amount”), regardless of what tax rate would otherwise apply to that dividend income; and any taxable dividend income received by such a Shareholder in a tax year in excess of the Nil Rate Amount will be taxed at a special rate, as set out below.

The excess amount (the “Relevant Dividend Income”) will be subject to income tax:

- at the rate of 7.5%, to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;

- at the rate of 32.5%, to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- at the rate of 38.1%, to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Shareholder's total dividend income for the tax year in question (including the part within the Nil Rate Amount) will be treated as the highest part of the shareholder's total income for income tax purposes.

(B) Capital gains tax

A Shareholder who is an individual and who receives New Ordinary Shares in Non-PID form under the Scrip Dividend Alternative will be treated as having acquired those New Ordinary Shares for an amount equal to their cash equivalent. A subsequent disposal will then be subject to the capital gains tax regime in the normal way.

(ii) Corporate Shareholders

Corporate Shareholders will not be liable to corporation tax on the receipt of New Ordinary Shares in NonPID form under the Scrip Dividend Alternative, nor should they generally be liable to corporation tax on any cash Non-PID dividend.

To the extent that a company receives New Ordinary Shares in Non-PID form under the Scrip Dividend Alternative, the issue of the New Ordinary Shares should be treated as a bonus issue for which there is no acquisition cost. Consequently, the calculation of any chargeable gain or allowable loss on a future disposal of, or of part of, that company's enlarged holding should fall to be made by reference to the base cost of the original holding only.

(iii) Shareholders resident for tax purposes outside the United Kingdom

The Company is not required to withhold any tax when a non-UK resident Shareholder receives New Ordinary Shares in Non-PID form in lieu of a cash dividend, or receives a cash Non-PID dividend. Shareholders who are not resident for tax purposes in the United Kingdom will generally have no further UK tax to pay upon receipt of New Ordinary Shares in Non-PID form.

Shareholders who are not resident for tax purposes in the United Kingdom will not generally be subject to UK tax on chargeable gains on a disposal of their New Ordinary Shares. However, Shareholders who are individuals and are temporarily resident for tax

purposes outside the United Kingdom may, in certain circumstances, be subject to UK tax in respect of gains realised while they are not resident in the United Kingdom.

4. Stamp duty and SDRT

No stamp duty or stamp duty reserve tax will generally be payable on the issue of new shares under the Scrip Dividend Scheme.

PART 4

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Cash Balance”	the cash value of any fractions of New Ordinary Shares which are not issued to Shareholders pursuant to a Scrip Dividend Alternative
“Company” or “Derwent London plc”	Derwent London plc
“CREST”	the relevant system as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) in respect of which CRESTCo Limited is the operator
“Derwent London plc's Scrip Dividend Scheme”, “Scrip Dividend Scheme” or “Scheme”	the offer to receive New Ordinary Shares instead of a cash dividend for all Relevant Dividends, comprising the terms and conditions contained in this document and the Mandate Form, as amended from time to time
“Derwent London REIT Group”	means the group of which Derwent London plc is the principal company for the purposes of section 134 of the Finance Act 2006
“Directors”	the Directors of the Company, from time to time
“Equiniti” or “Registrar”	the Company's registrar, Equiniti Limited
“Ex-dividend Date”	the day the Ordinary Shares are first quoted “ex” for the Relevant Dividend
“Group”	the Company and its subsidiaries from time to time
“HMRC”	means Her Majesty's Revenue and Customs
“London Stock Exchange”	the London Stock Exchange PLC

“Mandate”	the instructions of a Shareholder as set out in a valid Mandate Form
“Mandate Delivery Deadline”	the deadline by which Mandate Forms must be received by Equiniti Limited, being (unless notified otherwise) 15 working days before the Relevant Dividend Payment Date, in order for the Mandate to be effective at the Relevant Dividend
“Mandate Form”	a mandate, in a form provided by the Company, from a Shareholder to the Directors to allot New Ordinary Shares under the terms of the Scrip Dividend Scheme in respect of Relevant Dividends
“New Ordinary Shares”	new Ordinary Shares to be issued, credited as fully paid up, pursuant to the Scrip Dividend Scheme or, as the case may be, Treasury Shares
“Non-PID”	any cash dividend paid by the Company that is not a PID
“Ordinary Shares”	Ordinary Shares of 5p each in the capital of the Company
“PID”	has the meaning given to that term in Part 3 (Taxation Guidelines)
“Real Estate Investment Trust” or “REIT”	means a real estate investment trust
“Record Date”	the date on which Ordinary Shares must be held in order for a Shareholder to be eligible to receive a declared dividend
“Relevant Dividend”	dividends proposed by the Company for which the Scrip Dividend Alternative is offered
“Relevant Dividend Payment Date”	in respect of a Relevant Dividend, the date on which it will be paid

“Scheme Document”	this document, as amended from time to time, which sets out the terms and conditions of the Scrip Dividend Scheme
“Scrip Calculation Price”	the average of the closing middle market quotations of an Ordinary Share, derived from the London Stock Exchange Daily Official List, for the five consecutive business days commencing on the Ex-dividend Date
“Scrip Dividend Alternative”	the offer by the Company to Shareholders to receive New Ordinary Shares instead of a cash dividend in respect of Relevant Dividends pursuant to Derwent London plc's Scrip Dividend Scheme
“Scrip Dividend Scheme”	Derwent London plc's Scrip Dividend Scheme
“Scrip Statement”	the written statement delivered to each Shareholder who has joined Derwent London plc's Scrip Dividend Scheme on every occasion that the Scrip Dividend Alternative is offered, which sets out, inter alia, details of the New Ordinary Shares issued to the Shareholder and any Cash Balance carried forward
“SDRT”	means stamp duty reserve tax
“Shareholder”	a holder of Ordinary Shares
“Substantial Shareholder”	means a company that <ul style="list-style-type: none"> (i) is beneficially entitled, directly or indirectly, to 10 per cent. or more of Derwent London's dividends; (ii) is beneficially entitled, directly or indirectly, to 10 per cent. or more of Derwent London's share capital; or (iii) controls, directly or indirectly, 10 per cent. or more of the voting rights of Derwent London, and

for the purposes of this definition, “company” includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements

“UK”

United Kingdom

Reference in this booklet and the Mandate Form to “issue”, “issued”, “allot”, “allotted” and “allotment” in respect of New Ordinary Shares shall include the sale or transfer of Treasury Shares made to Shareholders in satisfaction of elections to receive New Ordinary Shares made under the Scrip Dividend Scheme.

DERWENT LONDON

Derwent London plc

Registered office:

25 Savile Row,
London W1S 2ER

T+44 (0)20 7659 3000

F+44 (0)20 7659 3100

www.derwentlondon.com

Registered No. 1819699

EQUINITI

Equiniti

Aspect House

Spencer Road

Lancing

West Sussex

BN99 6DA

0871 384 2192

+44 (0)121 415 7593 (International)